

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS

)
 KATHLEEN ROSELLI, Individually And)
 On Behalf of All Others Similarly Situated,)
)
 Plaintiff,)
)
 vs.)
)
 GROUPON, INC., ERIC P. LEFKOFSKY,)
 ANDREW D. MASON, JASON CHILD,)
 KEVIN EFRUSY, THEODORE J.)
 LEONSIS, HOWARD SCHULTZ,)
 JOSEPH M. DEL PRETO,)
 MORGAN STANLEY & CO. LLC,)
 GOLDMAN, SACHS & CO., and CREDIT)
 SUISSE SECURITIES (USA) LLC,)
)
 Defendants.)

CIVIL ACTION NO. 12-2460

CLASS ACTION COMPLAINT
FOR VIOLATIONS OF
FEDERAL SECURITIES LAWS

JURY TRIAL DEMANDED

Plaintiff Kathleen Roselli (“Plaintiff”), individually and on behalf of all other persons similarly situated, by her undersigned attorneys, for her Class Action Complaint against Defendants, alleges upon personal knowledge as to herself and her own acts, and upon information and belief as to all other matters, based on, *inter alia*, the investigation conducted by and through their attorneys, which included, among other things: a review of wire and press releases published by and regarding Groupon, Inc. (NASDAQ: GRPN) (“Groupon” or the “Company”); Defendants’ public statements, documents, conference calls and announcements; Securities and Exchange Commission (“SEC”) filings; securities analysts’ reports and advisories about the Company; and information readily obtainable on the Internet.

NATURE OF THE ACTION

1. This is a securities fraud class action brought on behalf of all persons or entities who: (1) purchased or otherwise acquired Groupon common stock pursuant and/or traceable to the Company's Registration Statement and Prospectus (collectively, the "Registration Statement"), as amended, issued in connection with to its November 4, 2011 initial public offering (the "IPO" or the "Offering") seeking to pursue remedies under §§11, 12(a)(2) and 15 of the Securities Act of 1933 (the "Securities Act"); and (2) purchased or otherwise acquired the Groupon common stock during the period from February 8, 2012 through and including March 30, 2012, seeking to pursue remedies under §§10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and SEC Rule 10b-5.

2. Groupon's IPO was the largest U.S. web IPO since Google. Groupon sold 35 million shares priced at \$20.00 per share; thus, the total price to the public of this offering was \$700 million.

3. Throughout the Class Period (as defined herein), Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants made false and/or misleading statements about the adequacy of the Company's lacked internal financial controls, and the Company's reported financial results for the fourth quarter of 2011.

4. On Friday, March 30, 2012, Groupon disclosed: (a) that it had materially understated refund reserves for fourth quarter 2011 ("Q4 2011") due to a failure to properly account for coupon refunds; (b) that, as a result, it had materially misstated previously reported Q4 2011 and Full-Year 2011 revenue, operating income (loss), operating expense, net income

(loss), earnings (loss) per share, and cost of revenue; and (c) that internal controls over its financial statements had material weaknesses.

5. As a result of the revelations, Groupon's stock plummeted. On Monday, April 2, 2012, the first trading day following Groupon's disclosures, the Company's stock closed on extraordinarily high volume of 10.09 million shares at \$15.27 – a single-trading-day decline of \$3.11 or 16.9% from its prior close.

6. As a result of defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's stock, Plaintiff and other Class members have suffered significant losses and damages.

JURISDICTION AND VENUE

7. The claims asserted herein arise under Sections 11, 12(a)(2) and 15 of the Securities Act, 15 U.S.C. §§ 77k and 77o and under Sections 10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a), and SEC Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5.

8. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §§ 1331 and 1337 and Section 27 of the Exchange Act, 15 U.S.C. § 78aa and Section 22 of the Securities Act, 15 U.S.C. § 77v.

9. Venue is proper in this District pursuant to Section 27 of the Exchange Act, 15 U.S.C. § 78aa, Section 22 of the Securities Act, 15 U.S.C. § 77v, and 28 U.S.C. § 1391(b). Defendant Groupon is headquartered in this district; Defendant Groupon, the Individual Defendants and/or Underwriter Defendants conduct business in this district, and wrongful conduct at issue took place in this district.

PARTIES

10. Plaintiff Kathleen Roselli, as set forth in the accompanying certification, which is incorporated by reference herein, purchased shares of Groupon common stock pursuant and/or traceable to the Company's materially untrue and misleading Registration Statement during the Class Period and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

11. Defendant Groupon Inc. is a Delaware corporation with its principal executive offices located at 600 West Chicago Avenue, Suite 620, Chicago, Illinois 60654. Groupon is a local commerce marketplace that connects merchants to consumers by offering goods and services at a discount. Groupon is actively traded on NASDAQ GS under the ticker symbol "GRPN."

12. Defendant Eric P. Lefkofsky ("Lefkofsky") was at all relevant times the Company's Chairman of the Board of Directors ("Board"). Defendant Lefkofsky is also a Co-Founder of Groupon. Defendant Lefkofsky signed and caused to be filed with the SEC the materially false and misleading Registration Statement in connection with the IPO.

13. Defendant Andrew D. Mason ("Mason") was at all relevant times the Company's Chief Executive Officer ("CEO"). Defendant Mason is also a Co-Founder of Groupon. He signed and caused to be filed with the SEC the materially false and misleading Registration Statement in connection with the IPO.

14. Defendant Jason Child ("Child") was at all relevant times the Company's Chief Financial Officer. Defendant Child signed and caused to be filed with the SEC the materially false and misleading Registration Statement in connection with the IPO.

15. Defendant Kevin Efrusy (“Efrusy”) was at all relevant times a member of the Company’s Board and an Audit Committee Member. Defendant Efrusy signed and caused to be filed with the SEC the materially false and misleading Registration Statement in connection with the IPO.

16. Defendant Theodore J. Leonsis (“Leonsis”) was at all relevant times a member of the Company’s Board and the Chairman of the Audit Committee. Defendant Leonsis signed and caused to be filed with the SEC the materially false and misleading Registration Statement in connection with the IPO.

17. Defendant Howard Schultz (“Schultz”) was at all relevant times a member of the Company’s Board and an Audit Committee Member. Defendant Schultz signed and caused to be filed with the SEC the materially false and misleading Registration Statement in connection with the IPO.

18. The Registration Statement stated that under the Audit Committee charter to be effective upon completion of the IPO, the Audit Committee was to be responsible for, *inter alia*, “monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters,” “reviewing the adequacy and effectiveness of our internal control policies and procedures,” and “reviewing with management and the independent auditors our interim and year-end operating results.”

19. Defendant Joseph M. Del Preto was at all relevant times the Company’s Chief Accounting Officer (“CAO”). He signed and caused to be filed with the SEC the materially false and misleading Registration Statement in connection with the IPO.

20. Defendants Lefkofsky, Mason, Child, Efrusy, and Del Preto are sometimes collectively referred to herein as the “Individual Defendants.”

21. Defendant Morgan Stanley & Co. LLC (“Morgan Stanley”) was a primary underwriter of the Company’s IPO and assisted in the preparation and dissemination of Groupon’s IPO materials. Additionally, Morgan Stanley acted as representative for all of the underwriters involved in the Groupon IPO. Morgan Stanley’s main offices are located at 1585 Broadway, New York, NY 10036.

22. Defendant Goldman, Sachs & Co. (“Goldman Sachs”) was an underwriter of the Company’s IPO and assisted in the preparation and dissemination of Groupon’s IPO materials. Additionally, Goldman Sachs acted as representative for all of the underwriters involved in the Groupon IPO. Goldman Sachs’s headquarters are located at 200 West Street, New York, NY 10282.

23. Defendant Credit Suisse Securities (USA) LLC (“Credit Suisse”) was an underwriter of the Company’s IPO and assisted in the preparation and dissemination of Groupons’ IPO materials. Additionally, Credit Suisse acted as representative for all of the underwriters involved in the Groupon IPO. Credit Suisse has its principal U.S. location at 11 Madison Avenue, New York, New York 10010.

24. Defendants Morgan Stanley, Goldman Sachs, and Credit Suisse are sometimes collectively referred to herein as the “Underwriter Defendants.”

25. Defendant Groupon, the Individual Defendants, and the Underwriters Defendants are sometimes collectively referred to herein as “Defendants.”

SUBSTANTIVE ALLEGATIONS

Groupon's False and Misleading IPO Registration Statement

26. Groupon is self-described on the Company website as “a local e-commerce marketplace and the leading daily deal site worldwide, connecting millions of subscribers around the world with merchants by offering goods and services at a discount.”

27. Incorporated in 2008, Groupon today has more than 10,000 employees working at its offices in the United States, Europe, Latin America, Asia and around the world.

28. The Registration Statement set forth the Groupon's accounting policy for recognition of refunds upon coupons as follows:

At the time revenue is recorded, we record an allowance for estimated customer refunds primarily based on historical experience. We accrue costs associated with refunds in accrued expenses on the consolidated balance sheets. The cost of refunds where the amount payable to the merchant is recoverable is recorded in the consolidated statements of operations as a reduction to revenue. The cost of refunds under the Groupon Promise, when there is no amount recoverable from the merchant, are presented as a cost of revenue. To the extent the refund is provided to a subscriber, we record the expense within selling general and administrative expense in the consolidated statements of operations.

29. The Company stressed the importance of accurate assessment of the likely rate of customer refunds:

If our judgments regarding estimated customer refunds are inaccurate, reported results of operations could differ from the amount we previously accrued.

30. That assessment of the rate of return was all the more critical given that Company's acknowledgement that its refunds were increasing as a result of offering higher priced and potentially more lucrative coupon deals (referred to as the “deal mix”)

Our revenue for the third quarter of 2011 increased 426% year-over-year to \$430.2 million from \$81.8 million in the third quarter of 2010. On a sequential quarterly basis, our revenue increased 9.6% from \$392.6 million in the second quarter of 2011 to \$430.2 million in the third quarter of 2011. *We retained less of*

the gross billings paid by our customers on a percentage basis in the third quarter of 2011 compared with the second quarter of 2011. This was the result of a change in deal mix within the quarter.

31. These statements lead investors to mistakenly believe that Groupon had adequate financial controls for assessing its likely rates of refunds given changes in its deal mix that had been introduced, and would be in the coming quarter.

32. To the contrary, however, the Registration Statement was false and misleading because it failed to disclose material weaknesses in Groupon's internal controls over its financial statements.

33. In its IPO, Groupon sold 35 million shares, priced at \$20 each, raising \$700 million in exchange for just over 5% of the Company. The price effectively valued the Company at \$12.8 billion – more than twice what Google had offered to buy it a year before. The Company's IPO – the ninth-largest ever according to the Wall Street Journal ("WSJ") – was viewed at the time as a resounding success. The Company's stock jumped as high as 40% that day before closing up 31% at \$26.11. The WSJ added that its first-day closing price valued Groupon at \$16.6 billion, making it more valuable than Adobe Systems, Inc. and nearly the size of Yahoo, Inc.

Groupon's False and Misleading Q4 2011 and Full-Year Reported Results

34. On February 8, 2012, Groupon issued a press release announcing Q4 2011 and Full-Year 2011 results for the periods ending December 31, 2011 (the "February 8, 2012 Press Release"), which it filed with the SEC the same day as an attachment to a Form 8-K/A (the "February 8, 2012 8-K"). The February 8, 2012 8-K was signed by Defendant Child.

35. The February 8, 2012 Press Release was for the most part upbeat and met or exceeded analyst expectations. Among other things, it reported:

a. Revenues. Groupon's Q4 2011 revenue increased 194% to \$506.5 million, as compared against \$172.2 million in the fourth quarter of 2010. For Full-Year 2011, it reported revenue of \$1.62 billion, up 419% from \$312.9 million in 2010.

b. Operating income. Groupon's Q4 2011 operating income was \$15 million, as compared with an operating loss of \$336.1 million in the fourth quarter of 2010. Significantly, the February 8, 2012 Press Release highlighted this performance metric, touting, "This marks the company's first quarter of operating profitability since Groupon began its international operations in the second quarter of 2010." For Full-Year 2011, it reported operating loss of \$203.4 million, down from a loss of \$420.3 million in 2010.

c. Operating expenses. Groupon reported total operating expenses of \$491.4 million in Q4 2011, down from \$508.4 million in the fourth quarter of 2010. For Full-Year 2011, it reported total operating expenses of \$1.828 billion.

d. Cost of revenue. Groupon reported Q4 2011 cost of revenue of \$87.3 million and Full-Year 2011 cost of revenue of \$249.9 million.

36. The only disappointing reported result was the Company's earnings per share, with respect to which Groupon reported Q4 2011 pro-forma net loss of \$9.8 million, which translated into a pro-forma loss of \$0.02 per share, below the consensus projection of a \$0.03 profit per share. The Company attributed this shortfall to "\$34.8 million of tax expense, an effective tax rate of approximately 1,600%, related to profitability in certain international countries as well as additional income tax provisions related to the establishment of the company's international headquarters in Switzerland. This resulted in an unusually high effective tax rate as compared to the company's current average statutory rate of approximately 33%." For

Full-Year 2011, Groupon reported pro-forma net loss of \$261.8 million, equating to a pro-forma loss of \$0.72 per share.

37. The Company's February 8, 2012 Press Release was false and misleading in that it understated reserves, operating expenses and cost of revenue; overstated revenues, operating income, and earnings per share; and failed to disclose material weaknesses in Groupon's internal controls.

38. Still in the dark about these problems and about the Company's true financial performance, analyst reaction to the Company's February 8, 2012 Press Release was largely favorable or tempered. For instance:

a. Benchmark Capital rated the Company a Buy, noting that:

Groupon reported 4Q11 results that topped expectations. Operating metrics were generally positive including a 41% take rate which contributed to 194% y/y revenue growth. 1Q12 guidance was also above the street for both revenue and EBITDA. We temper our revenue growth forecast but raise our EBITDA estimates materially. Our price target is \$32 per share.

b. Barrington Research rated Groupon as Outperform, noting that the Adjusted loss per share of negative \$0.02 was "below our forecast of positive \$0.02 and the Street's positive \$0.03" but explained that the shortfall was due to "higher-than-expected taxes [which] reduced the bottom line by \$0.07 per share."

The Truth Revealed: Groupon's Q4 2011 and Full-Year 2011 Revised Results

39. On March 30, 2012, after the market closed, Groupon issued a press release (the "March 30, 2012 Press Release"), which it filed with the SEC the same day as an attachment to a Form 8-K/A (the "March 30, 2012 8-K"), announcing a significant revision of its reported financial results for its Q4 2011 and Full-Year 2011.

40. The March 30, 2012 Press Release and the March 30, 2012 8-K corrected the litany of material misstatements regarding the Company's financial performance that had been set forth in its February 8, 2012 Press Release. To wit, the Company revised all of the following financial metrics:

a. Revenues. Groupon's Q4 2011 and Full-Year revenue were revised downward by \$14.3 million.

b. Operating income. Directly negating the Company's prior boasts about Q4 2011 being its first quarter of operating profitability, Groupon's Q4 2011 operating income was changed to an operating loss of \$15 million. Full-Year 2011 operating loss was also revised to \$233.4 million.

c. Operating expenses. Groupon's total operating expenses were revised upward to \$507.1 million in Q4 2011 and \$1.84 billion for Full-Year 2011.

d. Cost of revenue. Groupon's cost of revenue was revised upward to \$96.3 million for Q4 2011 and \$258.9 million for Full-Year 2011.

e. Pro-forma net income (loss) / Earnings per share. Groupon's Q4 2011 pro-forma net loss was revised to \$32.5 million, which translated into a larger pro-forma loss of \$0.06 per share. The Company's Full-Year 2011 pro-forma net loss was also revised to \$284.4 million, which equated to a larger pro-forma loss of \$0.79 per share.

41. The March 30, 2012 Press Release attributed these revisions to a host of previously undisclosed problems regarding Groupon's business, operations, management, and internal controls. It stated:

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. ...

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.

42. Groupon had failed to sufficiently account for refunds it encountered when it offered higher-priced product and service offerings. A Company spokesman told Forbes that such offerings include LASIK eye surgery, laser hair removal, and multi-visit spa packages. Given that those higher-end products and services, which are more profitable for Groupon, carry with them a greater likelihood of customer dissatisfaction, they have a correlating higher refund rate, which in turn forces the Company to withhold more of its money in a refund reserve.

43. The March 30, 2012 Press Release also disclosed the bombshell announcement that the Company's outside auditor had included a statement of material weakness regarding Groupon's internal controls in its audit of Groupon's 2011 financials:

In conjunction with the completion of the audit of Groupon's financial statements for the year ended December 31, 2011 by its independent auditor, Ernst & Young LLP, the Company included a statement of a material weakness in its internal controls over its financial statement close process in its Annual Report on Form 10-K for year ended December 31, 2011. The Company has been working for several months with another global accounting firm in preparation for reporting on the effectiveness of its internal controls by the end of 2012, as required following Groupon's initial public offering last year. The Company continues to implement process improvement initiatives and augment its staffing, and is expanding the accounting firm's engagement scope to address the underlying causes of the material weakness. Further discussion of the material weakness can be found in the Company's Form 10-K, filed today with the SEC.

44. Final results for Groupon's Full-Year 2011 were included in Groupon's Form 10-K for the year ended December 31, 2011, also filed with the SEC on March 30, 2012 (the "2011 10-K") elaborated on these negative disclosures. The 2011 10-K also stated under "Item 9A. Controls and Procedures" as follows:

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and

procedures as of December 31, 2011. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures. ***Based on this evaluation, management concluded as of December 31, 2011 that our disclosure controls and procedures were not effective at the reasonable assurance level due to a material weakness in our internal control over financial reporting, which is described below.***

In connection with the preparation of our financial statements for the year ended December 31, 2011, we concluded there is a material weakness in the design and operating effectiveness of our internal control over financial reporting as defined in SEC Regulation S-X. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The primary factors contributing to the material weakness, which relates to our financial statement close process, were:

- ***We did not maintain financial close process and procedures that were adequately designed, documented and executed to support the accurate and timely reporting of our financial results.*** As a result, we made a number of manual post-close adjustments necessary in order to prepare the financial statements included in this Form 10-K.
- ***We did not maintain effective controls to provide reasonable assurance that accounts were complete and accurate and agreed to detailed***

support, and that account reconciliations were properly performed, reviewed and approved. While these activities should be performed in the ordinary course of our preparing our financial statements, we instead needed to undertake significant efforts to complete reconciliations and investigate items identified in those reconciliations during the course of our financial statement audit.

- *We did not have adequate policies and procedures in place to ensure the timely, effective review of estimates, assumptions and related reconciliations and analyses, including those related to customer refund reserves.* As noted previously, our original estimate disclosed on February 8 of the reserve for customer refunds proved to be inadequate after we performed additional analysis.

45. Negative reaction to the Company's disclosures was swift and devastating. Analysts pounced, slamming the Company not only for the revisions of financial results, but also for the underlying, pervasive hit to confidence such egregious errors represented. For instance:

a. On March 30, 2012, an analyst at Susquehanna Financial Group commented to Reuters, "When you're a public company, there's a certain level of expectations for financial controls. It's probably because it's such a fast growing business that it doesn't have all the systems in place. Maybe they don't have enough financial personnel."

b. On April 2, 2012 Ascendant Capital Markets issued a report rating Groupon as Sell. As the report noted:

Restatement and lack of controls presents more uncertainty: In our view, the Q4 restatement and weakness in controls are likely to bolster the pervasive skepticism as to the company's valuation, growth prospects, and profit potential. Profitability has already been weak, and higher refund levels will further challenge this. We question whether Groupon can sustain its high growth and begin to generate sizeable profits while scaling back marketing and other operating costs.

c. Also on April 2, 2012, the WSJ quoted the head of financial reporting policy for the CFA Institute, which represents chartered financial analysts who work with individual investors, as questioning whether Groupon was even ready to be a public company that has to produce reliable financial reports: “It really demonstrates, for an IPO, were they really ready to go? Did they have the financial systems, did they have the processes and procedures in place?” The WSJ also quoted a Morningstar analyst as saying, “We’re playing with the big boys now. You can recover but it isn’t altogether confidence inspiring.” It likewise quoted an Evercore Partners analyst as saying that the Company’s disclosures were “going to definitely unsettle a lot of investors.”

46. The financial press was equally scathing in its assessment. For example:

a. A March 30, 2012 Forbes piece said, “The issue here is not the specifics of the restatement; the issue is that Groupon’s management is going to be viewed with squinty-eyed skepticism for some time to come. Investors do not like it when companies are deemed to have material accounting deficiencies.”

b. The New York Times Deal Book called the restatement “unexpected” and said that it “raised questions about the accounting practices of the newly public company.” It added that the material weakness disclosure “highlights current concerns about the reliability of Groupon’s financial statements.”

c. On April 2, 2012, the WSJ said, “The surprise announcement raised questions about the reliability of Groupon’s numbers at a moment when it is trying to build confidence of Wall Street investors.” It cited unnamed analysts who viewed the Company’s disclosures as “likely to intensify investor worries about how Groupon conducts business, and whether its core operations are as strong as advertised.”

47. As a direct and proximate result of these revelations, Groupon's stock price fell nearly 17%.

48. This outcome is even more shocking given that, following its IPO, Groupon was required by SEC regulations to engage an independent accounting firm to prepare a report by the end of 2012 *concerning the effectiveness of its internal controls*. Yet, only *after* it had to revise its reported financials did the Company affirmatively instruct this accounting firm to address the material weakness in its internal controls regarding reserves for refunds. At minimum, these circumstances illustrate reckless disregard on the part of Groupon and the Individual Defendants.

CLASS ACTION ALLEGATIONS

49. Plaintiff brings this action as a class action pursuant to Fed. R. Civ. P. 23(a) and (b)(3) on behalf a Class consisting of all those persons or entities who purchased or otherwise acquired the common stock of Groupon from and including November 4, 2011 through and including March 30, 2012 (the "Class Period"). Excluded from the Class are Defendants herein, the officers and directors of the Company, 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.

50. The Class members are so numerous that joinder of all is impracticable. Groupon's IPO involved the sale of 35 million shares of its common stock, which throughout the Class Period were actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands 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, BNY Mellon. Class members 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.

51. Plaintiff's claims are typical of the claims of the Class members, as all are similarly affected by Defendants' wrongful conduct in violation of federal securities law that as alleged herein.

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

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

- whether the federal securities laws were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business, operations, financial performance, management, and internal controls of Groupon;
- whether the Individual Defendants caused Groupon to issue false and misleading statements during the Class Period;
- whether the Registration Statement, the February 8, 2012 Press Release, and the February 8, 2012 8-K were false and misleading;
- whether the price of Groupon common stock during the Class Period was artificially inflated because of Defendants' conduct complained of herein; and
- whether the Class members have sustained damages and, if so, what is the proper measure of damages.

54. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all Class 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 Class members to individually

redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

55. To the extent that Plaintiff's claims are based on violations of the Exchange Act, Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;
- the omissions and misrepresentations were material;
- Groupon common stock is traded in efficient markets;
- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;
- the Company traded on the NASDAQ, and was covered by multiple analysts;
- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and
- Plaintiffs and Class members purchased and/or sold Groupon common stock between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

56. Based upon the foregoing, Plaintiff and the Class members are entitled to a presumption of reliance upon the integrity of the market.

CLAIMS FOR RELIEF

COUNT I

(Against All Defendants)

For Violation of Section 11 of the Securities Act

57. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein, excluding all allegations above that contain facts necessary to prove any elements not required to state a Section 11 claim, including without limitation, scienter.

58. This claim is asserted by Plaintiff against all Defendants by, and on behalf of, persons who acquired shares of the Company's common stock pursuant to and/or traceable to the false Registration Statement issued in connection with the November 4, 2011 IPO.

59. The Individual Defendants as signatories of the Registration Statement, as directors and/or officers of Groupon and controlling persons of the issuer, owed to the holders of the common stock obtained through the Registration Statement the duty to make a reasonable and diligent investigation of the statements contained in the Registration Statement at the time they became effective to ensure that such statements were true and correct and that there was no omission of material facts required to be stated in order to make the statements contained therein not misleading.

60. The Underwriter Defendants owed to the holders of the common stock obtained through the Registration Statement the duty to make a reasonable and diligent investigation of the statements contained in the Registration Statement at the time they became effective to ensure that such statements were true and correct and that there was no omission of material facts required to be stated in order to make the statements contained therein not misleading.

61. Defendants knew, or in the exercise of reasonable care should have known, of the material misstatements and omissions contained in or omitted from the Registration Statement as set forth herein. As such, defendants are liable to the Class.

62. None of the Defendants made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Registration Statement were true or that there was no omission of material facts necessary to make the statements made therein not misleading.

63. Defendants issued and disseminated, caused to be issued and disseminated, and participated in the issuance and dissemination of, material misstatements to the investing public which were contained in the Registration Statement, which misrepresented or failed to disclose, *inter alia*, the facts set forth above. By reason of the conduct herein alleged, each Defendant violated and/or controlled a person who violated Section 11 of the Securities Act.

64. As a direct and proximate result of Defendants' acts and omissions in violation of the Securities Act, the market price of Groupon's common stock sold in the IPO was artificially inflated, and Plaintiff and the Class suffered substantial damage in connection with their ownership of Groupon's common stock pursuant to the Registration Statement.

65. Groupon is the issuer of the common stock sold via the Registration Statement. As issuer of the securities, the Company is strictly liable to Plaintiff and the Class for the material misstatements and omissions therein.

66. At the times they obtained their shares of Groupon, Plaintiff and Class members did so without knowledge of the facts concerning the misstatements or omissions alleged herein.

67. This action is brought within one year after discovery of the untrue statements and omissions in and from the Registration Statement, which should have been made through the exercise of reasonable diligence, and within three years of the effective date of the Prospectus.

68. By virtue of the foregoing, Plaintiff and the other Class members are entitled to damages under Section 11 as measured by the provisions of Section 11(e), from the Defendants and each of them, jointly and severally.

COUNT II

(Against All Defendants) For Violations of Section 12(a)(2) of the Securities Act

69. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein, excluding all allegations above that contain facts necessary to prove any elements not required to state a Section 12(a)(2) claim, including without limitation, scienter.

70. Defendants were sellers, offerors, underwriters and/or solicitors of sales of the Groupon common stock IPO pursuant to the November 4, 2011 Registration Statement.

71. The Registration Statement contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and concealed and failed to disclose material facts. Defendants' actions of solicitation included participating in the preparation of the false and misleading Registration Statement.

72. Defendants owed, to the purchasers of Groupon common stock sold in the November 4, 2011 IPO, the duty to make a reasonable and diligent investigation of the statements contained in the Registration Statement, to insure that such statements were true and that there was not omission to state a material fact required to be stated in order to make the statements contained therein not misleading. Defendants knew of, or in the exercise of reasonable care should have known of, the misstatements and omissions contained in the Registration Statement as set forth above.

73. Plaintiff and other Class members purchased or otherwise acquired Groupon common stock pursuant to and traceable to the defective Registration Statement. Plaintiff did not know, or in the exercise of reasonable diligence could not have known of the untruths and omissions.

74. Plaintiff, individually and representatively, hereby offers to tender to Defendants those shares of common stock which Plaintiff and other Class members continue to own, on behalf of all Class members who continue to own such common stock, in return for the considerations paid for such stock together with interest thereon.

75. By reason of the conduct alleges herein, Defendants violated, and/or controlled a person who violated, section 12(a)(2) of the Securities Act. Accordingly, Plaintiff and Class members who hold Groupon common stock purchased pursuant and/or traceable to the November 4, 2011 IPO have the right to rescind and recover the consideration paid for their Groupon stock and, hereby elect to rescind and tender their Groupon securities to the Defendants sued herein. Plaintiff and Class members who have sold their Groupon common stock are entitled to rescissionary damages.

76. Less than three years elapsed from the time that the Company common stock upon which this count is brought was sold to the public to the time of the filing of this action. Less than one year elapsed from the time when Plaintiff discovered or reasonably could have discovered the facts upon which this count is based to the time of the filing of this action.

COUNT III

(Against the Individual Defendants) For Violation of Section 15 of The Securities Act

77. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein, excluding all allegations above that contain facts necessary to prove any elements not required to state a Section 15 claim, including without limitation, scienter.

78. The Individual Defendants, by virtue of their offices, directorship and specific acts were, at the time of the wrongs alleged herein and as set forth herein, controlling persons of Groupon within the meaning of Section 15 of the Securities Act. The Individual Defendants had

the power and influence and exercised the same to cause Groupon to engage in the acts described herein.

79. The Individual Defendants' position made them privy to and provided them with actual knowledge of the material facts concealed from Plaintiff and the Class.

80. By virtue of the conduct alleged herein, the Individual Defendants are liable for the aforesaid wrongful conduct and are liable to Plaintiff and the Class for damages suffered.

COUNT IV

(Against Defendant Groupon and the Individual Defendants) For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder

81. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

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

83. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other Class members; made various untrue statements of material facts and 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; and employed devices, schemes and artifices to defraud in connection with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Groupon common stock; and (iii) cause Plaintiff and other Class members to purchase Groupon

common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

84. Pursuant to the above plan, scheme, conspiracy and course of conduct, Defendant Groupon and the Individual Defendants, and each of the them, participated directly or indirectly in the preparation and/or issuance of the February 8, 2012 Press Release and/or the February 8, 2012 8-K, which were false and misleading in that they failed to disclose material adverse information and misrepresented the truth about Groupon's business, operations, financial performance, management, and internal controls.

85. Moreover, by virtue of their positions at Groupon, the Individual Defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiffs and the other members of the Class, or, in the alternative, they acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to them.

86. The acts and omissions of Defendant Groupon and the Individual Defendants as alleged herein were committed willfully or with reckless disregard for the truth. In addition, each of them knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

87. Information showing that Defendant Groupon and the Individual Defendants acted knowingly or with reckless disregard for the truth is peculiarly within their knowledge and control. As the senior managers and/or directors of Groupon, the Individual Defendants had knowledge of the details of its internal affairs.

88. The Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Individual Defendants were able to and did, directly or indirectly, control the content of the statements of Groupon. As officers and/or directors of a publicly-held company, the Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to Groupon's business, operations, financial performance, management, and internal controls. As a result of the dissemination of the false and misleading February 8, 2012 Press Release and February 8, 2012 8-K, the market price of Groupon common stock was artificially inflated. In ignorance of the adverse facts concerning Groupon that were concealed by Defendant Groupon and the Individual Defendants, Plaintiff and the other Class members purchased Groupon common stock at artificially inflated prices and relied upon the price of the common stock, the integrity of the market for the common stock, and/or upon statements disseminated by Defendant Groupon and the Individual Defendants and were damaged thereby.

89. During the Class Period, Groupon securities were traded on an active and efficient market. Plaintiff and the other members of the Class, relying on the materially false and misleading statements described herein, which Defendant Groupon and the Individual Defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased shares of Groupon common stock at prices artificially inflated by Defendant Groupon's and the Individual Defendants' wrongful conduct. Had Plaintiff and the other Class members known the truth, they would not have purchased Groupon's common stock or would not have purchased it at the inflated prices that were paid. At the time of the purchases by Plaintiff and the Class, the true value of Groupon common stock was substantially lower than the prices paid by Plaintiff and the other Class members. The market price of Groupon common

stock declined sharply upon public disclosure of the facts alleged herein, to the injury of Plaintiff and Class members.

90. By reason of the conduct alleged herein, Defendant Groupon and the Individual Defendants knowingly or recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

91. As a direct and proximate result of Defendant Groupon and the Individual Defendants' wrongful conduct, Plaintiff and the other Class members suffered damages in connection with their respective purchases and sales of Groupon's common stock during the Class Period.

COUNT V

(Against the Individual Defendants) For Violations of Section 20(a) of the Exchange Act

92. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

93. During the Class Period, the Individual Defendants participated in the operation and management of Groupon, and conducted and participated, directly and indirectly, in the conduct of Groupon's business affairs. Because of their senior positions, they knew the adverse non-public information about Groupon's misstatements and omissions regarding its business, operations, financial performance, management, and internal controls.

94. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to Groupon's business, operations, financial performance, management, and internal controls, and to promptly correct any public statements issued by themselves or by Groupon that had become materially false or misleading.

95. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the February 8, 2012 Press Release and the February 8, 2012 8-K, and the various other reports, press releases and public filings which Groupon disseminated in the marketplace during the Class Period concerning Groupon's business, operations, financial performance, management, and internal controls. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause Groupon to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of Groupon within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of Groupon common stock.

96. Each of the Individual Defendants, therefore, acted as a controlling person of Groupon. By reason of their senior management positions and/or being Directors of Groupon, and as regards the Registration Statement by reason of their need to sign it before its filing with the SEC, each of the Individual Defendants had the power to direct the actions of Groupon, and exercised the same to cause Groupon to engage in the unlawful acts and conduct complained of herein. Each of the Individual Defendants exercised control over the general operations of Groupon and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other Class members complain.

97. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by Groupon.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment against Defendants as follows:

- A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;
- B. Awarding compensatory damages in favor of Plaintiff and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- C. Awarding Plaintiff and the other Class members prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs;
- D. Awarding rescissionary damages; and
- E. Awarding such equitable, injunctive or other relief as this Court may deem just and proper.

DEMAND FOR TRIAL BY JURY

Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Plaintiff hereby demands trial by jury of all issues that may be so tried.

Dated: April 3, 2012

**POMERANTZ HAUDEK GROSSMAN
& GROSS LLP**

By: /s/ Patrick V. Dahlstrom

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Counsel for Plaintiff

Certification of Plaintiff
Pursuant to Federal Securities Laws

1. I, Kathleen Roselli, make this declaration pursuant to Section 101 of the Private Securities Litigation Reform Act of 1995 as required by Section 21D (a) (2) of Title I of the Securities Exchange Act of 1934.

2. I have reviewed a Complaint against Groupon, Inc. ("Groupon"), and authorize a filing of a comparable complaint on my behalf.

3. I did not purchase my Groupon securities at the direction of plaintiffs' counsel or in order to participate in any private action arising under Title I of the Securities Exchange Act of 1934.

4. I am willing to serve as a representative party on behalf of a class as set forth in the Complaint, including providing testimony at deposition and trial, if necessary. I understand that the Court has the authority to select the most adequate lead plaintiff in this action.

5. To the best of my current knowledge, the attached sheet lists all of my purchases and sales in Groupon securities during the Class Period as specified in the Complaint.

6. During the three-year period preceding the date on which this certification is signed, I have not sought to serve as a representative party on behalf of a class under the federal securities laws, except as follows:

7. I agree not to accept any payment for serving as a representative party on behalf of the class as set forth in the Complaint, beyond my pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the Court.

8. The matters stated in this declaration are true to the best of my current knowledge, information and belief.

I declare under penalty or perjury that the foregoing is true and correct.

Executed 4/3/12, at New York, NY
(Date) (City, State)

Kathleen Roselli
(Signature)

Kathleen Roselli
(Type or Print Name)

