

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

DENNIS EINSPAHR, Individually and on)
Behalf of All Others Similarly Situated,)

Plaintiff,)

vs.)

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

Defendants.)

Case No.

CLASS ACTION COMPLAINT

DEMAND FOR JURY TRIAL

Plaintiff alleges the following based upon the investigation of plaintiff's counsel, which included review of Groupon, Inc.'s filings with the Securities and Exchange Commission, as well as regulatory filings and reports, securities analysts' reports and advisories about the company, press releases and other statements issued by Groupon, and media reports about the company. Plaintiff believes that substantial additional evidentiary support for the allegations herein exists and will be developed after plaintiff has had a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. Plaintiff brings this action on behalf of himself and all other persons who purchased or otherwise acquired shares of Groupon common stock 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. Plaintiff requests relief under the Securities Act of 1933 (“Securities Act”) and the Securities Exchange Act of 1934 (“Exchange Act”).

2. Groupon operates a web-based platform that connects consumers and merchants through discounted offers known as “Groupons.” Groupons provide users with discounted goods or services at participating merchants as long as a pre-determined amount of consumers agree to also participate in the deal.

3. On November 3, 2011, Groupon announced the initial public offering price of \$20 per share for 35 million shares of common stock (excluding an overallotment option to purchase 5.25 million additional shares granted to the underwriters). The company realized net proceeds of \$658 million from the initial public offering.

4. During the class period, defendants issued materially false and misleading statements regarding Groupon’s financial results and business practices. Defendants—through the Registration Statement and Prospectus issued in connection with the initial public offering and throughout the class period—reported financial results that showed torrid growth and represented that the company possessed competitive advantages that would continue to benefit its business. Defendants failed to disclose adverse trends in Groupon’s business and made false statements concerning Groupon’s financial condition. These false statements and omissions

allowed defendants to successfully offer Groupon's common stock at the initial public offering price of \$20 per share and resulted in the stock trading at artificially inflated prices thereafter, reaching a class period high of \$26.19 on November 18, 2011.

5. After the market closed on March 30, 2012, Groupon issued a press release announcing a revision to its fourth quarter and full year 2011 financial results. Groupon reported a reduction of \$14.3 million in its fourth quarter revenue after initially reporting sales of \$506.5 million. The reduction in fourth quarter revenue increased fourth quarter operating expenses and reducing operating income by \$30 million, net income by \$22.6 million, and earnings per share by \$0.04. Groupon explained that the "revisions are due primarily 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."

6. 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.

7. The true facts, which were known by 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 neither growing to the extent represented by defendants nor as resistant to competition as defendants suggested;
- d. The Registration Statement and Prospectus concealed that the company was not in compliance with the laws and regulations of some of the countries in which in operated; and

- e. Groupon's internal controls were so inadequate that its reported financial results were not reliable.

JURISDICTION AND VENUE

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

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

10. 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.

11. In connection with the acts and conduct alleged herein, defendants, directly and indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the United States mails, interstate telephone communications, and the facilities of a national securities exchange.

PARTIES

12. Plaintiff Dennis Einspahr, as set forth in the accompanying certification and incorporated by reference herein, purchased Groupon common stock during the class period and has been damaged thereby.

13. Defendant Groupon operates a web-based marketplace that shares information and connects merchants and consumers by facilitating group discounts for goods or services in

over 150 markets. Groupon is headquartered in Chicago, Illinois. The company's common stock trades under the symbol GRPN on NASDAQ.

14. Defendant Jason E. Child is the company's Chief Financial Officer. Child signed or authorized the signed of the company's materially false and misleading Registration Statement.

15. Defendant Joseph M. Del Preto is Groupon's Chief Accounting Officer. Del Preto signed or authorized the signed of the company's materially false and misleading Registration Statement.

16. Defendant Andrew D. Mason co-founded the company and is the current Chief Executive Officer and a director of Groupon. Mason signed or authorized the signed of the company's materially false and misleading Registration Statement.

17. Defendant Eric P. Lefkofsky co-founded Groupon and is the current Executive Chairman of the Board. Lefkofsky signed or authorized the signed of the company's materially false and misleading Registration Statement.

18. Defendant Peter J. Barris is a director of Groupon. Barris signed or authorized the signed of the company's materially false and misleading Registration Statement.

19. Defendant Kevin J. Efrusy is a director of Groupon. Efrusy signed or authorized the signed of the company's materially false and misleading Registration Statement.

20. Defendant Mellody Hobson is a director of Groupon. Hobson signed or authorized the signed of the company's materially false and misleading Registration Statement.

21. Defendant Bradley A. Keywell is a director of Groupon. Keywell signed or authorized the signed of the company's materially false and misleading Registration Statement.

22. Defendant Theodore J. Leonsis is a director of Groupon. Leonsis signed or authorized the signed of the company's materially false and misleading Registration Statement.

23. Defendant Howard A. Schultz is a director of Groupon. Schultz signed or authorized the signed of the company's materially false and misleading Registration Statement.

24. The defendants referenced above in ¶¶ 14-16 are referred to herein as the "Officer Defendants."

25. The defendants referenced above in ¶¶ 16-23 are referred to herein as the "Director Defendants," and are named as defendants solely for violations of the Securities Act.

26. Defendant Morgan Stanley & Co. LLC ("Morgan Stanley") is an investment banking firm that provides diversified financial advisory and security brokerage services on a worldwide basis. The firm was formerly known as Morgan Stanley & Co. Inc. 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 initial public offering and helped draft and disseminate the offering documents.

27. Defendant Goldman, Sachs & Co. ("Goldman") is an investment bank that provides investment management, securities, and investment banking services to a worldwide client base. Goldman acted as lead book-running manager and underwriter for Groupon's initial public offering and helped draft and disseminate the offering documents.

28. Defendant Credit Suisse Securities (USA) LLC ("Credit Suisse") is a full-service investment bank operating in the United States. Credit Suisse acted as lead book-running manager and underwriter for Groupon's initial public offering and helped draft and disseminate the offering documents.

29. Defendant Allen & Company LLC (“Allen”) provides underwriting, advisory and brokerage services. Allen acted as book-running manager and underwriter for Groupon’s initial public offering and helped draft and disseminate the offering documents.

30. Defendant Merrill Lynch, Pierce, Fenner & Smith Inc. (“Merrill Lynch”) is the marketing name for the global banking and markets businesses of Bank of America Corporation. Merrill Lynch acted as book-running manager and underwriter for Groupon’s initial public offering and helped draft and disseminate the offering documents.

31. Defendant Barclays Capital Inc. (“Barclays”) provides clients with securities brokerage and advisory services. Barclays acted as book-running manager and underwriter for Groupon’s initial public offering and helped draft and disseminate the offering documents.

32. Defendant Citigroup Global Markets, Inc. (“Citigroup”) is a financial services company that provides investment banking and underwriting services. Citigroup acted as book-running manager and underwriter for Groupon’s initial public offering and helped draft and disseminate the offering documents.

33. Defendant Deutsche Bank Securities Inc. (“Deutsche Bank”) is the United States-based securities and investment banking arm of Deutsche Bank AG. Deutsche Bank acted as book-running manager and underwriter for Groupon’s initial public offering and helped draft and disseminate the offering documents.

34. Defendant J.P. Morgan Securities, LLC (“JP Morgan”) provides investment banking and underwriting services as part of JP Morgan Chase & Co. JP Morgan acted as book-running manager and underwriter for Groupon’s initial public offering and helped draft and disseminate the offering documents.

35. Defendant Wells Fargo Securities, LLC (“Wells Fargo”) provides investment banking, private placement and underwriting services and is a subsidiary of Wells Fargo & Co. Wells Fargo acted as book-running manager and underwriter for Groupon’s initial public offering and helped draft and disseminate the offering documents.

36. Defendant William Blair & Company LLC (“William Blair”) is a financial services firm that provides clients with equity research, investment banking and asset management services. William Blair acted as book-running manager and underwriter for Groupon’s initial public offering and helped draft and disseminate the offering documents.

37. Defendant Loop Capital Markets, Inc. (“Loop Capital”) is an investment bank and brokerage firm offering securities sales, trading services and research. Loop Capital acted as book-running manager and underwriter for Groupon’s initial public offering and helped draft and disseminate the offering documents.

38. Defendant RBC Capital Markets LLC (“RBC”) provides public and private placement of debt and equity securities, corporate finance, underwriting and financial services. RBC acted as book-running manager and underwriter for Groupon’s initial public offering and helped draft and disseminate the offering documents.

39. Defendant The Williams Capital Group, L.P. (“Williams”) is an investment bank providing institutional and individual investors with investment management and financial services. Williams acted as book-running manager and underwriter for Groupon’s initial public offering and helped draft and disseminate the offering documents.

40. The defendants named in ¶¶ 26-39 are referred to herein as the “Underwriter Defendants.”

41. Defendant Groupon and the Officer Defendants and Director Defendants who signed the Registration Statement are strictly liable for the false and misleading statements incorporated therein. 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.

CLASS ACTION ALLEGATIONS

42. Plaintiff brings this action on his own behalf and as a class action pursuant to Rules 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired Groupon common stock between November 4, 2011 and March 30, 2012, inclusive (the "class"). Excluded from the class are the defendants; the members of the immediate families of defendants; any entity in which any defendant has a controlling interest; any entity which is a parent or subsidiary of, or which is controlled by any defendant; and the officers, directors, affiliates, legal representatives, heirs, predecessors, successors, and assigns of defendants.

43. The members of the class are so numerous that joinder of all members is impracticable. Throughout the class period, Groupon's common stock was actively traded on the New York Stock Exchange in a well-developed and efficient market. While the exact number of class members is unknown to plaintiff at this time, and can be ascertained only through appropriate discovery, during the class period more than 637 million shares of Groupon common stock were outstanding. Plaintiff believes there are, at a minimum, hundreds if not thousands of members of the class. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. 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 a form similar to that customarily used in securities class actions.

44. Plaintiff's claims are typical of the claims of members of the class. All members of the class were similarly affected by defendants' allegedly wrongful conduct in violation of federal law as complained of herein.

45. Plaintiff will fairly and adequately protect the interest of the members of the class. Plaintiff has retained counsel competent and experienced in class and securities litigation.

46. 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. The questions of law and fact common to the class include:

- a. whether the federal securities laws were violated by defendants' acts and omissions as alleged herein;
- b. whether the SEC filings, press releases, and other public statements made to the investing public during the class period contained material misstatements or omitted to state material information; and
- c. whether plaintiff and the members of the class have sustained damages as a result of the conduct complained of herein, and if so, the proper measure of damages.

47. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy because, among other things, joinder of all members of the class is impracticable. Furthermore, because 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.

BACKGROUND

48. Founded in 2008, Groupon operates a web-based platform that connects consumers and merchants by offering discounted goods and services for more than 140 types of businesses. The company offers its services in over 150 markets worldwide, which users can access through the company's website or mobile application. Groupon also sends users a daily email with information about current discount offers for goods and services based on users' location and preferences.

49. On November 30, 2010, media outlets reported that search engine giant Google, Inc. offered approximately \$6 billion to acquire Groupon. Days later, on December 3, 2010, media outlets reported that Groupon had declined Google's offer.

DEFENDANTS' FALSE AND MISLEADING STATEMENTS

50. On June 2, 2011, Groupon filed a Form S-1 Registration Statement and Amendments with the SEC in connection with its initial public offering. The SEC declared the Registration Statement effective on November 3, 2011.

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

52. The Prospectus for the initial public offering, which was part of the Registration Statement, made several statements about Groupon's competitive advantages. The company stated that it could leverage its data to improve its customers' experience and trust in Groupon, use its extensive merchant scale to ensure the quality of its deals, and benefit from its "trusted

and recognizable brand by delivering a compelling value proposition to consumers and merchants.”

53. The Prospectus made representations about the Groupon’s financial results. The company stated that 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” were “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.” Groupon also detailed its procedures for revenue recognition and calculating its refund reserve.

54. In addition, the Prospectus contained an August 2011 email from Mason to Groupon’s staff regarding the company’s future, along with a disclosure that investors should not rely upon the email in making their investment decisions. In the email, which was leaked to media outlets prior to Groupon’s initial public offering, Mason made several statements about the company’s business and prospects and how Groupon had “never been stronger”:

I’ll summarize my excitement [about the future of Groupon’s business] in 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.

* * * * *

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.

* * * * *

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.

55. On November 3, 2011, Groupon issued a press release announcing that it was conducting an initial public offering of 35 million shares of common stock at \$20 per share, and had granted its underwriters a 30-day option to purchase up to an additional 5.25 million shares. The company stated that the stock would trade under the symbol "GRPN" on NASDAQ, and that the Underwriter Defendants would serve as lead and additional book-running managers.

56. On February 8, 2012, Groupon issued a press release announcing its fourth quarter and full year 2011 financial results. The company filed a Form 8-K incorporating the press release with the SEC on the same day. Groupon's press release stated:

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."

57. The press release also contained detailed information about Groupon's fourth quarter and full year 2011 financial results. For the fourth quarter, Groupon reported a net loss of \$42.7 million, or \$0.08 diluted EPS, and revenue of \$506.5 million. The company reported a net loss of \$350.8 million, or \$0.97 diluted EPS, and revenue of \$1.6 billion for the 2011 full year. Groupon also provided first quarter 2012 guidance, estimating that its income from operations would be between \$15 million and \$35 million and revenue between \$510 million and \$550 million.

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

59. After the market closed on March 30, 2012, Groupon issued a press release announcing a revision to its fourth quarter and full year 2011 financial results. The company reported a reduction of \$14.3 million in its fourth quarter revenue after initially reporting sales of \$506.5 million. The reduction in fourth quarter revenue increased fourth quarter operating expenses and reducing operating income by \$30 million, net income by \$22.6 million, and EPS by \$0.04. Groupon explained that the "revisions are due primarily 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 release also stated:

"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.

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.

60. As mentioned in the press release, Groupon filed its Form 10-K with the SEC on March 30, 2012. In that filing, the company disclosed that management "concluded [that] there is a material weakness in the design and operating effectiveness of our internal control over financial reporting." Groupon stated that the "primary factors" contributing to the material weakness 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.

61. On March 30, 2012, *The New York Times* published an article entitled “Groupon’s shares fall on revision,” which stated in part:

Founded only four years ago, the company has experienced astonishing growth as it came to dominate the world of daily deals. Last year, investors clamored for shares of the newly public company, which was valued as high as \$20 billion.

But Groupon has suffered a number of missteps in the harsh glare of scrutiny, particularly related to its accounting.

Last summer, the company was forced to drop a widely criticized profit measure that excluded marketing costs. Several months later, Groupon restated its revenue after the Securities and Exchange Commission challenged its methodology.

On Friday, Groupon said the latest accounting problems related to certain assumptions and forecasts the company used to calculate its results. In particular, the company said it underestimated customer refunds for higher-priced offers like laser eye surgery.

Groupon collects more revenue on such deals, but they also carry a higher rate of refunds. The company honors customer refunds for the life of its coupons, so those payments can affect its financials at various times.

Groupon deducts refunds within 60 days from revenue; after that, the company has to take an additional accounting charge related to the payments.

As Groupon prepared its financial statements for 2011, its auditor, Ernst & Young, determined that the company did not accurately account for the possibility of higher refunds. By the firm’s assessment, that constituted a “material weakness.”

62. Also 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 percent 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 of revenues, shaving \$14.3m from the \$506 m that had been reported before.

63. On April 2, 2012, Stifel Nicolaus, an analyst firm, downgraded Groupon to “sell” from “hold,” commenting that:

This is bigger than an accounting and trust issue — in our view, the higher level of consumer returns implies that the Groupon platform may have some trouble extending to higher ticket items. The company claims that the returns do not threaten its expansion and growth. We prefer to wait and see. The rationale for the accounting restatement opens up the possibility that Groupon's addressable market will be more limited than we thought before.

64. 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.

65. 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 neither growing to the extent represented by defendants nor as resistant to competition as defendants suggested;

- d. The Registration Statement and Prospectus concealed that the company was not in compliance with the laws and regulations of some of the countries in which in operated; and
- e. Groupon's internal controls were so inadequate that its reported financial results were not reliable.

66. The market for Groupon's common stock was open, well-developed and efficient at all relevant times. The company's common stock traded at artificially inflated prices during the class period as a result of defendants' materially false and misleading statements and failure to disclose material information. Plaintiff and class members purchased or otherwise acquired Groupon common stock in reliance upon the integrity of the market price and market information relating to Groupon, and have been damaged thereby.

67. During the class period, defendants materially misled the market and artificially inflated the price of Groupon 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. The statements were false and misleading because they failed to disclose material adverse information and misrepresented the truth about Groupon's business and operations.

68. At all relevant times, the material misrepresentations and omissions described herein directly or proximately caused, or were a substantial contributing cause of, the damages sustained by plaintiff and members of the class. Plaintiff and class members purchased Groupon common stock at artificially inflated prices. But, after the market learned the truth about the company's business and operations, the price of Groupon's stock precipitously declined, falling about 41% from its class period high. As a result, plaintiff and class members were damaged.

ADDITIONAL SCIENTER ALLEGATIONS

69. As alleged herein, Groupon, the Officer Defendants and Director Defendants acted with scienter in that they knew that their public documents and statements issued or disseminated in Groupon's name 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 are primary violations of the federal securities laws. As set forth in detail herein, these defendants, by virtue of their receipt of information reflecting the true facts regarding Groupon, their control over, receipt and/or modification of Groupon's 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.

NO SAFE HARBOR

70. The statutory safe harbor provided for certain forward-looking statements does not apply to any of the false statements alleged in this complaint. To the extent that projected revenues and earnings were included in Groupon'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).

71. In the alternative, to the extent that the statutory safe harbor does apply to any statement pleaded herein which is deemed to be forward-looking, defendants are liable for such false forward-looking statements because at the time each such statement was made, the speaker actually knew or recklessly disregarded the fact that such forward-looking statements were materially false or misleading or omitted facts necessary to make statements previously made not

materially false and misleading, or that each such statement was authorized or approved by a director or executive officer of the company who actually knew or recklessly disregarded the fact that each such statement was false and/or misleading when made. None of the historic or present tense statements made by the defendants was an assumption underlying or relating to any plan, projection, or statement of future economic performance, as they were not stated to be such an assumption underlying or relating to any projection or statement of future economic performance when made, nor were any of the projections or forecasts made by the defendants expressly related to or stated to be dependent on those historic or present tense statements when made.

LOSS CAUSATION/ECONOMIC LOSS

72. During the class period, defendants engaged in a scheme to deceive the market and a course of conduct that artificially inflated Groupon's stock price and operated as a fraud or deceit on class period purchasers of common stock by misrepresenting the company's financial condition and business prospects. Once the defendants' misrepresentations and fraudulent conduct were disclosed to the market, stock price reacted negatively as the artificial inflation was removed from it. As a result, plaintiffs and class members suffered economic loss.

73. The defendants' false and misleading statements had the intended effect and caused the securities to trade at artificially inflated levels throughout the class period.

74. As investors and the market became aware of defendants' misstatements and omissions and that Groupon's actual financial condition and business prospects were, in fact, not as represented, the company's stock price reacted negatively, damaging investors.

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

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

- a. Groupon's common stock met the requirements for listing, and was listed and actively traded on NASDAQ;
- b. Groupon filed periodic public reports with the SEC during the class period;
- c. Groupon regularly communicated with public investors via established market communication mechanisms, including regular disseminations of press releases on the national circuits of major newswire services and other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services;
- d. Groupon was followed by numerous securities analysts employed by major brokerage firms who wrote reports that were distributed to the sales force and certain customers of their respective brokerage firms during the class period. Each of these reports was publicly available and entered the public marketplace; and
- e. Unexpected material news about Groupon was rapidly reflected in and incorporated into the company's stock price during the class period.

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

COUNT I
(Violation of Section 11 of the Securities Act)
(Against All Defendants)

77. Plaintiff incorporates ¶¶ 1-68 by reference.

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 Section 11 claim.

79. The Registration Statement for the initial public offering 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 initial public offering. The defendants named herein were responsible for the content and dissemination of the Registration Statement.

81. As the 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 alleged herein, each defendant violated, and/or controlled a person who violated Section 11 of the Securities Act.

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

85. Plaintiff and class members have sustained damages. The value of Groupon's common stock has declined as a result of defendants' violations.

86. At the time of their purchases of Groupon shares, plaintiff and class members did not have 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, and less than three years have elapsed between the time Groupon offered shares to the public and plaintiff filed this complaint.

COUNT II
(Violation of Section 15 of the Securities Act)
(Against Groupon, the Officer Defendants and the Director Defendants)

87. Plaintiff incorporates ¶¶ 1-68 and ¶¶ 77-86 by reference.

88. 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 the company. The Officer Defendants and the Director Defendants each had a series of indirect and/or direct 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.

89. Groupon, the Officer Defendants and the Director Defendants were each culpable participants in the violations of Section 11 of the Securities Act alleged in the count above because they signed or authorized the signing of the Registration Statement and otherwise participated in the process which allowed the initial public offering of Groupon's common stock to be successfully completed.

COUNT III
(Violation of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder
(Against Groupon and the Officer Defendants)

90. Plaintiff incorporates ¶¶ 1-89 by reference.

91. During the class period, Groupon and the Officer Defendants carried out a plan, scheme and course of conduct which was intended to, and throughout the class period, did: (1) deceive the investing public, including plaintiff and other class members, as alleged herein; and (2) caused plaintiff and other class members to purchase Groupon stock at artificially inflated and distorted prices. In furtherance of this unlawful scheme, plan and course of conduct, Groupon and the Officer Defendants, individually and as a group, took the actions set forth herein.

92. Groupon and the Officer Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of the company as specified herein.

93. Groupon and the Officer Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Groupon's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and omitting to state material facts necessary in order to make the statements made about Groupon and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of

business that operated as a fraud and deceit upon the purchasers of the securities during the class period.

94. Groupon and the Officer Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. These material misrepresentations and/or omissions were made knowingly or recklessly by Groupon and the Officer Defendants and for the purpose and effect of supporting the artificially inflated price of the company's shares.

95. As a direct and proximate result of Groupon and the Officer Defendants' wrongful conduct, plaintiff and class members suffered damages in connection with their respective purchases of Groupon stock during the class period.

COUNT IV
(Violation of Section 20(a) of the Exchange Act)
(Against Groupon and the Officer Defendants)

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

97. Groupon and the Officer Defendants acted as controlling persons within the meaning of Section 20 of the Exchange Act. The Officer Defendants were controlling persons of Groupon during the class period due to their senior executive positions with the company; their direct involvement in the company's day-to-day operations; their ownership of Groupon stock; their signatures on and participation in the preparation and dissemination of the company's public filings and statements; and their power and ability to influence and control, directly or indirectly, the decision-making of Groupon, including the content of its financial statements and other public statements. Groupon controlled the Officer Defendants and all of the company's

employees. Groupon and the Officer Defendants had the power and authority to cause the company to engage in the wrongful conduct complained herein.

98. By reason of such conduct, Groupon and the Officer Defendants are liable pursuant to Section 20(a) of the Exchange 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 class members damages and interest;
- C. Awarding plaintiff's reasonable costs, including attorney's fees;
- D. Awarding rescission or a rescissionary 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 6, 2012

Respectfully submitted,

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