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Groupon Settles Shareholder IPO Suit For \$45M

By **Diana Novak Jones**

Law360, Chicago (July 13, 2016, 1:53 PM ET) -- An Illinois federal judge gave the go-ahead Wednesday to a \$45 million settlement between Groupon Inc. and a class of shareholders who claim the online coupon company misled them in the prospectus and registration statement it released ahead of its initial public offering in 2011.

U.S. District Judge Charles Norgle gave final approval to a settlement that ends a case filed not long after the Chicago-based company went public over claims it misstated its financial success and hid problems to achieve its \$20-per-share IPO.

The \$45 million settlement, which includes \$13.5 million in attorneys' fees, a little more than \$1 million in expenses and \$5,000 for each of the two named plaintiffs, could be divided among as many as 140,000 class members, according to court documents.

"This excellent result was achieved after more than three-and-a-half years of zealous advocacy by class counsel, and more than a year of hard-fought negotiation," counsel for the class wrote in a memorandum supporting the terms of the settlement. "As a result of these efforts, class counsel was able to negotiate from a position of strength and achieve a result that is highly favorable to the class."

The class includes any shareholder who purchased stock between the November 2011 IPO date and March 30 of the following year, when Groupon announced it had failed to set aside enough money to cover customer refunds and was forced to revise its revenue calculations for the IPO. A subclass includes shareholders who purchased Groupon stock between February and March 2012 based on a separate February earnings report. Those shareholders also faced a steep drop in share price at the end of that month after the revelation of the company's misstated revenue.

The settlement figure represents almost 35 percent of a potential jury award in the case should the class have won, class counsel said. In February, when the settlement was reached, both parties were preparing for summary judgment and had a trial date set for December.

"We're pleased to have reached an amicable resolution in this matter and look forward to focusing on the future for Groupon," Groupon spokesman Bill Roberts told Law360 when the settlement was reached **earlier this year**.

Attorneys for both sides declined to comment following Wednesday's hearing.

The case was **originally filed in 2012**, days after the company was forced to reduce its fourth-quarter 2011 revenue by \$14.3 million and increase losses to \$22.6 million following a miscalculation of customer refunds when the company began offering coupons for high-priced services like laser eye surgery. Stock prices tumbled to below the IPO price as a result, according to the complaint.

The case, which names former Groupon CEO Andrew D. Mason, former Chairman Eric Lefkofsky, former Chief Financial Officer Jason E. Child, former Chief Accounting Officer Joseph M. Del Preto and several other former Groupon officers, was consolidated with another shareholder suit in 2012. Banks involved in the underwriting of the IPO were also named in the suit, though they were

later dismissed.

Judge Norgle certified the class of investors in September 2014, and the certification was later upheld on appeal in the Seventh Circuit.

The class action isn't the only shareholder suit against Groupon related to its IPO, with another action in Illinois court moving forward on claims Groupon had been warned its accounting practices were improper before it was forced to revise its pre-IPO financial statements. Attorneys in that suit told U.S. District Judge Andrea Wood in February they had **come to an agreement** in principle.

The class representatives are represented by Patrick V. Dahlstrom, Joshua B. Silverman and Louis C. Ludwig of Pomerantz LLP.

Groupon is represented by Anton R. Valukas, Robert L. Byman, Elizabeth A. Coleman and Howard S. Suskin of Jenner & Block LLP.

The case is In re: Groupon Inc. Securities Litigation, case number 1:12-cv-02450, in the U.S. District Court for the Northern District of Illinois.

--Additional reporting by Jessica Corso and Jody Godoy. Editing by Jack Karp.

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