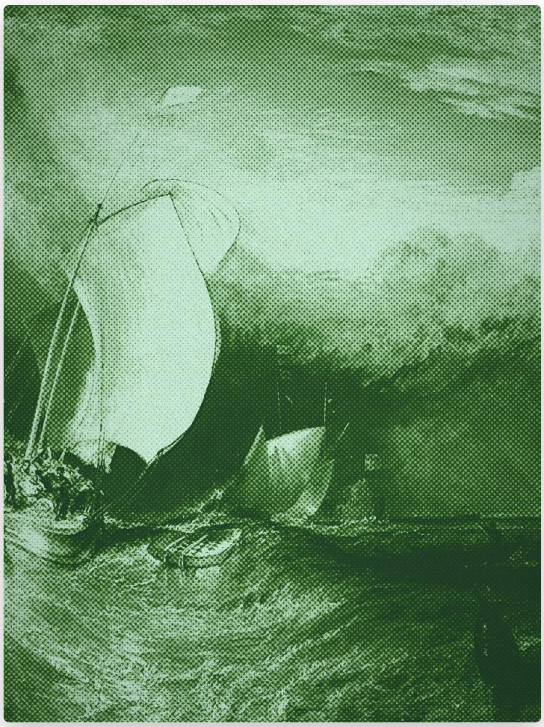
FORM S-1 · REGISTRATION STATEMENT

Groupon, Inc.

IPO priced 2011-11-03 · $20.00 a share · GRPN



From S1 Directory · www.s1directory.com/s1/groupon-inc/ · Source: https://www.sec.gov/Archives/edgar/data/1490281/000104746911005613/a2203913zs-1.htm

Use these links to rapidly review the document

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 2, 2011

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549

FORM S-1 REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Groupon, Inc.

(Exact name of Registrant as specified in its charter)

User-specified TAGGED TABLE

Delaware	7379	27-0903295
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

600 West Chicago Avenue, Suite 620 Chicago, Illinois 60654 312-676-5773 (Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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Andrew D. Mason

Chief Executive Officer Groupon, Inc. 600 West Chicago Avenue, Suite 620 Chicago, Illinois 60654 312-676-5773 (Name, address, including zip code, and telephone number, including area code, of agent for service) Copies to:

User-specified TAGGED TABLE

Steven J. Gavin, Esq. Matthew F. Bergmann, Esq. Winston & Strawn LLP 35 West Wacker Drive Chicago, Illinois 60601 312-558-5600	Peter M. Astiz, Esq. Gregory M. Gallo, Esq. Jason C. Harmon, Esq. DLA Piper LLP (US) 2000 University Avenue East Palo Alto, California 94303 650-833-2036

end of user-specified TAGGED TABLE

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. o If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

User-specified TAGGED TABLE

Large accelerated filer o	Accelerated filer o
Non-accelerated filer ý (Do not check if a smaller reporting company)	Smaller reporting company o

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CALCULATION OF REGISTRATION FEE

User-specified TAGGED TABLE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price[(1)(2)]	Amount of Registration Fee
Class A Common Stock, $0.0001 par value	$750,000,000	$87,075

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(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes shares the underwriters have the option to purchase to cover over-allotments, if any.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a) may determine.

THIS IS THE END OF A COMPOSITION COMPONENT

PROSPECTUS (Subject to Completion)

Issued June 2, 2011 The information in this preliminary prospectus is not complete and may be changed. We and the selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell

these securities and we and the selling stockholders are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Shares

CLASS A COMMON STOCK ***Groupon, Inc. is offering shares of its Class A common stock and the selling stockholders are offering shares of Class A common stock. We will not receive any proceeds from the sale of shares by the selling stockholders. This is our initial public offering and no public market currently exists for our shares. We anticipate that the initial public offering price of our Class A common stock will be between $ and $ per share.***

We expect to apply to list our Class A common stock on the under the symbol GRPN.

Investing in our Class A common stock involves risks. See "Risk Factors" beginning on page 11.

PRICE $ A SHARE

User-specified TAGGED TABLE

PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO COMPANY	PROCEEDS TO SELLING STOCKHOLDERS
Per Share	*$$*		*$$*
Total	*$$*		*$$*

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Groupon, Inc. and the selling stockholders have granted the underwriters the right to purchase up to an additional shares of Class A common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Class A common stock to purchasers on , 2011.

User-specified TAGGED TABLE

MORGAN STANLEY	*GOLDMAN, SACHS & CO.*
CREDIT SUISSE	

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, 2011

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You should rely only on the information contained in this prospectus or in any free writing prospectus filed with the Securities and Exchange Commission. Neither we, the selling stockholders nor the underwriters have authorized anyone to provide you with additional or different information. We and the selling stockholders are offering to sell, and seeking offers to buy, our Class A common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus or any free writing prospectus is accurate only as of its date, regardless of its time of delivery or any sale of shares of our Class A common stock.

Until , 2011 (25 days after the commencement of this offering), all dealers that buy, sell or trade shares of our Class A common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

For investors outside the United States: Neither we, the selling stockholders nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than the United States. You are required to inform yourself about and to observe any restrictions relating to the offering of the shares of Class A common stock and the distribution of this prospectus outside of the United States.

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

LETTER FROM ANDREW D. MASON

June 1, 2011

Dear Potential Stockholders, On the day of this writing, Groupon's over 7,000 employees offered more than 1,000 daily deals to 83 million subscribers across 43 countries and have sold to date over 70 million Groupons. Reaching this scale in about 30 months required a great deal of operating flexibility, dating back to Groupon's founding.

Before Groupon, there was The Point—a website launched in November 2007 after my former employer and one of my co-founders, Eric Lefkofsky, asked me to leave graduate school so we could start a business. The Point is a social action platform that lets anyone organize a campaign asking others to give money or take action as a group, but only once a "tipping point" of people agree to participate.

I started The Point to empower the little guy and solve the world's unsolvable problems. A year later, I started Groupon to get Eric to stop bugging me to find a business model. Groupon, which started as a side project in November 2008, applied The Point's technology to group buying. By January 2009, its popularity soaring, we had fully shifted our attention to Groupon.

I'm writing this letter to provide some insight into how we run Groupon. While we're looking forward to being a public company, we intend to continue operating according to the long-term focused principles that have gotten us to this point. These include:

We aggressively invest in growth.

We spend a lot of money acquiring new subscribers because we can measure the return and believe in the long-term value of the marketplace we're creating. In the past, we've made investments in growth that turned a healthy forecasted quarterly profit into a sizable loss. When we see opportunities to invest in long-term growth, expect that we will pursue them regardless of certain short-term consequences.

We are always reinventing ourselves.

In our early days, each Groupon market featured only one deal per day. The model was built around our limitations: We had a tiny community of customers and merchants.

As we grew, we ran into the opposite problem. Overwhelming demand from merchants, with nine-month waiting lists in some markets, left merchant demand unfilled and contributed to hundreds of Groupon clones springing up around the world. And our customer base grew so large that many of our merchants had an entirely new problem: Struggling with too many customers instead of too few.

To adapt, we increased our investment in technology and released deal targeting, enabling us to feature different deals for different subscribers in the same market based on their personal preferences. In addition to providing a more relevant customer experience, this helped us to manage the flow of customers and opened the Groupon marketplace to more merchants, in turn diminishing a reason for clones to exist.

Today, we are pursuing models of reinvention that would not be possible without the critical mass of customers and merchants we have achieved. Groupon NOW, for example, allows customers to pull deals on demand for immediate redemption, and helps keep merchants bustling throughout the day.

Expect us to make ambitious bets on our future that distract us from our current business. Some bets we'll get right, and others we'll get wrong, but we think it's the only way to continuously build disruptive products.

We are unusual and we like it that way.

We want the time people spend with Groupon to be memorable. Life is too short to be a boring company. Whether it's with a deal for something unusual, such as fire dancing classes, or a marketing campaign such as Grouspawn[(1)], we seek to create experiences for our customers that make today different enough from yesterday to justify getting out of bed. While weighted toward the measurable, our decision-making process also considers what we feel in our gut to be great for our customers and merchants, even if it can't be quantified over a short time horizon.

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(1) Grouspawn is a foundation we created that awards college scholarships to babies whose parents used a Groupon on their first date.

Our customers and merchants are all we care about.

After selling out on our original mission of saving the world to start hawking coupons, in order to live with ourselves, we vowed to make Groupon a service that people love using. We set out to upturn the stigmas created by traditional discounting services, trusting that nothing would be as crucial to our long-term success as happy customers and merchants. We put our phone number on our printed Groupons and built a huge customer service operation, manned in part with members of Chicago's improv community. We developed a sophisticated, multi-stage process to pick deals from high quality merchants with vigorously fact-checked editorial content. We built a dedicated merchant services team that works with our merchant partners to ensure satisfaction. And we have a completely open return policy, giving customers a refund if they ever feel like Groupon let them down. We do these things to make our customers and merchants happy, knowing that market success would be a side effect.

We believe that when once-great companies fall, they don't lose to competitors, they lose to themselves—and that happens when they stop focusing on making people happy. As such, we do not intend to be reactive to competitors. We will watch them, but we won't distract ourselves with decisions that aren't designed primarily to make our customers and merchants happy.

We don't measure ourselves in conventional ways.

There are three main financial metrics that we track closely. First, we track gross profit, which we believe is the best proxy for the value we're creating. Second, we measure free cash flow—there is no better metric for long-term financial stability. Finally, we use a third metric to measure our financial performance—Adjusted Consolidated Segment Operating Income, or Adjusted CSOI. This metric is our consolidated segment operating income before our new subscriber acquisition costs and certain non-cash charges; we think of it as our operating profitability before marketing costs incurred for long-term growth.

If you're thinking about investing, hopefully it's because, like me, you believe that Groupon is better positioned than any company in history to reshape local commerce. The speed of our growth reflects the enormous opportunity before us to create a more efficient local marketplace. As with any business in a 30-month-old industry, the path to success will have twists and turns, moments of brilliance and other moments of sheer stupidity. Knowing that this will at times be a bumpy ride, we thank you for considering joining us.

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Prospectus Summary

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information you should consider in making your investment decision. Before investing in our Class A common stock, you should carefully read this entire prospectus, including our consolidated financial statements and the related notes and the information set forth under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in each case included elsewhere in this prospectus. Except where the context requires otherwise, in this prospectus the terms "Company," "Groupon," "we," "us" and "our" refer to Groupon, Inc., a Delaware corporation, and where appropriate, its direct and indirect subsidiaries.

GROUPON, INC.

Groupon is a local e-commerce marketplace that connects merchants to consumers by offering goods and services at a discount. Traditionally, local merchants have tried to reach consumers and generate sales through a variety of methods, including the yellow pages, direct mail, newspaper, radio, television and online advertisements, promotions and the occasional guy dancing on a street corner in a gorilla suit. By bringing the brick and mortar world of local commerce onto the internet, Groupon is creating a new way for local merchants to attract customers and sell goods and services. We provide consumers with savings and help them discover what to do, eat, see and buy in the places where they live and work.

We started Groupon in November 2008 and believe the growth of our business demonstrates the power of our solution and the size of our market opportunity:

- We increased our revenue from $3.3 million in the second quarter of 2009 to $644.7 million in the first quarter of 2011.
- We expanded from five North American markets as of June 30, 2009 to 175 North American markets and 43 countries as of March 31, 2011.
- We increased our subscriber base from 152,203 as of June 30, 2009 to 83.1 million as of March 31, 2011.
- We increased the number of merchants featured in our marketplace from 212 in the second quarter of 2009 to 56,781 in the first quarter of 2011.
- We sold 116,231 Groupons in the second quarter of 2009 compared to 28.1 million Groupons in the first quarter of 2011.
- We grew from 37 employees as of June 30, 2009 to 7,107 employees as of March 31, 2011.

Each day we email our subscribers discounted offers for goods and services that are targeted by location and personal preferences. Consumers also access our deals directly through our websites and mobile applications. A typical deal might offer a $20 Groupon that can be redeemed for $40 in value at a restaurant, spa, yoga studio, car wash or other local merchant. Customers purchase Groupons from us and redeem them with our merchants. Our revenue is

the purchase price paid by the customer for the Groupon. Our gross profit is the amount of revenue we retain after paying an agreed upon percentage of the purchase price to the featured merchant.

Our Advantage

Customer experience and relevance of deals. We are committed to providing a great customer experience and maintaining the trust of our customers. We use our technology and scale to target relevant deals based on individual subscriber preferences. As we increase the volume of transactions through our marketplace, we increase the amount of data that we have about deal performance and customer interests.

This data allows us to continue to improve our ability to help merchants design the most effective deals and deliver deals to customers that better match their interests.

Merchant scale and quality. In the first quarter of 2011, we featured deals from over 56,000 merchants worldwide across over 140 categories of goods and services. Our salesforce of over 3,500 sales representatives enables us to work with local merchants in 175 North American markets and 43 countries. We draw on the experience we have gained in working with merchants to evaluate prospective merchants based on quality, location and relevance to our subscribers. We maintain a large base of prospective merchants interested in our marketplace, which enables us to be more selective and offer our subscribers higher quality deals. Increasing our merchant base also increases the number and variety of deals that we offer to consumers, which we believe drives higher subscriber and user traffic, and in turn promotes greater merchant interest in our marketplace.

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

Our Strategy

Our objective is to become an essential part of everyday local commerce for consumers and merchants. Key elements of our strategy include the following:

Grow our subscriber base. We have made significant investments to acquire subscribers through online marketing initiatives. Our subscriber base has also increased by word-of-mouth. Our investments in subscriber growth are driven by the cost to acquire a subscriber relative to the profits we expect to generate from that subscriber over time. For example, we spent $18.0 million in online marketing expense to acquire North American subscribers in the second quarter of 2010 and generated $61.7 million in gross profit from this group of subscribers in the four quarters ended March 31, 2011. See "Business—Subscriber Economics." Our goal is to retain existing and acquire new subscribers by providing more targeted and real-time deals, delivering high quality customer service and expanding the number and categories of deals we offer.

Grow the number of merchants we feature. To drive merchant growth, we have expanded the number of ways in which consumers can discover deals through our marketplace. For example, to better target subscribers, in February 2011, we launched Deal Channels, which aggregates daily deals from the same category. We adjust the number and variety of products we offer merchants based on merchant demand in each market. We have also made significant investments in our salesforce, which builds merchant relationships and local expertise. Our merchant retention efforts are focused on providing merchants with a positive experience by offering targeted placement of their deals to our subscriber base, high quality customer service and tools to manage deals more effectively.

Increase the number and variety of our products through innovation. We have launched a variety of new products in the past 12 months and we plan to continue to launch new products to increase the number of subscribers and merchants that transact business through our marketplace. As our local e-commerce marketplace grows, we believe consumers will use Groupon not only as a discovery tool for local merchants, but also as an ongoing connection point to their favorite merchants.

Expand with acquisitions and business development partnerships. Since May 2010, we have made 13 acquisitions and we have entered into several agreements with local partners to expand our international presence. We have also signed partnership agreements with companies such as eBay, Microsoft, Yahoo and Zynga, pursuant to which these partners display, promote and distribute our deals to their users in exchange for a share of the revenue generated from our deals. We intend to continue to expand our business with strategic acquisitions and business development partnerships.

Our Metrics

We measure our business with several financial metrics. The key metrics are gross profit, adjusted consolidated segment operating income, or Adjusted CSOI, and free cash flow. Adjusted CSOI and free cash flow are non-GAAP financial measures. See "—Summary Consolidated Financial and Other Data—Non-GAAP Financial Measures" for a reconciliation of these measures to the most applicable financial measures under GAAP.

We believe gross profit is an important indicator for our business because it is a reflection of the value of our service to our merchants. In 2010 and the first quarter of 2011, we generated gross profit of $280.0 million and $270.0 million, respectively.

We believe Adjusted CSOI is an important measure of the performance of our business as it excludes expenses that are non-cash or otherwise not indicative of future operating expenses. In 2010 and the first quarter of 2011, we generated Adjusted CSOI of $60.6 million and $81.6 million, respectively.

We believe free cash flow is an important indicator for our business because it measures the amount of cash we generate after spending on marketing, wages and benefits, capital expenditures and other items. Free cash flow also reflects changes in working capital. In 2010 and the first quarter of 2011, we generated free cash flow of $72.2 million and $7.0 million, respectively.

Our Risks

Our business is subject to a number of risks of which you should be aware before making an investment decision. These risks are discussed more fully under the caption "Risk Factors," and include but are not limited to the following:

- we may not maintain the revenue growth that we have experienced since inception;
- we have experienced rapid growth over a short period in a new market we have created and we do not know whether this market will continue to develop or whether it can be maintained;
- we base our decisions regarding investments in subscriber acquisition on assumptions regarding our ability to generate future profits that may prove to be inaccurate;
- we have incurred net losses since inception and we expect our operating expenses to increase significantly in the foreseeable future;
- if we fail to retain our existing subscribers or acquire new subscribers, our revenue and business will be harmed;
- if we fail to retain existing merchants or add new merchants, our revenue and business will be harmed;
- our business is highly competitive and competition presents an ongoing threat to the success of our business;
- if we are unable to recover subscriber acquisition costs with revenue and gross profit generated from those subscribers, our business and operating results will be harmed;
- if we are unable to maintain favorable terms with our merchants, our gross profit may be adversely affected; and
- our operating cash flow and results of operations could be adversely impacted if we change our merchant payment terms or our revenue does not continue to grow.

Corporate Information

Our principal executive offices are located at 600 West Chicago Avenue, Suite 620, Chicago, Illinois 60654, and our telephone number at this address is (312) 676-5773. Our website is *www.groupon.com*. Information contained on our website is not a part of this prospectus.

Groupon®, Groupon NOW, CityDeal, Grouspawn and the Groupon logo are trademarks of Groupon, Inc. in the United States or other countries. This prospectus also includes other trademarks of Groupon and trademarks of other persons.

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The Offering

User-specified TAGGED TABLE

Class A common stock offered	
By us	shares
By the selling stockholders	shares
Total	shares
Class A common stock to be outstanding after this offering	shares
Class B common stock to be outstanding after this offering	shares
Total shares of common stock to be outstanding after this offering	shares
Use of proceeds	We expect our net proceeds from this offering will be approximately $ million. We plan to use the net proceeds to us from this offering for working capital and other general corporate purposes, which may include the acquisition of other businesses, products or technologies; however, we do not have any commitments for any acquisitions at this time. We will not receive any of the proceeds from the sale of shares of Class A common stock by the selling stockholders. See "Use of Proceeds."
Risk factors	You should read the "Risk Factors" section of this prospectus for a discussion of factors to consider carefully before deciding to invest in shares of our common stock.
Proposed symbol	"GRPN"

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The number of shares of our Class A common stock that will be outstanding after this offering is based on 296,140,145 shares outstanding at March 31, 2011, and excludes:

- 1,199,988 shares of Class A common stock issuable upon the conversion of our Class B common stock that will be outstanding after this offering;
- 12,305,008 shares of Class A common stock issuable upon the exercise of stock options outstanding as of March 31, 2011 at a weighted average exercise price of $2.23 per share;
- 600,000 shares of Class A common stock issuable upon the vesting of performance stock units granted in connection with certain of our acquisitions;
- 2,649,856 shares of Class A common stock issuable upon the vesting of restricted stock units granted under our 2010 Plan; and
- 1,288,376 shares of Class A common stock available for additional grants under our 2010 Plan.

Prior to the closing of this offering, we intend to recapitalize all of our outstanding shares of capital stock (other than our Series B preferred stock) into newly issued shares of our Class A common stock. In addition, we intend to recapitalize all of our outstanding shares of our Series B preferred stock into newly issued shares of our Class B common stock. The purpose of the recapitalization is to exchange all of our outstanding shares of capital stock (other than our Series B preferred stock) for shares of the Class A common stock that will be sold in this offering. See "Related Party Transactions—Recapitalization." Except as otherwise indicated, all information in this prospectus (other than historical financial statements) assumes:

- the amendment and restatement of our certificate of incorporation upon the closing of this offering;
- the consummation of the recapitalization prior to the closing of this offering; and
- no exercise of the underwriters' over-allotment option.

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Summary Consolidated Financial and Other Data

We present below our summary consolidated financial and other data for the periods indicated. Financial information for periods prior to 2008 has not been provided because we began operations in 2008. The summary consolidated statements of operations data for the years ended December 31, 2008, 2009 and 2010 and the balance sheet data as of December 31, 2009 and 2010 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The balance sheet data for the year ended December 31, 2008 was derived from financial statements, which are not included in this prospectus. The summary consolidated statements of operations data for the periods ended March 31, 2010 and 2011 and the balance sheet data as of March 31, 2011 have been derived from our unaudited consolidated financials statements included elsewhere in this prospectus. The unaudited information was prepared on a basis consistent with that used to prepare our audited financial statements and includes all adjustments, consisting of normal and recurring items, that we consider necessary for a fair presentation of the unaudited period. The historical results presented below are not necessarily indicative of financial results to be achieved in future periods. You should read this information together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited and unaudited consolidated financial statements and accompanying notes, each included elsewhere in this prospectus.

User-specified TAGGED TABLE

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
				(unaudited)	(unaudited)
	(dollars in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenue	$94	$30,471	$713,365	$44,236	$644,728
Cost of revenue	89	19,542	433,411	24,251	374,728
Gross profit	5	10,929	279,954	19,985	270,000
Operating expenses:					
Marketing	163	4,548	263,202	3,988	208,209
Selling, general and administrative	1,474	7,458	233,913	7,426	178,939
Acquisition-related	—	—	203,183	—	—
Total operating expenses	1,637	12,006	700,298	11,414	387,148

(Loss) income from operations	(1,632)	(1,077)	(420,344)	8,571	(117,148)
Interest and other income (expense), net	90	(16)	284	3	1,060
Equity-method investment activity, net of tax	—	—	—	—	(882)
(Loss) income before provision for income taxes	(1,542)	(1,093)	(420,060)	8,574	(116,970)
Provision (benefit) for income taxes	—	248	(6,674)	23	(3,079)
Net loss (income)	(1,542)	(1,341)	(413,386)	8,551	(113,891)
Less: Net loss attributable to noncontrolling interests	—	—	23,746	—	11,223
Net (loss) income attributable to Groupon, Inc.	(1,542)	(1,341)	(389,640)	8,551	(102,668)
Dividends on preferred stock	(277)	(5,575)	(1,362)	(523)	—
Redemption of preferred stock in excess of carrying value	—	—	(52,893)	—	(34,327)
Adjustment of redeemable noncontrolling interests to redemption value	—	—	(12,425)	—	(9,485)
Preferred stock distributions	(339)	—	—	—	—
Net (loss) income attributable to common stockholders	$(2,158)	$(6,916)	$(456,320)	$8,028	$(146,480)
Net (loss) income per share					
Basic	$(0.01)	$(0.04)	$(2.66)	$0.03	$(0.95)
Diluted	$(0.01)	$(0.04)	$(2.66)	$0.03	$(0.95)
Weighted average number of shares outstanding					
Basic	166,738,129	168,604,142	171,349,386	172,966,829	153,924,706
Diluted	166,738,129	168,604,142	171,349,386	245,962,571	153,924,706

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	Year Ended December 31,			Three Months Ended March 31,	
	2008	**2009**	**2010**	**2010**	**2011**
Key Operating Metrics:					
Subscribers[(1)]	*	1,807,278	50,583,805	3,434,610	83,100,006
Cumulative customers[(2)]	*	375,099	9,031,807	874,017	15,803,995
Featured merchants[(3)]	*	2,695	66,289	2,903	56,781
Groupons sold[(4)]	*	1,248,792	30,296,070	1,760,398	28,094,743

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*
Not available

(1)
Reflects the total number of subscribers on the last day of the applicable period.

(2)
Reflects the total number of unique customers who have purchased Groupons from January 1, 2009 through the last day of the applicable period.

(3)
Reflects the total number of merchants featured in the applicable period.

(4)
Reflects the total number of Groupons sold in the applicable period.

User-specified TAGGED TABLE

	As of December 31,			As of March 31, 2011		
	2008	**2009**	**2010**	**Actual**	**Pro Forma[(1)]**	**Pro Forma As Adjusted[(2)(3)]**
				(in thousands)		
Consolidated Balance Sheet Data:						

Cash and cash equivalents	$2,966	$12,313	$118,833	$208,688
Working capital (deficit)	2,643	3,988	(196,564)	(228,748)
Total assets	3,006	14,962	381,570	541,410
Total long-term liabilities	—	—	1,621	14,790
Redeemable preferred stock	4,747	34,712	—	—
Total Groupon, Inc. stockholders' (deficit) equity	(2,091)	(29,969)	8,077	7,086

end of user-specified TAGGED TABLE

(1) The pro forma column gives effect to (i) the recapitalization of all outstanding shares of our capital stock (other than our Series B preferred stock) into 296,140,145 shares of Class A common stock and all outstanding shares of our Series B preferred stock into 1,199,988 shares of Class B common stock immediately prior to the closing of this offering; and (ii) the amendment and restatement of our certificate of incorporation upon the closing of this offering.

(2) The pro forma as adjusted column gives further effect to the sale by us of Class A common stock in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the range reflected on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(3) Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the amount of pro forma as adjusted cash and cash equivalents, working capital (deficit), total assets and total Groupon, Inc. stockholders' equity by approximately $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of one million shares in the number of shares of Class A common stock offered by us would increase (decrease) cash and cash equivalents, working capital (deficit), total assets and total Groupon, Inc. stockholders' equity by approximately $ million, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Non-GAAP Financial Measures

We use adjusted consolidated segment operating income, or Adjusted CSOI, and free cash flow as key non-GAAP financial measures. Adjusted CSOI and free cash flow are used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures.

Adjusted CSOI is operating income of our two segments, North America and International, adjusted for online marketing expense, acquisition-related costs and stock-based compensation expense. Online marketing expense primarily represents the cost to acquire new subscribers and is dictated by the amount of growth we wish to pursue. Acquisition-related costs are non-recurring non-cash items related to certain of our acquisitions. Stock-based compensation expense is a non-cash item. We consider Adjusted CSOI to be an important measure of the performance of our business as it excludes expenses that are non-cash or otherwise not indicative of future operating expenses. We believe it is important to view Adjusted CSOI as a complement to our entire consolidated statements of operations.

Our use of Adjusted CSOI has limitations as an analytical tool, and you should not consider this measure in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted CSOI does not reflect the significant cash investments that we currently are making to acquire new subscribers;
- Adjusted CSOI does not reflect the potentially dilutive impact of issuing equity-based compensation to our management team and employees or in connection with acquisitions;
- Adjusted CSOI does not reflect any interest expense or the cash requirements necessary to service interest or principal payments on any indebtedness that we may incur;
- Adjusted CSOI does not reflect any foreign exchange gains and losses;
- Adjusted CSOI does not reflect any tax payments that we might make, which would represent a reduction in cash available to us;
- Adjusted CSOI does not reflect changes in, or cash requirements for, our working capital needs; and
- other companies, including companies in our industry, may calculate Adjusted CSOI differently or may use other financial measures to evaluate their profitability, which reduces the usefulness of it as a comparative measure.

Because of these limitations, Adjusted CSOI should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. When evaluating our performance, you should consider Adjusted CSOI alongside other financial performance measures, including various cash flow metrics, net loss and our other GAAP results.

Free cash flow, which is reconciled to "Net cash (used in) provided by operating activities," is cash flow from operations reduced by "Purchases of property and equipment." We use free cash flow, and ratios based on it, to conduct and evaluate our business because, although it is similar to cash flow from operations, we believe it typically will present a more conservative measure of cash flows as purchases of fixed assets, software developed for internal use and website development costs are a necessary component of ongoing operations.

Free cash flow has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures. For example, free cash flow does not include the cash payments for business acquisitions. In addition, free cash flow reflects the impact of the timing difference between when we are paid by customers and when we pay merchants. Therefore, we believe it is important to view free cash flow as a complement to our entire consolidated statements of cash flows.

Adjusted CSOI

The following is a reconciliation of Adjusted CSOI to the most comparable GAAP measure, "(Loss) income from operations," for the years ended December 31, 2008, 2009 and 2010 and the first quarter of 2010 and 2011:

User-specified TAGGED TABLE

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
			(in thousands)		
(Loss) income from operations	$(1,632)	$(1,077)	$(420,344)	$8,571	$(117,148)
Adjustments:					
Online marketing	162	4,446	241,546	3,904	179,903
Stock-based compensation	24	115	36,168	116	18,864
Acquisition-related	—	—	203,183	—	—
Total adjustments	186	4,561	480,897	4,020	198,767
Adjusted CSOI	$(1,446)	$3,484	$60,553	$12,591	$81,619
Adjusted Segment Operating Income:					
North America	$(1,446)	$3,484	$88,036	$12,591	$38,610
International	—	—	(27,483)	—	$43,009
Adjusted CSOI	$(1,446)	$3,484	$60,553	$12,591	$81,619

end of user-specified TAGGED TABLE

Free Cash Flow

The following is a reconciliation of free cash flow to the most comparable GAAP measure, "Net cash (used in) provided by operating activities," for the years ended December 31, 2008, 2009 and 2010 and the first quarter of 2010 and 2011:

User-specified TAGGED TABLE

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
			(in thousands)		
Net cash (used in) provided by operating activities	$(1,526)	$7,510	$86,885	$12,897	$17,940
Purchases of property and equipment	(19)	(290)	(14,681)	(863)	(10,962)
Free cash flow	$(1,545)	$7,220	$72,204	$12,034	$6,978

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Risk Factors

RISK FACTORS

An investment in our Class A common stock involves a high degree of risk. You should carefully consider the risks described below and all of the other information contained in this prospectus before deciding whether to purchase our Class A common stock. Our business, prospects, financial condition or operating results could be materially adversely affected by any of these risks, as well as other risks not currently known to us or that we currently consider immaterial. The trading price of our Class A common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing the risks described below, you should also

refer to the other information contained in this prospectus, including our consolidated financial statements and the related notes, before deciding to purchase any shares of our Class A common stock.

Risks Related to Our Business

We may not maintain the revenue growth that we have experienced since inception.

Although our revenue has increased substantially since inception, we may not be able to maintain our historical rate of revenue growth. We believe that our continued revenue growth will depend, among other factors, on our ability to:

- acquire new subscribers who purchase Groupons;
- retain our existing subscribers and have them continue to purchase Groupons;
- attract new merchants who wish to offer deals through the sale of Groupons;
- retain our existing merchants and have them offer additional deals through our marketplace;
- expand the number, variety and relevance of products and deals we offer each day;
- increase the awareness of our brand across geographies;
- provide our subscribers and merchants with a superior experience;
- respond to changes in consumer access to and use of the internet and mobile devices; and
- react to challenges from existing and new competitors.

However, we cannot assure you that we will successfully implement any of these actions.

We have experienced rapid growth over a short period in a new market that we have created and we do not know whether this market will continue to develop or whether it can be maintained. If we are unable to successfully respond to changes in the market, our business could be harmed.

Our business has grown rapidly as merchants and consumers have increasingly used our marketplace. However, this is a new market which we only created in late 2008 and which has operated at a substantial scale for only a limited period of time. Given the limited history, it is difficult to predict whether this market will continue to grow or whether it can be maintained. We expect that the market will evolve in ways which may be difficult to predict. For example, we anticipate that over time we will reach a point in most markets where we have achieved a market penetration such that investments in new subscriber acquisition are less productive and the continued growth of our gross profit will require more focus on increasing the rate at which our existing subscribers purchase Groupons. It is also possible that merchants or customers could broadly determine that they no longer believe in the value of our current services or marketplace. In the event of these or any other changes to the market, our continued success will depend on our ability to successfully adjust our strategy to meet the changing market dynamics. If we are unable to do so, our business could be harmed and our results of operations subject to a material negative impact.

We base our decisions regarding investments in subscriber acquisition primarily on our analysis of the profits generated from subscribers that we acquired in prior periods. If the estimates and assumptions we use are inaccurate, we may not be able to recover our subscriber acquisition costs and our growth rate and financial results will be adversely affected.

Our decisions regarding investments in subscriber acquisition substantially depend upon our analysis of the profits generated from subscribers we acquired in earlier periods. We refer to this as our subscriber economics. Our analysis regarding subscriber economics includes several assumptions, including:

- Because the costs of offering or distributing deals to existing subscribers are not significant, our analysis considers only the marketing costs incurred during the quarter in which the subscribers are originally acquired and assumes that no additional marketing expenses will be incurred with respect to such subscribers in subsequent periods. If our assumption regarding the need for marketing expenses in subsequent periods is incorrect, our subscriber economics could be less favorable than we believe.
- The analysis which we present below in "Business—Subscriber Economics" includes a discussion of our Q2 2010 cohort and case studies from certain of our largest markets. These results inherently reflect a distinct group of merchants, subscribers and geographies and may not be representative of our current or future composite group of merchants, subscribers and geographies. For example, our Q2 2010 cohort and market case studies may reflect unique market dynamics or the novelty of our service during the periods covered.

If our assumptions regarding our subscriber economics, including those relating to the effectiveness of our marketing spend, prove incorrect, our ability to generate profits from our investments in new subscriber acquisitions may be less than we have assumed. In such case, we may need to increase expenses or otherwise alter our strategy and our results of operations could be negatively impacted.

We have incurred net losses since inception and we expect our operating expenses to increase significantly in the foreseeable future.

We incurred net losses of $389.6 million and $102.7 million in 2010 and the first quarter of 2011, respectively, and had an accumulated deficit of $522.1 million as of March 31, 2011. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to invest to increase our subscriber base, increase the number and variety of deals we offer each day, expand our marketing channels, expand our operations, hire additional employees and develop our technology platform. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently to offset these higher expenses. Many of our efforts to generate revenue from our business are new and unproven, and any failure to increase our revenue could prevent us from attaining or increasing profitability. We cannot be certain that we will be able to attain or increase profitability on a quarterly or annual basis. If we are unable to effectively manage these risks and difficulties as we encounter them, our business, financial condition and results of operations may suffer.

If we fail to retain our existing subscribers or acquire new subscribers, our revenue and business will be harmed.

We spent $179.9 million on online marketing initiatives relating to subscriber acquisition for the first quarter of 2011 and expect to continue to spend significant amounts to acquire additional subscribers. We must continue to retain and acquire subscribers that purchase Groupons in order to increase revenue and achieve profitability. We cannot assure you that the revenue or gross profit from subscribers we acquire will ultimately exceed the cost of acquiring new subscribers. If consumers do not perceive our Groupon offers to be of high value and quality or if we fail to introduce new and more relevant deals, we may not be able to acquire or retain subscribers. If we are unable to acquire new subscribers who purchase Groupons in numbers sufficient to grow our business, or if subscribers cease to purchase Groupons, the revenue or gross profit we generate may decrease and our operating results will be adversely affected.

We believe that many of our new subscribers originate from word-of-mouth and other non-paid referrals from existing subscribers, and therefore we must ensure that our existing subscribers remain loyal to our service in order to continue receiving those referrals. If our efforts to satisfy our existing subscribers are not successful, we may not be able to acquire new subscribers in sufficient numbers to continue to grow our business or we may be required to incur significantly higher marketing expenses in order to acquire new subscribers. Further, we believe that our success is influenced by the level of communication and sharing among subscribers. If the level of usage by our subscriber base declines or does not grow as expected, we may suffer a decline in subscriber growth or revenue. A significant decrease in the level of usage or subscriber growth would have an adverse effect on our business, financial condition and results of operations.

If we fail to retain existing merchants or add new merchants, our revenue and business will be harmed.

We depend on our ability to attract and retain merchants that are prepared to offer products or services on compelling terms through our marketplace. We do not have long-term arrangements to guarantee the availability of deals that offer attractive quality, value and variety to consumers or favorable payment terms to us. We must continue to attract and retain merchants in order to increase revenue and achieve profitability. If new merchants do not find our marketing and promotional services effective, or if existing merchants do not believe that utilizing our products provides them with a long-term increase in customers, revenues or profits, they may stop making offers through our marketplace. In addition, we may experience attrition in our merchants in the ordinary course of business resulting from several factors, including losses to competitors and merchant closures or bankruptcies. If we are unable to attract new merchants in numbers sufficient to grow our business, or if too many merchants are unwilling to offer products or services with compelling terms through our marketplace or offer favorable payment terms to us, we may sell fewer Groupons and our operating results will be adversely affected.

If our efforts to market, advertise and promote products and services from our existing merchants are not successful, or if our existing merchants do not believe that utilizing our services provides them with a long-term increase in customers, revenues or profits, we may not be able to retain or attract merchants in sufficient numbers to grow our business or we may be required to incur significantly higher marketing expenses or accept lower margins in order to attract new merchants. A significant increase in merchant attrition or decrease in merchant growth would have an adverse effect on our business, financial condition and results of operation.

Our business is highly competitive. Competition presents an ongoing threat to the success of our business.

We expect competition in e-commerce generally, and group buying in particular, to continue to increase because there are no significant barriers to entry. A substantial number of group buying sites that attempt to replicate our business model have emerged around the world. In addition to such competitors, we expect to increasingly compete against other large internet and technology-based businesses, such as Facebook, Google and Microsoft, each of which has launched initiatives which are directly competitive to our business. We also expect to compete against other internet sites that are focused on specific communities or interests and offer coupons or discount arrangements related to such communities or interests. We also compete with traditional offline coupon and discount services, as well as newspapers, magazines and other traditional media companies who provide coupons and discounts on products and services.

We believe that our ability to compete depends upon many factors both within and beyond our control, including the following:

- the size and composition of our subscriber base and the number of merchants we feature;
- the timing and market acceptance of deals we offer, including the developments and enhancements to those deals offered by us or our competitors;
- subscriber and merchant service and support efforts;
- selling and marketing efforts;
- ease of use, performance, price and reliability of services offered either by us or our competitors;

- our ability to cost-effectively manage our operations; and
- our reputation and brand strength relative to our competitors.

Many of our current and potential competitors have longer operating histories, significantly greater financial, marketing and other resources and larger subscriber bases than we do. These factors may allow our competitors to benefit from their existing customer or subscriber base with lower customer acquisition costs or to respond more quickly than we can to new or emerging technologies and changes in consumer habits. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them to build larger subscriber bases or generate revenue from their subscriber bases more effectively than we do. Our competitors may offer deals that are similar to the deals we offer or that achieve greater market acceptance than the deals we offer. This could attract subscribers away from our websites and applications, reduce our market share and adversely impact our gross margin. In addition, we are dependent on some of our existing or potential competitors, including Facebook, Google and Microsoft, for banner advertisements and other marketing initiatives to acquire new subscribers. Our ability to utilize their platforms to acquire new subscribers may be adversely affected if they choose to compete more directly with us.

If we are unable to recover subscriber acquisition costs with revenue and gross profit generated from those subscribers, our business and operating results will be harmed.

As of March 31, 2011, we had 83.1 million subscribers to our daily emails, and we expect the number of subscribers to grow significantly during the remainder of 2011. Acquiring a subscriber base is costly, and the success of our business depends on our ability to generate revenue from new and existing subscribers. In 2010 and the first quarter of 2011, we spent $241.5 million and $179.9 million, respectively, on online marketing initiatives relating to subscriber acquisition. As our subscriber base continues to evolve, it is possible that the composition of our subscribers may change in a manner that makes it more difficult to generate revenue and gross profit to offset the costs associated with acquiring new subscribers. For example, if we acquire a large number of new subscribers who are not viewed as an attractive demographic by merchants, we may not be able to generate compelling products for those subscribers to offset the cost of acquiring those subscribers. If the cost to acquire subscribers is greater than the revenue or gross profit we generate over time from those subscribers, our business and operating results will be harmed.

If we are unable to maintain favorable terms with our merchants, our gross profit may be adversely affected.

The success of our business depends in part on our ability to retain and increase the number of merchants who use our service. Currently, when a merchant partners with us to offer a deal for its products or services, it receives an agreed upon percentage of the revenue from each Groupon sold, and we retain the rest. If merchants decide that utilizing our services no longer provides an effective means of attracting new customers or selling their goods and services, they may demand a higher percentage of the revenue from each Groupon sold. This would adversely affect our gross profit.

In addition, we expect to face increased competition from other internet and technology-based businesses such as Facebook, Google and Microsoft, each of which has launched initiatives which are directly competitive to our business. We also have seen that some competitors will accept lower margins, or negative margins, to attract attention and acquire new subscribers. If competitors engage in group buying initiatives in which merchants receive a higher percentage of the revenue than we currently offer, we may be forced to pay a higher percentage of the revenue than we currently offer, which may reduce our gross profit.

Our operating cash flow and results of operations could be adversely impacted if we change our merchant payment terms or our revenue does not continue to grow.

Our merchant payment terms and revenue growth have provided us with operating cash flow to fund our working capital needs. Our merchant arrangements are generally structured such that we collect cash up front when our customers purchase Groupons and make payments to our merchants at a subsequent date. In North America, we typically pay our merchants in installments within sixty days after the Groupon is sold. In most of our International markets, merchants are not paid until the customer redeems the Groupon. Our accrued merchant payable, which primarily consists of payment obligations to our merchants, has grown, both nominally and as a percentage of revenue, as our revenue has increased, particularly the revenue from our international segment. Our accrued merchant payable balance increased from $4.3 million as of December 31, 2009 to $290.7 million as of March 31, 2011. We use the operating cash flow provided by our merchant payment terms and revenue growth to fund our working capital needs. If we offer our merchants more favorable or accelerated payment terms or our revenue does not continue to grow in the future, our operating cash flow and results of operations could be adversely impacted and we may have to seek alternative financing to fund our working capital needs.

Our business relies heavily on email and other messaging services, and any restrictions on the sending of emails or messages or a decrease in subscriber willingness to receive messages could adversely affect our revenue and business.

Our business is highly dependent upon email and other messaging services. Deals offered through emails and other messages sent by us, or on our behalf by our affiliates, generate a substantial portion of our revenue. Because of the importance of email and other messaging services to our businesses, if we are unable to successfully deliver emails or messages to our subscribers or potential subscribers, or if subscribers decline to open our emails or messages, our revenue and profitability would be adversely affected. Actions by third parties to block, impose restrictions on, or charge for the delivery of, emails or other messages could also materially and adversely impact our business. From time to time, internet service providers block bulk email transmissions or otherwise experience technical difficulties that result in our inability to successfully deliver emails or other messages to third parties. In addition, our use of email and other messaging services to send communications about our website or other matters may result in legal claims against us, which if successful might limit or prohibit our ability to send emails or other messages. Any disruption or restriction on the distribution of emails or other messages or any increase in the associated costs would materially and adversely affect our revenue and profitability.

We have a rapidly evolving business model and our new product and service offerings could fail to attract or retain subscribers or generate revenue.

We have a rapidly evolving business model and are regularly exploring entry into new market segments and the introduction of new products and features with respect to which we may have limited experience. In addition, our subscribers may not respond favorably to our new products and services. These products and services may present new and significant technology challenges, and we may be subject to claims if subscribers of these offerings experience service disruptions or failures or other quality issues. If products or services we introduce, such as changes to our websites and applications, the introduction of social networking and location-based marketing elements to our websites, or entirely new lines of business that we may pursue, fail to engage subscribers or merchants, we may fail to acquire or retain subscribers or generate sufficient revenue or other value to justify our investment, and our business may be materially and adversely affected. Our ability to retain or increase our subscriber base and revenue will depend heavily on our ability to innovate and to create successful new products and services. In addition, the relative profitability, if any, of our new activities may be lower than that of our historical activities, and we may not generate sufficient revenue from new activities to recoup our investments in them. If any of this were to occur, it could damage our reputation, limit our growth and negatively affect our operating results.

There are many risks associated with our international operations and international expansion.

Our international expansion has been rapid and our international business has become critical to the growth in our revenue and our ability to achieve profitability. In 2010 and the first quarter of 2011, 37.2% and 53.8%, respectively, of our revenue was generated from our international operations. We began our international operations in May 2010 with the acquisition of CityDeal Europe GmbH, or CityDeal, which was founded by Oliver Samwer and Marc Samwer. Since the CityDeal acquisition, Messrs. Samwer have served as consultants and been extensively involved in the development and operations of our International segment. The agreements under which Messrs. Samwer provide us with consulting services will expire in October 2011 and we can make no assurances that the loss of their services will not disrupt our international operations or have an adverse effect on our ability to grow our international business.

Further expansion into international markets requires management attention and resources and requires us to localize our services to conform to a wide variety of local cultures, business practices, laws and policies. The different commercial and internet infrastructure in other countries may make it more difficult for us to replicate our business model. In many countries, we compete with local companies that understand the local market better than we do, and we may not benefit from first-to-market advantages. We may not be successful in expanding into particular international markets or in generating revenue from foreign operations. As we continue to expand internationally, we are increasingly subject to risks of doing business internationally, including the following:

- strong local competitors;
- different regulatory requirements, including regulation of gift cards and coupon terms, internet services, professional selling, distance selling, bulk emailing, privacy and data protection, banking and money transmitting, that may limit or prevent the offering of our services in some jurisdictions or prevent enforceable agreements;
- cultural ambivalence towards, or non-acceptance of, Groupon marketing;
- difficulties in integrating with local payment providers, including banks, credit and debit card networks and electronic funds transfer systems;
- different employee/employer relationships and the existence of workers' councils and labor unions;
- longer payment cycles, different accounting practices and greater problems in collecting accounts receivable;
- potentially adverse tax consequences, including the application of U.S. tax rules to acquired international operations and local taxation of our fees or of transactions on our websites;
- higher internet service provider costs;
- seasonal reductions in business activity;
- expenses associated with localizing our products, including offering subscribers the ability to transact business in the local currency;
- restrictions on the repatriation of funds, foreign currency exchange restrictions and exchange rate fluctuations; and
- differing intellectual property laws.

Some of these factors may cause our international costs of doing business to exceed our comparable costs in North America. As we expand our international operations and have additional portions of our international revenue denominated in foreign currencies, we also could become subject to increased difficulties in collecting accounts receivable and repatriating money without adverse tax consequences and increased risks relating to foreign currency exchange rate fluctuations.

We conduct certain functions, including product development, subscriber support and other operations, in regions outside of North America. We are subject to both U.S. and local laws and regulations applicable to our international activities, and any factors which reduce the anticipated benefits, including cost efficiencies and productivity improvements, associated with providing these functions outside of North America could adversely affect our business.

We currently use a common technology platform in our North American segment to operate our business and are in the process of migrating our operations in our International segment to the same platform. Such changes to our technology platform and related software carry risks such as cost overruns, project delays and business interruptions and delays. If we experience a material business interruption as a result of this process, it could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock to decline.

We are continuing to expand our services internationally. In some countries, expansion of our business may require a close commercial relationship with one or more local banks, a shared ownership interest with a local entity or registration as a bank under local law. Such requirements may reduce our revenue, increase our costs or limit the scope of our activities in particular countries. Any limitation on our ability to expand internationally could harm our business.

An increase in our refund rates could reduce our liquidity and profitability.

Our "Groupon Promise" states that we will provide our customers with a refund of the purchase price of a Groupon if they believe that we have let them down. As we increase our revenue, our refund rates may exceed our historical levels. A downturn in general economic conditions may also increase our refund rates. An increase in our refund rates could significantly reduce our liquidity and profitability.

As we do not have control over our merchants and the quality of products or services they deliver, we rely on a combination of our historical experience with each merchant and online and offline research of customer reviews of merchants for the development of our estimate for refund claims. Our actual level of refund claims could prove to be greater than the level of refund claims we estimate. If our refund reserves are not adequate to cover future refund claims, this inadequacy could have a material adverse effect on our liquidity and profitability.

Our standard agreements with our merchants generally limit the time period during which we may seek reimbursement for customer refunds or claims. Our customers may make claims for refunds with respect to which we are unable to seek reimbursement from our merchants. Our inability to seek reimbursement from our merchants for refund claims could have an adverse effect on our liquidity and profitability.

If our merchants do not meet the needs and expectations of our subscribers, our business could suffer.

Our business depends on our reputation for providing high-quality deals, and our brand and reputation may be harmed by actions taken by merchants that are outside our control. Any shortcomings of one or more of our merchants, particularly with respect to an issue affecting the quality of the deal offered or the products or services sold, may be attributed by our subscribers to us, thus damaging our reputation, brand value and potentially affecting our results of operations. In addition, negative publicity and subscriber sentiment generated as a result of fraudulent or deceptive conduct by our merchants could damage our reputation, reduce our ability to attract new subscribers or retain our current subscribers, and diminish the value of our brand.

We cannot assure you that we will be able to manage the growth of our organization effectively.

We have experienced rapid growth in demand for our services since our inception. Our employee headcount and number of subscribers have increased significantly since our inception, and we expect this growth to continue for the foreseeable future. The growth and expansion of our business and service offerings places significant demands on our management and our operational and financial resources. We are required to manage multiple relations with various merchants, subscribers, technology licensors and other third parties. In the event of further growth of our operations or in the number of our third-party relationships, our information technology systems or our internal controls and procedures may not be adequate to support our operations. To effectively manage our growth, we must continue to implement operational plans and strategies, improve and expand our infrastructure of people and information systems, and train and manage our employee base.

The loss of one or more key members of our management team, or our failure to attract, integrate and retain other highly qualified personnel in the future, could harm our business.

We currently depend on the continued services and performance of the key members of our management team, including Andrew D. Mason, our Chief Executive Officer, and Jason E. Child, our Chief Financial Officer. Mr. Mason is one of our founders and his leadership has played an integral role in our growth. The loss of key personnel, including key members of management as well as our marketing, sales, product development and technology personnel, could disrupt our operations and have an adverse effect on our ability to grow our business. Moreover, many members of our management are new to our team or have been recently promoted to new roles.

Eric P. Lefkofsky is one of our founders and has served as the Executive Chairman of our Board of Directors since our inception. Although Mr. Lefkofsky historically has devoted a significant amount of his business time to Groupon, he is under no contractual or other obligation to do so and may not do so in the future. Mr. Lefkofsky invests his business time and financial resources in a variety of other businesses, including Lightbank LLC, a private investment firm that Mr. Lefkofsky co-founded with Bradley A. Keywell. Such investments may be in areas that present conflicts with, or involve businesses related to, our operations. If Mr. Lefkofsky devotes less time to our business in the future, our business may be adversely affected.

As we become a more mature company, we may find our recruiting and retention efforts more challenging. We are seeking to hire a significant number of personnel in 2011, including certain key management personnel. If we do not succeed in attracting, hiring and integrating excellent personnel, or retaining and motivating existing personnel, we may be unable to grow effectively.

We may be subject to additional unexpected regulation which could increase our costs or otherwise harm our business.

The application of certain laws and regulations to Groupons, as a new product category, is uncertain. These include laws and regulations such as the Credit Card Accountability Responsibility and Disclosure Act of 2009, or the CARD Act, and unclaimed and abandoned property laws. In addition, from time to time, we may be notified of additional laws and regulations which governmental organizations or others may claim should be applicable to our business. For example, we were recently notified by the Massachusetts Alcoholic Beverages Control Commission that Groupon discounts for some Massachusetts restaurants may not be in compliance with Massachusetts liquor laws and regulations. If we are required to alter our business practices as a result of any laws

and regulations, our revenue could decrease, our costs could increase and our business could otherwise be harmed. In addition, the costs and expenses associated with defending any actions related to such additional laws and regulations and any payments of related penalties, judgments or settlements could adversely impact our profitability.

The implementation of the CARD Act and similar state and foreign laws may harm our business and results of operations.

Groupons may be considered gift cards, gift certificates, stored value cards or prepaid cards and therefore governed by, among other laws, the CARD Act, and state laws governing gift cards, stored value cards and coupons. Other foreign jurisdictions have similar laws in place, in particular European jurisdictions where the European E-Money Directive regulates the business of electronic money institutions. Many of these laws contain provisions governing the use of gift cards, gift certificates, stored value cards or prepaid cards, including specific disclosure requirements and prohibitions or limitations on the use of expiration dates and the imposition of certain fees. For example, if Groupons are subject to the CARD Act, the value of the Groupon must not expire before the later of (i) five years after the date on which the Groupon was issued or the date on which the subscriber last loaded funds on the Groupon if the Groupon has a reloadable feature; and (ii) the Groupon's expiration date, if any. We are currently subject to several purported class actions claiming that Groupons are subject to the CARD Act. In the event that it is determined that Groupons are subject to the CARD Act or any similar state or foreign law or regulation, our liabilities with respect to unredeemed Groupons may be materially higher than the amounts shown in our financial statements and we may be subject to additional fines and penalties. If we are required to materially increase the estimated liability recorded in our financial statements with respect to unredeemed gift cards, our net income could be materially and adversely affected.

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In certain states and foreign jurisdictions, Groupons may be considered a gift card. Some of these states and foreign jurisdictions include gift cards under their unclaimed and abandoned property laws which require companies to remit to the government the value of the unredeemed balance on the gift cards after a specified period of time (generally between one and five years) and impose certain reporting and recordkeeping obligations. We do not remit any amounts relating to unredeemed Groupons based on our assessment of applicable laws. The analysis of the potential application of the unclaimed and abandoned property laws to Groupons is complex, involving an analysis of constitutional and statutory provisions and factual issues, including our relationship with subscribers and merchants and our role as it relates to the issuance and delivery of a Groupon. In the event that one or more states or foreign jurisdictions successfully challenges our position on the application of its unclaimed and abandoned property laws to Groupons, or if the estimates that we use in projecting the likelihood of Groupons being redeemed prove to be inaccurate, our liabilities with respect to unredeemed Groupons may be materially higher than the amounts shown in our financial statements. If we are required to materially increase the estimated liability recorded in our financial statements with respect to unredeemed gift cards, our net income could be materially and adversely affected. Moreover, a successful challenge to our position could subject us to penalties or interest on unreported and unremitted sums, and any such penalties or interest would have a further material adverse impact on our net income.

Government regulation of the internet and e-commerce is evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business and results of operations.

We are subject to general business regulations and laws as well as regulations and laws specifically governing the internet and e-commerce. Existing and future regulations and laws could impede the growth of the internet or other online services. These regulations and laws may involve taxation, tariffs, subscriber privacy, data protection, content, copyrights, distribution, electronic contracts and other communications, consumer protection, the provision of online payment services and the characteristics and quality of services. It is not clear how existing laws governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the internet as the vast majority of these laws were adopted prior to the advent of the internet and do not contemplate or address the unique issues raised by the internet or e-commerce. In addition, it is possible that governments of one or more countries may seek to censor content available on our websites and applications or may even attempt to completely block access to our websites. Adverse legal or regulatory developments could substantially harm our business. In particular, in the event that we are restricted, in whole or in part, from operating in one or more countries, our ability to retain or increase our subscriber base may be adversely affected and we may not be able to maintain or grow our revenue as anticipated.

New tax treatment of companies engaged in internet commerce may adversely affect the commercial use of our services and our financial results.

Due to the global nature of the internet, it is possible that various states or foreign countries might attempt to regulate our transmissions or levy sales, income or other taxes relating to our activities. Tax authorities at the international, federal, state and local levels are currently reviewing the appropriate treatment of companies engaged in internet commerce. New or revised international, federal, state or local tax regulations may subject us or our subscribers to additional sales, income and other taxes. We cannot predict the effect of current attempts to impose sales, income or other taxes on commerce over the internet. New or revised taxes and, in particular, sales taxes, VAT and similar taxes would likely increase the cost of doing business online and decrease the attractiveness of advertising and selling goods and services over the internet. New taxes could also create significant increases in internal costs necessary to capture data, and collect and remit taxes. Any of these events could have an adverse effect on our business and results of operations.

Failure to comply with federal, state and international privacy laws and regulations, or the expansion of current or the enactment of new privacy laws or regulations, could adversely affect our business.

A variety of federal, state and international laws and regulations govern the collection, use, retention, sharing and security of consumer data. The existing privacy-related laws and regulations are evolving and subject to potentially differing interpretations. In addition, various federal, state and foreign legislative and regulatory bodies may expand current or enact new laws regarding privacy matters. For example, recently there have been Congressional hearings and increased attention to the capture and use of location-based information relating to users of smartphones and other mobile devices. We have posted privacy policies and practices concerning the collection, use and disclosure of subscriber data on our websites and applications. Several internet companies have incurred penalties for failing to abide by the representations made in their privacy policies and practices. In addition, several states have adopted legislation that requires businesses to implement and maintain reasonable security procedures and practices to protect sensitive personal information and to provide

notice to consumers in the event of a security breach. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data-related consent orders, Federal Trade Commission requirements or orders or other federal, state or international privacy or consumer protection-related laws, regulations or industry self-regulatory principles could result in claims, proceedings or actions against us by governmental entities or others or other liabilities, which could adversely affect our business. In addition, a failure or perceived failure to comply with industry standards or with our own privacy policies and practices could result in a loss of subscribers or merchants and adversely affect our business. Federal, state and international governmental authorities continue to evaluate the privacy implications inherent in the use of third-party web "cookies" for behavioral advertising. The regulation of these cookies and other current online advertising practices could adversely affect our business.

THIS IS THE END OF A COMPOSITION COMPONENT

We may suffer liability as a result of information retrieved from or transmitted over the internet and claims related to our service offerings.

We may be, and in certain cases have been, sued for defamation, civil rights infringement, negligence, patent, copyright or trademark infringement, invasion of privacy, personal injury, product liability, breach of contract, unfair competition, discrimination, antitrust or other legal claims relating to information that is published or made available on our websites or service offerings we make available (including provision of an application programming interface platform for third parties to access our website, mobile device services and geolocation applications). This risk is enhanced in certain jurisdictions outside the United States, where our liability for such third-party actions may be less clear and we may be less protected. In addition, we could incur significant costs in investigating and defending such claims, even if we ultimately are not found liable. If any of these events occurs, our net income could be materially and adversely affected.

We are subject to risks associated with information disseminated through our websites and applications, including consumer data, content that is produced by our editorial staff and errors or omissions related to our product offerings. Such information, whether accurate or inaccurate, may result in our being sued by our merchants, subscribers or third parties and as a result our revenue and goodwill could be materially and adversely affected.

Our business depends on our ability to maintain and scale the network infrastructure necessary to operate our websites and applications, and any significant disruption in service on our websites or applications could result in a loss of subscribers or merchants.

Subscribers access our deals through our websites and applications. Our reputation and ability to acquire, retain and serve our subscribers are dependent upon the reliable performance of our websites and applications and the underlying network infrastructure. As our subscriber base and the amount of information shared on our websites and applications continue to grow, we will need an increasing amount of network capacity and computing power. We have spent and expect to continue to spend substantial amounts on data centers and equipment and related network infrastructure to handle the traffic on our websites and applications. The operation of these systems is expensive and complex and could result in operational failures. In the event that our subscriber base or the amount of traffic on our websites and applications grows more quickly than anticipated, we may be required to incur significant additional costs. Interruptions in these systems, whether due to system failures, computer viruses or physical or electronic break-ins, could affect the security or availability of our websites and applications, and prevent our subscribers from accessing our services. A substantial portion of our network infrastructure is hosted by third-party providers. Any disruption in these services or any failure of these providers to handle existing or increased traffic could significantly harm our business. Any financial or other difficulties these providers face may adversely affect our business, and we exercise little control over these providers, which increases our vulnerability to problems with the services they provide. If we do not maintain or expand our network infrastructure successfully or if we experience operational failures, we could lose current and potential subscribers and merchants, which could harm our operating results and financial condition.

Our business depends on the development and maintenance of the internet infrastructure.

The success of our services will depend largely on the development and maintenance of the internet infrastructure. This includes maintenance of a reliable network backbone with the necessary speed, data capacity and security, as well as timely development of complementary products, for providing reliable internet access and services. The internet has experienced, and is likely to continue to experience, significant growth in the number of users and amount of traffic. The internet infrastructure may be unable to support such demands. In addition, increasing numbers of users, increasing bandwidth requirements or problems caused by viruses, worms, malware and similar programs may harm the performance of the internet. The backbone computers of the internet have been the targets of such programs. The internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure, and it could face outages and delays in the future. These outages and delays could reduce the level of internet usage generally as well as the level of usage of our services, which could adversely impact our business.

We may not be able to adequately protect our intellectual property rights or may be accused of infringing intellectual property rights of third parties.

We regard our subscriber list, trademarks, service marks, copyrights, patents, trade dress, trade secrets, proprietary technology and similar intellectual property as critical to our success, and we rely on trademark, copyright and patent law, trade secret protection and confidentiality and/or license agreements with our employees and others to protect our proprietary rights. Effective intellectual property protection may not be available in every country in which our deals are made available. We also may not be able to acquire or maintain appropriate domain names or trademarks in all countries in which we do business. Furthermore, regulations governing domain names may not protect our trademarks and similar proprietary rights. We may be unable to prevent third parties from acquiring and using domain names that are similar to, infringe upon or diminish the value of our trademarks and other proprietary rights. We may be unable to prevent third parties from using and registering our trademarks, or trademarks that are similar to, or diminish the value of, our trademark in some countries.

We may not be able to discover or determine the extent of any unauthorized use of our proprietary rights. Third parties that license our proprietary rights also may take actions that diminish the value of our proprietary rights or reputation. The protection of our intellectual property may require the expenditure of significant financial and managerial resources. Moreover, the steps we take to protect our intellectual property may not adequately protect our rights or prevent third parties from infringing or misappropriating our proprietary rights. We are currently subject to multiple litigations and disputes related to our intellectual property and service offerings. We may in the future be subject to additional litigation and disputes. The costs of supporting such litigation and disputes are considerable, and there can be no assurances that favorable outcomes will be obtained.

We are currently subject to third-party claims that we infringe their proprietary rights or trademarks and expect to be subject to additional claims in the future. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, injunctions against us or the payment of damages by us. We may need to obtain licenses from third parties who allege that we have infringed their rights, but such licenses may not be available on terms acceptable to us or at all. These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims.

Our business depends on a strong brand, and if we are not able to maintain and enhance our brand, or if we receive unfavorable media coverage, our ability to expand our base of subscribers and merchants will be impaired and our business and operating results will be harmed.

We believe that the brand identity that we have developed has significantly contributed to the success of our business. We also believe that maintaining and enhancing the "Groupon" brand is critical to expanding our base of subscribers and merchants. Maintaining and enhancing our brand may require us to make substantial investments and these investments may not be successful. If we fail to promote and maintain the "Groupon" brand, or if we incur excessive expenses in this effort, our business, operating results and financial condition will be materially and adversely affected. We anticipate that, as our market becomes increasingly competitive, maintaining and enhancing our brand may become increasingly difficult and expensive. Maintaining and enhancing our brand will depend largely on our ability to be a group buying leader and to continue to provide reliable, trustworthy and high quality deals, which we may not do successfully.

We receive a high degree of media coverage around the world. Unfavorable publicity or consumer perception of our websites, applications, practices or service offerings, or the offerings of our merchants, could adversely affect our reputation, resulting in difficulties in recruiting, decreased revenue and a negative impact on the number of merchants we feature and the size of our subscriber base, the loyalty of our subscribers and the number and variety of deals we offer each day. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Acquisitions, joint ventures and strategic investments could result in operating difficulties, dilution and other harmful consequences.

We expect to continue to evaluate and consider a wide array of potential strategic transactions, including acquisitions and dispositions of businesses, joint ventures, technologies, services, products and other assets and strategic investments. At any given time, we may be engaged in discussions or negotiations with respect to one or more of these types of transactions. Any of these transactions could be material to our financial condition and results of operations. The process of integrating any acquired business may create unforeseen operating difficulties and expenditures and is itself risky. The areas where we may face difficulties include:

- diversion of management time, as well as a shift of focus from operating the businesses to issues related to integration and administration, particularly given the number, size and varying scope of our recent acquisitions;
- the need to integrate each company's accounting, management, information, human resource and other administrative systems to permit effective management, and the lack of control if such integration is delayed or not implemented;
- the need to implement controls, procedures and policies appropriate for a public company at companies that prior to acquisition had lacked such controls, procedures and policies;
- in some cases, the need to transition operations and subscribers onto our existing platforms; and
- liability for activities of the acquired company before the acquisition, including violations of laws, rules and regulations, commercial disputes, tax liabilities and other known and unknown liabilities.

Moreover, we may not realize the anticipated benefits of any or all of our acquisitions, or we may not realize them in the time frame expected. Future acquisitions or mergers may require us to issue additional equity securities, spend a substantial portion of our available cash, or incur debt or liabilities, amortize expenses related to intangible assets or incur write-offs of goodwill, which could adversely affect our results of operations and dilute the economic and voting rights of our stockholders.

Our total number of subscribers may be higher than the number of our actual subscribers and may not be representative of the number of persons who are active potential customers.

Our total number of subscribers may be higher than the number of our actual subscribers because some subscribers have multiple registrations, other subscribers have died or become incapacitated and others may have registered under fictitious names. Given the challenges inherent in identifying these subscribers, we do not have a reliable system to accurately identify the number of actual subscribers, and thus we rely on the number of total subscribers as our measure of the size of our subscriber base. In addition, the number of subscribers includes the total number of individuals that have completed registration through a specific date, less individuals who have unsubscribed, and should not be considered as representative of the number of persons who continue to actively consider our deals by reviewing our email offers.

Our business may be subject to seasonal sales fluctuations which could result in volatility or have an adverse effect on the market price of our common stock.

Our business, like that of our merchants, may be subject to some degree of sales seasonality. As the growth of our business stabilizes, these seasonal fluctuations may become more evident. Seasonality may cause our working capital cash flow requirements to vary from quarter to quarter depending on the variability in the volume and timing of sales. These factors, among other things, make forecasting more difficult and may adversely affect our ability to manage working capital and to predict financial results accurately, which could adversely affect the market price of our common stock.

We depend on the continued growth of online commerce.

The business of selling goods and services over the internet, particularly through coupons, is dynamic and relatively new. Concerns about fraud, privacy and other problems may discourage additional consumers and merchants from adopting the internet as a medium of commerce. In countries such as the U.S., Germany, the United Kingdom, France and Japan, where our services and online commerce generally have been available for some time and the level of market penetration of our services is high, acquiring new subscribers for our services may be more difficult and costly than it has been in the past. In order to expand our subscriber base, we must appeal to and acquire subscribers who historically have used traditional means of commerce to purchase goods and services and may prefer internet analogues to our offerings, such as the retailer's own website. If these consumers prove to be less active than our earlier subscribers, or we are unable to gain efficiencies in our operating costs, including our cost of acquiring new subscribers, our business could be adversely impacted.

Our business is subject to interruptions, delays or failures resulting from earthquakes, other natural catastrophic events or terrorism.

Our services, operations and the data centers from which we provide our services are vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins and similar events. A significant natural disaster, such as an earthquake, fire or flood, could have a material adverse impact on our business, financial condition and results of operations and our insurance coverage may be insufficient to compensate us for losses that may occur. Acts of terrorism could cause disruptions to the internet, our business or the economy as a whole. We may not have sufficient protection or recovery plans in certain circumstances, such as natural disasters affecting areas where data centers upon which we rely are located, and our business interruption insurance may be insufficient to compensate us for losses that may occur. Such disruptions could negatively impact our ability to run our websites, which could harm our business.

Our results of operations may be negatively impacted by investments we make as we enter new product and service categories.

We have offered Groupons in over 140 different types of businesses, services and activities that fall into six broad categories. We intend to continue to invest in the development of our existing categories and to expand into new categories. We may make substantial investments in such new categories in anticipation of future revenue. We may also face greater competition in specific categories from internet sites that are more focused on such categories. If the launch of a new category requires investments greater than we expect, if we are unable to generate sufficient merchant offers which are of high quality, value and variety or if the revenue generated from a new category grows more slowly or produces lower gross profit than we expect, our results of operations could be adversely impacted.

Failure to deal effectively with fraudulent transactions and subscriber disputes would increase our loss rate and harm our business.

Groupons are issued in the form of redeemable coupons with unique identifiers. It is possible that consumers or other third parties will seek to create counterfeit Groupons in order to fraudulently purchase discounted goods and services from our merchants. While we use advanced anti-fraud technologies, it is possible that technically knowledgeable criminals will attempt to circumvent our anti-fraud systems using increasingly sophisticated methods. In addition, our service could be subject to employee fraud or other internal security breaches, and we may be required to reimburse consumers and/or merchants for any funds stolen or revenue lost as a result of such breaches. Our merchants could also request reimbursement, or stop using Groupon, if they are affected by buyer fraud or other types of fraud.

We may incur significant losses from fraud and counterfeit Groupons. We may incur losses from claims that the consumer did not authorize the purchase, from merchant fraud, from erroneous transmissions, and from consumers who have closed bank accounts or have insufficient funds in them to satisfy payments. In addition to the direct costs of such losses, if they are related to credit card transactions and become excessive, they could potentially result in our losing the right to accept credit cards for payment. If we were unable to accept credit cards for payment, we would suffer substantial reductions in revenue, which would cause our business to suffer. While we have taken measures to detect and reduce the risk of fraud, these measures need to be continually improved and may not be effective against new and continually evolving forms of fraud or in connection with new product offerings. If these measures do not succeed, our business will suffer.

We are exposed to fluctuations in currency exchange rates and interest rates.

Because we conduct a significant and growing portion of our business outside the United States but report our financial results in U.S. dollars, we face exposure to adverse movements in currency exchange rates. The results of operations of our International segment are exposed to foreign exchange rate fluctuations as the financial results are translated from the local currency into U.S. dollars upon consolidation. If the U.S. dollar weakens against foreign currencies, the translation of these foreign currency denominated transactions will result in increased revenue, operating expenses and net income. Similarly, if the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency denominated transaction will result in decreased revenue, operating expenses and net income. As exchange rates vary, sales and other operating results, when translated, may differ materially from expectations.

In addition, we face exposure to fluctuations in interest rates which may impact our investment income unfavorably.

We are subject to payments-related risks.

We accept payments using a variety of methods, including credit card, debit card and gift certificates. As we offer new payment options to consumers, we may be subject to additional regulations, compliance requirements and fraud. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. We rely on third parties to provide payment processing services, including the processing of credit cards and debit cards and it could disrupt our business if these companies become unwilling or unable to provide these services to us. We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from consumers or facilitate other types of online payments, and our business and operating results could be adversely affected.

We are also subject to or voluntarily comply with a number of other laws and regulations relating to money laundering, international money transfers, privacy and information security and electronic fund transfers. If we were found to be in violation of applicable laws or regulations, we could be subject to civil and criminal penalties or forced to cease our payments services business.

Federal laws and regulations, such as the Bank Secrecy Act and the USA PATRIOT Act and similar foreign laws, could be expanded to include Groupons.

Various federal laws, such as the Bank Secrecy Act and the USA PATRIOT Act and foreign laws and regulations, such as the European Directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, impose certain anti-money laundering requirements on companies that are financial institutions or that provide financial products and services. For these purposes, financial institutions are broadly defined to include money services businesses such as money transmitters, check cashers and sellers or issuers of stored value cards. Examples of anti-money laundering requirements imposed on financial institutions include subscriber identification and verification programs, record retention policies and procedures and transaction reporting. We do not believe that we are a financial institution subject to these laws and regulations based, in part, upon the characteristics of Groupons and our role with respect to the distribution of Groupons to subscribers. However, the Financial Crimes Enforcement Network, a division of the U.S. Treasury Department tasked with implementing the requirements of the Bank Secrecy Act, recently proposed amendments to the scope and requirements for parties involved in stored value or prepaid access cards, including a proposed expansion of financial institutions to include sellers or issuers of prepaid access cards. In the event that this proposal is adopted as proposed, it is possible that a Groupon could be considered a financial product and that we could be a financial institution. In the event that we become subject to the requirements of the Bank Secrecy Act or any other anti-money laundering law or regulation imposing obligations on us as a money services business, our regulatory compliance costs to meet these obligations would likely increase which could reduce our net income.

State and foreign laws regulating money transmission could be expanded to include Groupons.

Many states and certain foreign jurisdictions impose license and registration obligations on those companies engaged in the business of money transmission, with varying definitions of what constitutes money transmission. We do not currently believe we are a money transmitter given our role and the product terms of Groupons. However, a successful challenge to our position or expansion of state or foreign laws could subject us to increased compliance costs and delay our ability to offer Groupons in certain jurisdictions pending receipt of any necessary licenses or registrations.

Current uncertainty in global economic conditions could adversely affect our revenue and business.

Our operations and performance depend on worldwide economic conditions, which deteriorated significantly in the United States and other countries in late 2008 and through 2009. The current economic environment continues to be uncertain. These conditions may make it difficult for our merchants to accurately forecast and plan future business activities, and could cause our merchants to terminate their relationships with us or could cause our subscribers to slow or reduce their spending. Furthermore, during challenging economic times, our merchants may face issues gaining timely access to sufficient credit, which could result in their unwillingness to continue with our service or impair their ability to make timely payments to us. If that were to occur, we may experience decreased revenue, be required to increase our allowance for doubtful accounts and our days receivables outstanding would be negatively impacted. If we are unable to finance our operations on acceptable terms as a result of renewed tightening in the credit markets, we may experience increased costs or we may not be able to effectively manage our business. We cannot predict the timing, strength or duration of any economic slowdown or subsequent economic recovery, worldwide, in the United States or in our industry. These and other economic factors could have a material adverse effect on our financial condition and operating results.

Our management team has a limited history of working together and may not be able to execute our business plan.

Our management team has worked together for only a limited period of time and has a limited track record of executing our business plan as a team. We have recently filled a number of positions in our senior management and finance and accounting staff. Accordingly, certain key personnel have only recently assumed the duties and responsibilities they are now performing. In addition, certain of our executives have limited experience managing a large global business operation. Accordingly, it is difficult to predict whether our management team, individually and collectively, will be effective in operating our business.

Our management team has limited experience managing a public company, and regulatory compliance may divert its attention from the day-to-day management of our business.

The individuals who now constitute our management team have limited experience managing a publicly-traded company and limited experience complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company that will be subject to significant regulatory oversight and reporting obligations under the federal securities laws. In particular, these new obligations will require substantial attention from our senior management and could divert their attention away from the day-to-day management of our business, which could materially and adversely impact our business operations.

We will incur increased costs as a result of being a public company.

We will face increased legal, accounting, administrative and other costs and expenses as a public company that we do not incur as a private company. The Sarbanes-Oxley Act of 2002, including the requirements of Section 404, as well as new rules and regulations subsequently implemented by the Securities and Exchange Commission, or the SEC, the Public Company Accounting Oversight Board and the exchange on which our Class A common stock is listed, impose additional reporting and other obligations on public companies. We expect that compliance with these public company requirements will increase our costs and make some activities more time-consuming. A number of those requirements will require us to carry out activities we have not done previously. For example, we will adopt new internal controls and disclosure controls and procedures. In addition, we will incur additional expenses associated with our SEC reporting requirements. For example, under Section 404 of the Sarbanes-Oxley Act, for our annual report on Form 10-K for our fiscal year ending December 31, 2012, we will need to document and test our internal control procedures, our management will need to assess and report on our internal control over financial reporting and our independent registered public accounting firm will need to issue an opinion on the effectiveness of those controls. Furthermore, if we identify any issues in complying with those requirements (for example, if we or our accountants identify a material

weakness or significant deficiency in our internal control over financial reporting), we could incur additional costs rectifying those issues, and the existence of those issues could adversely affect us, our reputation or investor perceptions of us. We also expect that it will be difficult and expensive to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. Advocacy efforts by stockholders and third-parties may also prompt even more changes in corporate governance and reporting requirements. We expect that the additional reporting and other obligations imposed on us by these rules and regulations will increase our legal and financial compliance costs and the costs of our related legal, accounting and administrative activities significantly. These increased costs will require us to divert a significant amount of money that we could otherwise use to expand our business and achieve our strategic objectives.

Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from growing.

We may in the future be required to raise capital through public or private financing or other arrangements. Such financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could harm our business. Additional equity financing may dilute the interests of our common stockholders, and debt financing, if available, may involve restrictive covenants and could reduce our profitability. If we cannot raise funds on acceptable terms, we may not be able to grow our business or respond to competitive pressures.

Risks Related to the Securities Markets and Ownership of Our Class A Common Stock

Our Class A common stock has no prior market. We cannot assure you that our stock price will not decline after the offering.

Before this offering, there has not been a public market for our Class A common stock, and an active public market for our Class A common stock may not develop or be sustained after this offering. The market price of our Class A common stock could be subject to significant fluctuations after this offering. The price of our stock may change in response to variations in our operating results and also may change in response to other factors, including factors specific to technology companies, many of which are beyond our control. Among the factors that could affect our stock price are:

- the financial projections that we may choose to provide to the public, any changes in these projections or our failure for any reason to meet these projections;
- the development and sustainability of an active trading market for our Class A common stock;
- success of competitive products or services;
- the public's response to press releases or other public announcements by us or others, including our filings with the SEC and announcements relating to litigation;
- speculation about our business in the press or the investment community;
- future sales of our Class A common stock by our significant stockholders, officers and directors;
- changes in our capital structure, such as future issuances of debt or equity securities;
- our entry into new markets;
- regulatory developments in the United States or foreign countries;
- strategic actions by us or our competitors, such as acquisitions or restructurings; and
- changes in accounting principles.

In particular, we cannot assure you that you will be able to resell your shares of our Class A common stock at or above the initial public offering price. The initial public offering price will be determined by negotiations between the representatives of the underwriters and us.

The concentration of our capital stock ownership with our founders, executive officers, employees and directors and their affiliates will limit your ability to influence corporate matters.

After this offering, our Class B common stock will have votes per share and our Class A common stock, which is the stock we are selling in this offering, will have one vote per share. We anticipate that our founders, executive officers, employees and directors and their affiliates will together own approximately % of our outstanding capital stock, representing approximately % of the voting power of our outstanding capital stock. In particular, following this offering, our founders, Eric P. Lefkofsky, Bradley A. Keywell and Andrew D. Mason, will control 100% of our outstanding Class B common stock and approximately % of our outstanding Class A common stock, representing approximately % of the voting power of our outstanding capital stock. Messrs. Lefkofsky, Keywell and Mason will therefore have significant influence over management and affairs and over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets, for the foreseeable future. In addition, because of this dual class structure, Messrs. Lefkofsky, Keywell and Mason will continue to be able to control all matters submitted to our stockholders for approval

even if they own less than 50% of the outstanding shares of our capital stock. This concentrated control will limit your ability to influence corporate matters and, as a result, we may take actions that our stockholders do not view as beneficial. As a result, the market price of our Class A common stock could be adversely affected.

Possible future sales of shares by our stockholders could negatively affect our stock price after this offering.

Sales of a substantial number of shares of our Class A common stock in the public market after this offering, or the perception that these sales might occur, could depress the market price of our Class A common stock and could impair our ability to raise capital through the sale of additional equity securities. Based on the total number of shares of our common stock outstanding as of March 31, 2011, upon completion of this offering, we will have shares of Class A common stock and 1,199,988 shares of Class B common stock outstanding, assuming no exercise of our outstanding options and the sale of shares of our Class A common stock to be sold by the selling stockholders.

All of the shares of Class A common stock sold in this offering will be freely tradable without restrictions or further registration under the Securities Act of 1933, as amended, or the Securities Act, except for any shares held by our affiliates as defined in Rule 144 under the Securities Act. Substantially all of the remaining shares of Class A common stock and 1,199,988 shares of Class B common stock outstanding after this offering, based on shares outstanding as of March 31, 2011, will be restricted as a result of securities laws, lock-up agreements or other contractual restrictions that restrict transfers for at least 180 days after the date of this prospectus (or such earlier date or dates as agreed between us and Morgan Stanley & Co. LLC), subject to certain extensions.

Morgan Stanley & Co. LLC may, in its sole discretion, release all or some portion of the shares subject to lock-up agreements prior to expiration of the lock-up period.

We have established our 2010 Stock Plan, originally effective April 16, 2010 and most recently amended on April 1, 2011, or the 2010 Plan. The 2010 Plan allows us to issue, among other things, stock options, restricted stock units and restricted stock to eligible employees (including our named executive officers), directors and advisors, as determined by the compensation committee of our board of directors. We also maintain the 2008 Stock Option Plan, originally effective January 15, 2008, or the 2008 Plan, pursuant to which stock options are currently outstanding (although no future awards may be granted under the 2008 Plan). We intend to file a registration statement under the Securities Act as soon as practicable after the completion of this offering to cover the issuance of shares upon the exercise of options granted under the 2010 Plan and the 2008 Plan, and of shares granted under the 2010 Plan. As a result, any shares issued or granted under the 2010 Plan after the completion of this offering also will be freely tradable in the public market, subject to lock-up agreements as applicable. If equity securities are issued under the 2010 Plan or the 2008 Plan and it is perceived that they will be sold in the public market, then the price of our Class A common stock could decline substantially.

We will have broad discretion in using our net proceeds from this offering, and the benefits from our use of the proceeds may not meet investors' expectations.

Our management will have broad discretion over the allocation of our net proceeds from this offering as well as over the timing of their use without stockholder approval. We have not yet determined how the net proceeds of this offering to be received by us that will be used, other than for working capital and other general corporate purposes. As a result, investors will be relying upon management's judgment with only limited information about our specific intentions for the use of our net proceeds from this offering. Our failure to apply these proceeds effectively could cause our business to suffer.

If securities analysts do not publish research or if securities analysts or other third parties publish inaccurate or unfavorable research about us, the price of our Class A common stock could decline.

The trading market for our Class A common stock will rely in part on the research and reports that securities analysts and other third parties choose to publish about us. We do not control these analysts or other third parties. The price of our Class A common stock could decline if one or more securities analysts downgrade our Class A common stock or if one or more securities analysts or other third parties publish inaccurate or unfavorable research about us or cease publishing reports about us.

Because our existing investors paid substantially less than the initial public offering price when they purchased their shares, new investors will incur immediate and substantial dilution in their investment.

Investors purchasing shares of Class A common stock in this offering will incur immediate and substantial dilution in net tangible book value per share because the price that new investors pay will be substantially greater than the net tangible book value per share of the shares acquired. This dilution is due in large part to the fact that our existing investors paid substantially less than the initial public offering price when they purchased their shares of Class A common stock. In addition, upon the completion of this offering, there will be options to purchase 12,305,008 shares of our Class A common stock outstanding and restricted stock units with respect to 2,649,856 shares of Class A common stock, based on the number of options and restricted stock units outstanding on March 31, 2011. To the extent such options are exercised in the future, there will be further dilution to new investors.

The initial public offering price for the shares sold in this offering was determined by negotiations between us and the representatives of the underwriters and may not be indicative of prices that will prevail in the trading market. See "Underwriting" for a discussion of the determination of the initial public offering price.

We do not intend to pay dividends for the foreseeable future.

We intend to retain all of our earnings for the foreseeable future to finance the operation and expansion of our business and do not anticipate paying cash dividends. As a result, you can expect to receive a return on your investment in our Class A common stock only if the market price of the stock increases.

Provisions in our charter documents and under Delaware law could discourage a takeover that stockholders may consider favorable.

Provisions in our certificate of incorporation and bylaws, as amended and restated upon the closing of this offering, may have the effect of delaying or preventing a change of control or changes in our management. These provisions include the following:

-

Our certificate of incorporation provides for a dual class common stock structure. As a result of this structure, our founders will have significant influence over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets. This concentrated control could discourage others from initiating any potential merger, takeover or other change of control transaction that other stockholders may view as beneficial.

- Our board of directors has the right to elect directors to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors.
- Special meetings of our stockholders may be called only by our Executive Chairman of the Board, our Chief Executive Officer, our board of directors or holders of not less than the majority of our issued and outstanding capital stock. This limits the ability of minority stockholders to take certain actions without an annual meeting of stockholders.
- Our stockholders may not act by written consent unless the action to be effected and the taking of such action by written consent is approved in advance by our board of directors. As a result, a holder, or holders, controlling a majority of our capital stock would generally not be able to take certain actions without holding a stockholders' meeting.
- Our certificate of incorporation prohibits cumulative voting in the election of directors. This limits the ability of minority stockholders to elect director candidates.
- Stockholders must provide timely notice to nominate individuals for election to the board of directors or to propose matters that can be acted upon an annual meeting of stockholders. These provisions may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of our company.
- Our board of directors may issue, without stockholder approval, shares of undesignated preferred stock. The ability to authorize undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us.

For a description of our capital stock, see "Description of Capital Stock."

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Special Note Regarding Forward-Looking Statements and Industry Data

SPECIAL NOTE REGARDING
FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including statements regarding our future results of operations and financial position, business strategy and plans and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect" and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in "Risk Factors." Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time-to-time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Factors that may cause actual results to differ from expected results include, among others:

- our future financial performance, including our revenue, gross profit, operating expenses and our ability to attain or increase profitability;
- our ability to retain and grow our merchant and subscriber bases;
- competition in our business;
- our ability to recover subscriber acquisition costs;
- our ability to maintain favorable payment terms with our merchants;
- our liability with respect to unredeemed Groupons or increases in refund rates;

- restrictions on our ability to send emails or messages;
- our international expansion;
- the effect of laws applying to our business;
- our ability to maintain the network infrastructure necessary to operate our websites and applications;
- our ability to adequately protect our intellectual property rights; and
- the increased costs associated with being a public company.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. We undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus to conform these statements to actual results or to changes in our expectations.

You should read this prospectus and the documents that we reference in this prospectus and have filed with the SEC as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

Unless otherwise indicated, information contained in this prospectus concerning our industry and the market in which we operate, including our general expectations and market position, market opportunity and market size, is based on information from various sources, on assumptions that we have made that are based on those data and other similar sources and on our knowledge of the markets for our offerings. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We have not independently verified any third-party information and cannot assure you of its accuracy or completeness. While we believe the market position, market opportunity and market size information included in this prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

Use of Proceeds

USE OF PROCEEDS

We estimate that our net proceeds from the sale of the Class A common stock offered by us will be approximately $ million, assuming an initial public offering price of $ per share, which is the midpoint of the range reflected on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' option to purchase additional shares in this offering is exercised in full, we estimate that our net proceeds will be approximately $, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We will not receive any proceeds from the sale of shares of Class A common stock by the selling stockholders. A $1.00 increase or decrease in the assumed initial public offering price of $ per share would increase or decrease the net proceeds to us from the offering by approximately $ million, assuming the number of shares offered by us remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of one million shares in the number of shares of Class A common stock offered by us would increase or decrease the net proceeds to us from this offering by approximately $ million, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds to us from this offering for working capital and other general corporate purposes, which may include the acquisition of other businesses, products or technologies; however, we do not have any commitments for any acquisitions at this time. We will have broad discretion in the way we use the net proceeds. Pending use of the net proceeds as described above, we intend to invest the net proceeds in money market funds and investment grade debt securities.

Dividend Policy

DIVIDEND POLICY

We declared dividends on our preferred stock in the amounts of $0.3 million, $5.6 million and $1.4 million in 2008, 2009 and 2010, respectively. We declared dividends on our common stock in the amount of $21.3 million in 2009; we did not declare any dividends on our common stock in 2008 or 2010. We currently do not anticipate paying any cash dividends on our Class A common stock or Class B common stock in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant.

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Capitalization

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2011 on:

- an actual basis;
- a pro forma basis giving effect to (i) the recapitalization of all outstanding shares of our capital stock (other than our Series B preferred stock) into 296,140,145 shares of Class A common stock and all outstanding shares of our Series B preferred stock into 1,199,988 shares of Class B common stock immediately prior to the closing of this offering; and (ii) the amendment and restatement of our certificate of incorporation upon the closing of this offering; and
- a pro forma as adjusted basis giving further effect to the sale by us of Class A common stock in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the range reflected on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The information below is illustrative only and our cash and cash equivalents and capitalization following the completion of this offering will be based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

User-specified TAGGED TABLE

	As of March 31, 2011		
	Actual	Pro Forma	Pro Forma As Adjusted[1]
	(unaudited) (in thousands)		
Cash and cash equivalents	$208,688		$$
Total debt	$—		$$
Redeemable noncontrolling interests	2,744		
Stockholders' (deficit) equity:			
Common Stock			
Class A Common Stock, par value $0.0001 per share, no shares authorized, no shares issued and outstanding, actual; shares authorized, 296,140,145 shares issued and outstanding, pro forma; shares authorized, shares issued and outstanding, pro forma as adjusted	—		
Class B Common Stock, par value $0.0001 per share, no shares authorized, no shares issued and outstanding, actual; shares authorized, 1,199,988 shares issued and outstanding, pro forma; shares authorized, shares issued and outstanding, pro forma as adjusted	—		
Voting common stock, $0.0001 par value, 500,000,000 shares authorized, 211,495,998 shares issued and 144,681,311 shares outstanding, actual; no shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	4		
Non-voting convertible common stock, $0.0001 par value, 100,000,000 shares authorized, 8,230,928 shares issued and 5,997,640 shares outstanding, actual; no shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—		
Preferred Stock			
Preferred Stock, par value $0.0001 per share, no shares authorized, issued and outstanding, actual; authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—		
Series B, convertible preferred stock, $0.0001 par value, 199,998 shares authorized, issued and outstanding, actual; no shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—		
Series D, convertible preferred stock, $0.0001 par value, 6,560,174 shares authorized and 5,956,420 shares issued and outstanding, actual; no shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—		
Series E, convertible preferred stock, $0.0001 par value, 4,406,160 shares authorized and 4,060,183 shares issued and outstanding, actual; no shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—		
Series F, convertible preferred stock, $0.0001 par value, 4,202,658 shares authorized, issued and outstanding, actual; no shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	1		
Series G, convertible preferred stock, $0.0001 par value, 30,075,690 shares authorized, and 30,072,814 shares issued and outstanding, actual; no shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	3		
Treasury stock	(856,723)		
Additional paid-in capital	1,373,173		
Stockholder receivable	(144)		

Accumulated deficit	(522,136)	
Accumulated other comprehensive income	12,908	
Total Groupon, Inc. stockholders' equity	7,086	
Total capitalization	$9,830	$$

end of user-specified TAGGED TABLE

(1)

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the amount of pro forma as adjusted cash and cash equivalents, additional paid-in capital, total Groupon, Inc. stockholders' equity and total capitalization we receive from this offering by approximately $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of one million shares in the number of shares of Class A common stock offered by us would increase (decrease) cash and cash equivalents,

additional paid-in capital, total Groupon, Inc. stockholders' equity and total capitalization by approximately $ million, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The table above excludes the following shares:

- 1,199,988 shares of Class A common stock issuable upon the conversion of our Class B common stock that will be outstanding after this offering;
- 12,305,008 shares of Class A common stock issuable upon the exercise of stock options outstanding as of March 31, 2011 at a weighted average exercise price of $2.23 per share;
- 600,000 shares of Class A common stock issuable upon the vesting of performance stock units granted in connection with certain of our acquisitions;
- 2,649,856 shares of Class A common stock issuable upon the vesting of restricted stock units granted under our 2010 Plan; and
- 1,288,376 shares of Class A common stock available for additional grants under our 2010 Plan.

Dilution

DILUTION

If you invest in our Class A common stock, your investment will be diluted immediately to the extent of the difference between the public offering price per share of our Class A common stock and the pro forma net tangible book value per share of our Class A and Class B common stock after this offering. Our pro forma net tangible book value as of March 31, 2011 was a deficit of approximately $(190.3) million, or $(0.64) per share of Class A and Class B common stock. Pro forma net tangible book value per share represents the amount of our total tangible assets, less our total liabilities, divided by the number of shares of Class A and Class B common stock outstanding as of March 31, 2011, after giving effect to the recapitalization of all outstanding shares of our capital stock (other than our Series B preferred stock) into 296,140,145 shares of Class A common stock and all outstanding shares of our Series B preferred stock into 1,199,988 shares of Class B common stock immediately prior to the closing of this offering.

Net tangible book value dilution per share to new investors represents the difference between the amount per share paid by purchasers of shares of Class A common stock in this offering and the pro forma net tangible book value per share of Class A and Class B common stock immediately after the completion of this offering. After giving effect to our sale of shares of Class A common stock in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value as of March 31, 2011 would have been $ million, or $ per share. This represents an immediate increase in net tangible book value of $ per share to existing stockholders and an immediate dilution in net tangible book value of $ per share to investors purchasing Class A common stock in this offering, as illustrated in the following table:

User-specified TAGGED TABLE

Assumed initial public offering price per share of Class A common stock	$
Pro forma net tangible book value per share as of March 31, 2011	$
Increase per share attributable to this offering	$
Pro forma net tangible book value per share, as adjusted to give effect to this offering	$
Dilution per share to new investors	$

end of user-specified TAGGED TABLE
A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value per share by $, assuming the number of shares offered by us remains the same as set forth on the cover page of this prospectus and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise their option to purchase additional shares of our Class A common stock in full, the pro forma as adjusted net tangible book value per share would be $ per share, the increase in pro forma net tangible book value per share to existing stockholders would be $ per share and the dilution per share to new investors purchasing shares in this offering would be $ per share.

The following table presents, on a pro forma basis as of March 31, 2011, after giving effect to the sale of shares of Class A common stock and recapitalization of all of our capital stock (other than our Series B preferred stock) into 296,140,145 shares of Class A common stock and all outstanding shares of our Series B preferred stock into 1,199,988 shares of Class B common stock immediately prior to the closing of this offering, the differences between the existing stockholders and the purchasers of shares in this offering with respect to the number of shares purchased from us, the total consideration paid and the average price paid per share:

User-specified TAGGED TABLE

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders		%		$%	$
New public investors					
Total		100.0%		$100.0%	

end of user-specified TAGGED TABLE
A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the range set forth on the cover page of this prospectus, would increase (decrease) total consideration paid by new investors by $, total consideration paid by all stockholders by $ and the average price per share paid by all stockholders by $, in each case assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and without deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The foregoing calculations are based on 296,140,145 shares of our Class A common stock outstanding as of March 31, 2011 and exclude:

- 1,199,988 shares of Class A common stock issuable upon the conversion of our Class B common stock that will be outstanding after this offering;
- 12,305,008 shares of Class A common stock issuable upon the exercise of stock options outstanding as of March 31, 2011 at a weighted average exercise price of $2.23 per share;
- 600,000 shares of Class A common stock issuable upon the vesting of performance stock units granted in connection with certain of our acquisitions;
- 2,649,856 shares of Class A common stock issuable upon the vesting of restricted stock units granted under our 2010 Plan; and
- 1,288,376 shares of Class A common stock available for additional grants under our 2010 Plan.

Sales by the selling stockholders in this offering will cause the number of shares held by existing stockholders to be reduced to shares, or % of the total number of shares of our Class A and Class B common stock outstanding after this offering. If the underwriters' overallotment option is exercised in full, the number of shares held by the existing stockholders after this offering would be reduced to , or % of the total number of shares of our Class A and Class B common stock outstanding after this offering, and the number of shares held by new investors would increase to , or % of the total number of shares of our Class A common stock outstanding after this offering.

To the extent that any outstanding options are exercised or outstanding restricted stock units vest, new investors will experience further dilution. If all of these options were exercised and all of these restricted stock units vest, then our existing stockholders, including the holders of these options and restricted stock units, would own % and our new investors would own % of the total number of shares of our Class A and Class B common stock outstanding upon the closing of this offering. The net tangible book value per share after this offering would be $, causing dilution to new investors of $ per share.

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Selected Consolidated Financial and Other Data

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents selected consolidated financial and other data as of and for the periods indicated. Financial information for periods prior to 2008 has not been provided because we began operations in 2008. The statements of operations data for the years ended December 31, 2008, 2009 and

2010 and the balance sheet data as of December 31, 2009 and 2010 are derived from our audited financial statements included elsewhere in this prospectus. The balance sheet data for the year ended December 31, 2008 was derived from our unaudited financial statements which are not included in this prospectus. The summary consolidated statements of operations data for the periods ended March 31, 2010 and 2011 and the balance sheet data as of March 31, 2011 have been derived from our unaudited consolidated financials statements included elsewhere in this prospectus. The unaudited information was prepared on a basis consistent with that used to prepare our audited financial statements and includes all adjustments, consisting of normal and recurring items, that we consider necessary for a fair presentation of the unaudited period.

We made several acquisitions during 2010, including the acquisitions of CityDeal and Qpod.inc., or Qpod. The consolidated statements of operations, balance sheets and statements of cash flows include the results of entities acquired from the effective date of the acquisition for accounting purposes.

The following information should be read together with the more detailed information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the accompanying notes.

User-specified TAGGED TABLE

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
				(unaudited)	(unaudited)
	(dollars in thousands, except share data)				
Consolidated Statements of Operations Data:					
Revenue	$94	$30,471	$713,365	$44,236	$644,728
Cost of revenue	89	19,542	433,411	24,251	374,728
Gross profit	5	10,929	279,954	19,985	270,000
Operating expenses:					
Marketing	163	4,548	263,202	3,988	208,209
Selling, general and administrative	1,474	7,458	233,913	7,426	178,939
Acquisition-related	—	—	203,183	—	—
Total operating expenses	1,637	12,006	700,298	11,414	387,148
(Loss) income from operations	(1,632)	(1,077)	(420,344)	8,571	(117,148)
Interest and other income (expense), net	90	(16)	284	3	1,060
Equity-method investment activity, net of tax	—	—	—	—	(882)
(Loss) income before provision for income taxes	(1,542)	(1,093)	(420,060)	8,574	(116,970)
Provision (benefit) for income taxes	—	248	(6,674)	23	(3,079)
Net (loss) income	(1,542)	(1,341)	(413,386)	8,551	(113,891)
Less: Net loss attributable to noncontrolling interests	—	—	23,746	—	11,223
Net (loss) income attributable to Groupon, Inc.	(1,542)	(1,341)	(389,640)	8,551	(102,668)
Dividends on preferred stock	(277)	(5,575)	(1,362)	(523)	—
Redemption of preferred stock in excess of carrying value	—	—	(52,893)	—	(34,327)
Adjustment of redeemable noncontrolling interests to redemption value	—	—	(12,425)	—	(9,485)
Preferred stock distributions	(339)	—	—	—	—
Net (loss) income attributable to common stockholders	$(2,158)	$(6,916)	$(456,320)	$8,028	$(146,480)
Net (loss) income per share					
Basic	$(0.01)	$(0.04)	$(2.66)	$0.03	$(0.95)
Diluted	$(0.01)	$(0.04)	$(2.66)	$0.03	$(0.95)
Weighted average number of shares outstanding					
Basic	166,738,129	168,604,142	171,349,386	172,966,829	153,924,706
Diluted	166,738,129	168,604,142	171,349,386	245,962,571	153,924,706

end of user-specified TAGGED TABLE User-specified TAGGED TABLE

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
Key Operating Metrics:					
Subscribers[(1)]	*	1,807,278	50,583,805	3,434,610	83,100,006
Cumulative customers[(2)]	*	375,099	9,031,807	874,017	15,803,995
Featured merchants[(3)]	*	2,695	66,289	2,903	56,781
Groupons sold[(4)]	*	1,248,792	30,296,070	1,760,398	28,094,743

end of user-specified TAGGED TABLE

*
Not available

(1)
Reflects the total number of subscribers on the last day of the applicable period.

(2)
Reflects the total number of unique customers that have purchased Groupons from January 1, 2009 through the last day of the applicable period.

(3)
Reflects the total number of merchants featured in the applicable period.

(4)
Reflects the total number of Groupons sold in the applicable period.

User-specified TAGGED TABLE

	As of December 31,			As of March 31, 2011
	2008	2009	2010	
				(unaudited)
			(in thousands)	
Consolidated Balance Sheet Data:				
Cash and cash equivalents	$2,966	$12,313	$118,833	$208,688
Working capital (deficit)	2,643	3,988	(196,564)	(228,748)
Total assets	3,006	14,962	381,570	541,410
Total long-term liabilities	—	—	1,621	14,790
Redeemable preferred stock	4,747	34,712	—	—
Total Groupon, Inc. stockholders' (deficit) equity	(2,091)	(29,969)	8,077	7,086

end of user-specified TAGGED TABLE

Non-GAAP Financial Measures

We use adjusted consolidated segment operating income, or Adjusted CSOI, and free cash flow as key non-GAAP financial measures. Adjusted CSOI and free cash flow are used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures.

Adjusted CSOI is operating income of our two segments, North America and International, adjusted for online marketing expense, acquisition-related costs and stock-based compensation expense. Online marketing expense primarily represents the cost to acquire new subscribers and is determined by the amount of subscriber growth we wish to pursue. Acquisition-related costs are non-recurring non-cash items related to certain of our acquisitions. Stock-based compensation expense is a non-cash item. We consider Adjusted CSOI to be an important measure of the performance of our business as it excludes expenses that are non-cash or otherwise not indicative of future operating expenses. We believe it is important to view Adjusted CSOI as a complement to our entire consolidated statements of operations.

Our use of Adjusted CSOI has limitations as an analytical tool, and you should not consider this measure in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted CSOI does not reflect the significant cash investments that we currently are making to acquire new subscribers;
- Adjusted CSOI does not reflect the potentially dilutive impact of issuing equity-based compensation to our management team and employees or in connection with acquisitions;
-

Adjusted CSOI does not reflect any interest expense or the cash requirements necessary to service interest or principal payments on any indebtedness that we may incur;

- Adjusted CSOI does not reflect any tax payments that we might make, which would represent a reduction in cash available to us;
- Adjusted CSOI does not reflect any foreign exchange gains and losses;
- Adjusted CSOI does not reflect changes in, or cash requirements for, our working capital needs; and
- other companies, including companies in our industry, may calculate Adjusted CSOI differently or may use other financial measures to evaluate their profitability, which reduces the usefulness of it as a comparative measure.

Because of these limitations, Adjusted CSOI should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. When evaluating our performance, you should consider Adjusted CSOI alongside other financial performance measures, including various cash flow metrics, net loss and our other GAAP results.

Free cash flow, which is reconciled to "Net cash (used in) provided by operating activities," is cash flow from operations reduced by "Purchases of property and equipment." We use free cash flow, and ratios based on it, to conduct and evaluate our business because, although it is similar to cash flow from operations, we believe it typically will present a more conservative measure of cash flows as purchases of fixed assets, software developed for internal use and website development costs are a necessary component of ongoing operations.

Free cash flow has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures. For example, free cash flow does not include the cash payments for business acquisitions. In addition, free cash flow reflects the impact of the timing difference between when we are paid by customers and when we pay merchants. Therefore, we believe it is important to view free cash flow as a complement to our entire consolidated statements of cash flows.

Adjusted CSOI

The following is a reconciliation of Adjusted CSOI to the most comparable GAAP measure, "(Loss) income from operations," for the years ended December 31, 2008, 2009 and 2010 and the first quarter of 2010 and 2011:

User-specified TAGGED TABLE

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
			(in thousands)		
(Loss) income from operations	$(1,632)	$(1,077)	$(420,344)	$8,571	$(117,148)
Adjustments:					
Online marketing	162	4,446	241,546	3,904	179,903
Stock-based compensation	24	115	36,168	116	18,864
Acquisition-related	–	–	203,183	–	–
Total adjustments	186	4,561	480,897	4,020	198,767
Adjusted CSOI	$(1,446)	$3,484	$60,553	$12,591	$81,619
Adjusted Segment Operating Income:					
North America	$(1,446)	$3,484	$88,036	$12,591	$38,610
International	–	–	(27,483)	–	$43,009
Adjusted CSOI	$(1,446)	$3,484	$60,553	$12,591	$81,619

end of user-specified TAGGED TABLE

Free Cash Flow

The following is a reconciliation of free cash flow to the most comparable GAAP measure, "Net cash (used in) provided by operating activities," for the years ended December 31, 2008, 2009 and 2010 and the first quarter of 2010 and 2011:

User-specified TAGGED TABLE

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
			(in thousands)		
Net cash (used in) provided by operating activities	$(1,526)	$7,510	$86,885	$12,897	$17,940

Purchases of property and equipment	(19)	(290)	(14,681)	(863)	(10,962)
Free cash flow	$(1,545)	$7,220	$72,204	$12,034	$6,978

end of user-specified TAGGED TABLE THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Management's Discussion and Analysis of Financial Condition and Results of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *You should read the following discussion together with our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements about our business and operations. Our actual results may differ materially from those we currently anticipate as a result of many factors, including those we describe under "Risk Factors" and elsewhere in this prospectus. See "Special Note Regarding Forward-Looking Statements and Industry Data."*

Overview

Groupon is a local e-commerce marketplace that connects merchants to consumers by offering goods and services at a discount. Traditionally, local merchants have tried to reach consumers and generate sales through a variety of methods, including the yellow pages, direct mail, newspaper, radio, television and online advertisements and promotions. By bringing the brick and mortar world of local commerce onto the internet, Groupon is creating a new way for local merchants to attract customers and sell goods and services. We provide consumers with savings and help them discover what to do, eat, see and buy in the places where they live and work.

Each day we email our subscribers discounted offers for goods and services that are targeted by location and personal preferences. Consumers access our deals directly through our websites and mobile applications. Our revenue is the purchase price paid by the customer for the Groupon. Our gross profit is the amount of revenue we retain after paying an agreed upon percentage of the purchase price to the featured merchant. In 2010, we generated revenue of $713.4 million, compared to $30.5 million in 2009. During the first quarter of 2011, we generated revenue of $644.7 million, compared to $44.2 million in the first quarter of 2010.

We have organized our operations into two principal segments: North America, which represents the United States and Canada; and International, which represents the rest of our global operations. For the first quarter of 2011, we derived 53.8% of our revenue from our International segment. We expect the percentage of total revenue derived from outside North America to increase in future periods as we continue to expand globally.

We incurred a net loss of $102.7 million for the three months ended March 31, 2011 and have an accumulated deficit of $522.1 million as of March 31, 2011. Since our inception, we have driven our growth through substantial investments in infrastructure and marketing to drive subscriber acquisition. We intend to continue to pursue a strategy of significant investment in these areas.

How We Measure Our Business

We measure our business with several financial and operating metrics. We use these metrics to assess the progress of our business, make decisions on where to allocate capital, time and technology investments, and assess longer-term performance of our marketplace. The key metrics are as follows:

Financial Metrics

- *Gross profit.* Our gross profit is the amount that we retain after paying our merchants an agreed upon percentage of the purchase price to the featured merchant. We believe gross profit is an important indicator for our business because it is a reflection of the value of our service to our merchants. Gross profit is influenced by the mix of deals we offer. For example, gross profit can vary depending on the category of product or service offered in a particular deal. Likewise, gross profit can be adversely impacted by offers that we make for the principal purpose of acquiring new subscribers or establishing our brand and building scale in a new market.

- *Adjusted consolidated segment operating income.* Adjusted CSOI is operating income of our two segments, North America and International, adjusted to add back online marketing expense, acquisition-related costs and stock-based compensation expense. Online marketing expense primarily represents the cost to acquire new subscribers and is determined by the amount of subscriber growth we wish to pursue and changes in online marketing rates. We believe that a relatively small portion of our current online marketing expense relates to existing subscribers. Acquisition-related costs are non-recurring non-cash items related to certain of our acquisitions. Stock-based compensation expense is a non-cash item. We consider Adjusted CSOI to be an important measure of the performance of our business after excluding expenses that are non-cash or otherwise not indicative of future operating expenses. See "Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures" for further information.

- *Free cash flow.* Free cash flow is cash flow from operations less amounts paid for purchases of property and equipment, including internal-use software and website development. We believe free cash flow is an important indicator for our business because it measures the amount of cash we generate after spending on marketing, wages and benefits, capital expenditures and other items. Free cash flow also reflects changes in working capital. We use free cash flow to conduct and evaluate our business because we believe free cash flow captures the cash flow of our ongoing operations. See "Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures" for further information.

Operating Metrics

- *Subscribers.* We define subscribers as the total number of individuals that have completed registration through a specific date, less individuals who have unsubscribed. To sign up for our service and become a subscriber, an individual provides an email address. We can measure our overall growth in the market as well as our potential revenue opportunity as a function of our total subscriber base. The subscriber base does not take into consideration the activity level of the subscriber with our service, nor does it adjust for multiple or unused accounts. Despite these drawbacks, we believe this metric provides valuable insight about the trajectory and scale of our business. Although the vast majority of our revenue comes from subscribers, we also sell Groupons to customers that purchase as guests and, as such, are not included in our total subscriber number.
- *Cumulative customers.* We define cumulative customers as the total number of unique customers that have purchased Groupons from January 1, 2009 (the first date we began tracking unique customers) through a specific date. We consider this metric to be an important indicator of our business performance as it helps us to understand the purchase rate of our subscribers.
- *Featured merchants.* This metric represents the total number of merchants featured in a given time period. For deals offered on a nationwide basis, we count the national merchant once. For deals offered by national merchants on a local or regional basis, we count the national merchant as a separate merchant in each market in which the deal is offered. We consider this metric to be a good indicator of growth as well as an important measure of the effectiveness of our sales and marketing infrastructure.
- *Groupons sold.* This metric represents the total number of Groupons sold in a given time period. This metric is presented net of Groupons refunded during the same time period. We use this metric to measure our growth and activity level in the aggregate as well as in our individual markets.

The following table is a summary of our key operating metrics for the years ended December 31, 2008, 2009 and 2010 and the first quarters of 2010 and 2011:

User-specified TAGGED TABLE

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
Subscribers[(1)]	*	1,807,278	50,583,805	3,434,610	83,100,006
Cumulative customers[(2)]	*	375,099	9,031,807	874,017	15,803,995
Featured merchants[(3)]	*	2,695	66,289	2,903	56,781
Groupons sold[(4)]	*	1,248,792	30,296,070	1,760,398	28,094,743

end of user-specified TAGGED TABLE

* Not available

(1) Reflects the total number of subscribers on the last day of the applicable period.

(2) Reflects the total number of unique customers that have purchased Groupons from January 1, 2009 through the last day of the applicable period.

(3) Reflects the total number of merchants featured in the applicable period.

(4) Reflects the total number of Groupons sold in the applicable period.

Factors Affecting Our Performance

Subscriber acquisition costs. We must continue to acquire and retain subscribers who purchase Groupons in order to increase revenue and achieve profitability. We characterize online marketing expenses as subscriber acquisition costs because these expenses are intended to acquire new subscribers. We spent $179.9 million on online marketing initiatives relating to subscriber acquisition for the first quarter of 2011 and expect to continue to expend significant amounts to acquire additional subscribers. If consumers do not perceive our Groupon offerings to be of high value and quality, or if we fail to introduce new or more relevant deals, we may not be able to acquire or retain subscribers. In our limited operating history, we have not incurred significant marketing or other expense on initiatives designed to re-activate subscribers or increase the level of purchases by our existing subscribers. If such expenditures or initiatives become necessary to maintain a desired level of activity in our marketplace, our business and profitability could be adversely affected.

Deal sourcing and quality. We consider our merchant relationships to be a vital part of our business model. We depend on our ability to attract and retain merchants that are prepared to offer products or services on compelling terms. We do not have long-term arrangements to guarantee availability of deals that offer attractive quality, value and variety to consumers or favorable payment terms to us. If new merchants do not find our marketing and promotional

services effective, or if our existing merchants do not believe that utilizing our services provides them with a long-term increase in customers, revenues or profits, they may stop making offers through our marketplace.

Competitive pressure. Our growth and geographical expansion have drawn a significant amount of attention to our business model. As a result, a substantial number of group buying sites that attempt to replicate our business model have emerged around the world. In addition to such competitors, we expect to increasingly compete against other large internet and technology-based businesses, such as Facebook, Google and Microsoft, each of which has launched initiatives which are directly competitive to our business. We also expect to compete against other internet sites that are focused on specific communities or interests and offer coupons or discount arrangements related to such communities or interests.

Investment in growth. We are a high-growth company and have aggressively invested, and intend to continue to invest, to support this growth. As a result, we have incurred net losses in the majority of quarters since our inception. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to increase the number and variety of deals we offer each day, broaden our subscriber base, expand our marketing channels, expand our operations, hire additional employees and develop our technology.

Pace and effectiveness of expansion. We have grown our business rapidly since inception, adding new subscribers and markets both domestically and internationally. Our international business has become critical to our revenue growth and our ability to achieve profitability. In 2010 and the first quarter of 2011, 37.2% and 53.8%, respectively, of our revenue was generated from our international operations. Expansion into international markets requires management attention and resources and requires us to localize our services to conform to a wide variety of local cultures, business practices, laws and policies. International acquisitions also expose us to a variety of execution risks. The different commercial and internet infrastructure in other countries may make it more difficult for us to replicate our traditional business model.

Basis of Presentation

Revenue

Revenue primarily consists of the gross amount paid by customers for purchased Groupons, excluding any applicable taxes, less customer refunds and obligations related to credits earned for customer loyalty and reward programs.

Cost of Revenue

Cost of revenue primarily consists of the amounts paid to and accrued for our merchants associated with the sale of Groupons.

Marketing

We direct consumers to our websites and applications primarily through a number of targeted online marketing channels, such as sponsored search, social networking sites, portal advertising, email marketing campaigns, affiliate programs and other similar initiatives, which we consider to be subscriber acquisition costs. Our marketing expenses are largely variable, impacted by the amount of subscriber growth we wish to pursue and changes in online marketing rates. To the extent there is increased or decreased competition for these traffic sources, or to the extent our mix of these channels shifts, we would expect to see a corresponding change in our marketing expense. We also incur offline marketing costs from television, radio and print advertising.

Marketing is the primary method by which we acquire subscribers, and as such, is a critical part of our growth strategy. Over time, as our business continues to scale and we become more established in a greater percentage of our markets, we expect that our marketing expense will decrease as a percentage of revenue.

Selling, General and Administrative

Selling, general and administrative expense primarily consists of wages and benefits (including stock-based compensation), credit card processing fees, consulting and professional fees, depreciation and amortization and technology-related costs. Approximately 50% of our employees were part of our salesforce as of March 31, 2011, and their compensation represented a significant portion of our selling, general and administrative expenses. Our salesforce is critical to growing and maintaining our merchant base and is the main source for driving new Groupon offers. We expect that our salesforce headcount will continue to grow over time as we continue to expand our business into new markets, but that our sales and marketing expense will decrease as a percentage of revenue.

Acquisition-Related

In May 2010, we acquired CityDeal, a European-based collective buying power business launched in January 2010 that provided daily deals and online marketing services substantially similar to the Company. As part of the overall consideration paid, we were obligated to issue additional shares of our common stock in December 2010 due to the achievement of financial and performance earn-out targets. We recorded a liability on our consolidated balance sheet as of the original acquisition date for this consideration and subsequently remeasured the liability on a periodic basis until final settlement. As a result of this remeasurement, we recorded a total charge of $204.2 million in acquisition-related expenses in 2010, which was partially offset by other nominal acquisition-related items.

Interest and Other Income (Expense)

Interest and other income (expense) primarily consists of foreign currency gains and losses resulting from foreign currency transactions which are denominated in currencies other than our functional currencies and interest expense on our loans from related parties.

Results of Operations

Comparison of the Three Months Ended March 31, 2010 and 2011:

User-specified TAGGED TABLE

	Three Months Ended March 31,	
	2010	2011
	(in thousands)	
Revenue	$44,236	$644,728
Cost of revenue	24,251	374,728
Gross profit	19,985	270,000
Operating expenses:		
Marketing	3,988	208,209
Selling, general and administrative	7,426	178,939
Total operating expenses	11,414	387,148
Income (loss) from operations	8,571	(117,148)
Interest and other income, net	3	1,060
Equity-method investment activity, net of tax	—	(882)
Income (loss) before provision for income taxes	8,574	(116,970)
Provision (benefit) for income taxes	23	(3,079)
Net income (loss)	8,551	(113,891)
Less: Net loss attributable to noncontrolling interests	—	11,223
Net income (loss) attributable to Groupon, Inc.	8,551	(102,668)
Dividends on preferred stock	(523)	—
Redemption of preferred stock in excess of carrying value	—	(34,327)
Adjustment of redeemable noncontrolling interests to redemption value	—	(9,485)
Net income (loss) attributable to common stockholders	$8,028	$(146,480)

end of user-specified TAGGED TABLE

The following table reflects all of the line items of our statements of operations as a percentage of revenue for the three months ended March 31, 2010 and 2011:

User-specified TAGGED TABLE

	Three Months Ended March 31,	
	2010	2011
Revenue	100.0%	100.0%
Cost of revenue	54.8	58.1
Gross profit	45.2	41.9
Operating expenses:		
Marketing	9.0	32.3
Selling, general and administrative	16.8	27.8
Total operating expenses	25.8	60.1
Income (loss) from operations	19.4	(18.2)
Interest and other income, net	—	0.2
Equity-method investment activity, net of tax	—	(0.1)
Income (loss) before provision for income taxes	19.4	(18.1)
Provision (benefit) for income taxes	0.1	(0.4)

Net income (loss)	19.3	(17.7)
Less: Net loss attributable to noncontrolling interests	—	1.8
Net income (loss) attributable to Groupon, Inc.	19.3	(15.9)
Dividends on preferred stock	(1.2)	—
Redemption of preferred stock in excess of carrying value	—	(5.3)
Adjustment of redeemable noncontrolling interests to redemption value	—	(1.5)
Net income (loss) attributable to common stockholders	18.1%	(22.7)%

end of user-specified TAGGED TABLE

Revenue

For the three months ended March 31, 2010 and 2011, our revenue was $44.2 million and $644.7 million respectively, reflecting an increase of $600.5 million, or 1,357%. The increase in revenue was directly attributable to the increase in the number of Groupons we sold in the period compared to the same period of the prior year. The increase in the number of Groupons sold was driven by subscriber growth in our existing markets and our entry into new markets. In May 2010, we also began our international expansion by acquiring CityDeal, which added 1.9 million subscribers as of the date of the acquisition in several major European markets, including London, Berlin and Paris, and ended the year with operations in 38 countries. As a result of the entry into these new markets and growth in existing markets we added 79.7 million new subscribers from March 31, 2010 through March 31, 2011.

Segment Revenue

User-specified TAGGED TABLE

	Three Months Ended March 31,			
	2010	**% of total**	**2011**	**% of total**
	(dollars in thousands)			
North America	$44,236	100.0%	$297,897	46.2%
International	—	—	346,831	53.8%
Revenue	$44,236	100.0%	$644,728	100.0%

end of user-specified TAGGED TABLE

We had no international operations during the three months ended March 31, 2010. Subsequent to March 31, 2010, we added 132 new North American markets and continued to grow in existing markets. Revenue for our International segment was $346.8 million for the three months ended March 31, 2011. In May 2010, we commenced our operations internationally with the purchase of CityDeal, a European-based local e-commerce business similar to ours, which operated in 80 markets in 16 countries with 1.9 million subscribers at the time of acquisition. We subsequently completed eight additional international acquisitions during 2010, which gave us access to markets and additional subscribers around the world.

Cost of Revenue

Cost of revenue as a percentage of revenue was 54.8% and 58.1% for the three months ended March 31, 2010 and 2011, respectively. The significant increase in the absolute cost of revenue is consistent with the growth of our revenue.

Gross Profit

Gross profit and gross margin for each of the periods presented were as follows:

User-specified TAGGED TABLE

	Three Months Ended March 31,	
	2010	**2011**
	(dollars in thousands)	
Gross profit	$19,985	$270,000
Gross margin	45.2%	41.9%

end of user-specified TAGGED TABLE

Gross margin decreased as a percentage of revenue from 45.2% for the three months ended March 31, 2010 to 41.9% for the three months ended March 31, 2011. The decrease in gross margin was primarily due to the mix of offered deals. We also offered several national deals to generate revenue and increase brand awareness, which reduced our gross margin.

Marketing

Marketing expense as a percentage of revenue for the three months ended March 31, 2010 and 2011 was 9.0% and 32.3%, respectively. Our marketing expense increased by $204.2 million to $208.2 million for the three months ended March 31, 2011 as compared to March 31, 2010 primarily driven by investments in subscriber acquisition in new markets. We have focused the majority of our marketing spend online, particularly on social networking websites and search engines as part of our new subscriber acquisition strategy. For the three months ended March 31, 2011, marketing expense as a percentage of revenue for the North America and International segments was 26.4% and 37.3%, respectively. The higher marketing expense as a percentage of revenue for our International segment reflects our launch into new International markets.

Selling, General and Administrative

Selling, general and administrative expense as a percentage of revenue was 16.8% and 27.8% for the three months ended March 31, 2010 and 2011, respectively. The increase in selling, general and administrative expense as a percentage of revenue was principally related to the build out of our salesforce and investments in our corporate infrastructure necessary to support our current and anticipated growth.

Our selling, general and administrative expense increased by $171.5 million to $178.9 million for the three months ended March 31, 2011 as compared to March 31, 2010.

Wages and benefits (excluding stock-based compensation) increased by $77.7 million to $81.2 million for the three months ended March 31, 2011 as compared to March 31, 2010, as we continued to add sales and administrative staff to support our business. Stock-based compensation costs also increased to $18.9 million for the three months ended March 31, 2011 from $0.1 million for the three months ended March 31, 2010 due to awards issued to retain key employees and awards issued in connection with our acquisitions. Credit card processing fees have also increased consistent with revenue, as this cost is generally variable based on the dollar volume of transactions that are processed. Our consulting and professional fees increased as a percentage of revenue in the three months ended March 31, 2011 as compared to March 31, 2010, primarily related to higher legal and technology-related costs. Depreciation and amortization expense increased as a percentage of revenue in the three months ended March 31, 2011 as compared to March 31, 2010 primarily because we recorded $53.1 million of intangible assets in connection with our acquisitions, resulting in $5.7 million of amortization expense for the three months ended March 31, 2011.

Interest and Other Income (Expense)

For the three months ended March 31, 2011, we generated other income of $1.1 million primarily related to foreign currency gains. We did not incur any foreign currency gains or losses for the three months ended March 31, 2010 as we did not have any international operations during the first quarter of 2010.

Provision (Benefit) for Income Taxes

The provision for income taxes for the three months ended March 31, 2010 was nominal due to the size of our operations. We recorded a benefit for income taxes for the three months ended March 31, 2011 as the Company was able to benefit losses in certain foreign jurisdictions.

Comparison of the Years Ended December 31, 2008, 2009 and 2010:

User-specified TAGGED TABLE

	Year Ended December 31,		
	2008	**2009**	**2010**
		(in thousands)	
Revenue	$94	$30,471	$713,365
Cost of revenue	89	19,542	433,411
Gross profit	5	10,929	279,954
Operating expenses:			
Marketing	163	4,548	263,202
Selling, general and administrative	1,474	7,458	233,913
Acquisition-related	—	—	203,183
Total operating expenses	1,637	12,006	700,298
Loss from operations	(1,632)	(1,077)	(420,344)
Interest and other income (expense), net	90	(16)	284
Loss before provision for income taxes	(1,542)	(1,093)	(420,060)
Provision (benefit) for income taxes	—	248	(6,674)

Net loss	(1,542)	(1,341)	(413,386)
Less: Net loss attributable to noncontrolling interests	—	—	23,746
Net loss attributable to Groupon, Inc.	(1,542)	(1,341)	(389,640)
Dividends on preferred stock	(277)	(5,575)	(1,362)
Redemption of preferred stock in excess of carrying value	—	—	(52,893)
Adjustment of redeemable noncontrolling interests to redemption value	—	—	(12,425)
Preferred stock distributions	(339)	—	—
Net loss attributable to common stockholders	$(2,158)	$(6,916)	$(456,320)

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The following table reflects all of the line items of our statements of operations as a percentage of revenue for the years ended December 31, 2008, 2009 and 2010:

User-specified TAGGED TABLE

	Year Ended December 31,		
	2008	**2009**	**2010**
Revenue	100.0%	100.0%	100.0%
Cost of revenue	94.7	64.1	60.8
Gross profit	5.3	35.9	39.2
Operating expenses:			
Marketing	*	14.9	36.8
Selling, general and administrative	*	24.5	32.8
Acquisition-related	—	—	28.5
Total operating expenses	*	39.4	98.1
Loss from operations	*	(3.5)	(58.9)
Interest and other income (expense), net	95.7	(0.1)	—
Loss before provision for income taxes	*	(3.6)	(58.9)
Provision (benefit) for income taxes	—	0.8	(1.0)
Net loss	*	(4.4)	(57.9)
Less: Net loss attributable to noncontrolling interests	—	—	3.3
Net loss attributable to Groupon, Inc.	*	(4.4)	(54.6)
Dividends on preferred stock	*	(18.3)	(0.2)
Redemption of preferred stock in excess of carrying value	—	—	(7.4)
Adjustment of redeemable noncontrolling interests to redemption value	—	—	(1.7)
Preferred stock distributions	*	—	—
Net loss attributable to common stockholders	*%	(22.7)%	(63.9)%

end of user-specified TAGGED TABLE

*

Not meaningful

Revenue

For the years ended December 31, 2008, 2009 and 2010, our revenue was $0.1 million, $30.5 million and $713.4 million, respectively, reflecting growth rates of 32,316% and 2,241%, respectively, as compared to the corresponding prior year.

2010 compared to 2009. In 2010, our revenue increased $682.9 million to $713.4 million, an increase of 2,241%. As the average revenue per Groupon remained relatively consistent year-to-year, the overall increase in revenue was directly attributable to the increase in volume of Groupons that we sold. The increase in the number of Groupons sold was driven by subscriber growth in our existing markets and our entry into new markets. During 2010, we added 124 new North American markets and 48.8 million new subscribers. In 2010, we also began our international expansion by acquiring CityDeal, which added 1.9 million subscribers as of the date of the acquisition in several major European markets, including London, Berlin and Paris. We ended the year with operations in 38 countries.

2009 compared to 2008. In 2009, our revenue increased by $30.4 million to $30.5 million, an increase of 32,316%. 2009 was our first full year of operations, and during the period we added 29 North American markets and 1.8 million subscribers. Significant markets entered in 2009 included Boston, Los Angeles and New York.

In addition to expanding the scale of our business domestically and internationally through acquisitions and entering new markets, we have several other initiatives that have driven revenue growth over the last three years. We have increased our total marketing spend significantly, focusing on acquiring subscribers through online channels such as social networking websites and search engines. We also have added substantially to our salesforce, allowing us to increase the number of merchant relationships and offer more deals on a daily basis on our websites and higher quality deals to subscribers.

Segment Revenue

User-specified TAGGED TABLE

	Year Ended December 31,					
	2008	% of total	2009	% of total	2010	% of total
	(dollars in thousands)					
North America	$94	100.0%	$30,471	100.0%	$448,317	62.8%
International	–	–	–	–	265,048	37.2%
Revenue	$94	100.0%	$30,471	100.0%	$713,365	100.0%

end of user-specified TAGGED TABLE

Revenue for our International segment was $265.0 million for the year ended December 31, 2010. In May 2010, we commenced our operations internationally with the purchase of CityDeal, a European-based local e-commerce website similar to ours, which operated in 80 markets in 16 countries with 1.9 million subscribers at the time of acquisition. We subsequently completed eight additional international acquisitions during 2010, which gave us access to markets and additional subscribers around the world.

Cost of Revenue

Cost of revenue as a percentage of revenue was 94.7%, 64.1% and 60.8% for the years ended December 31, 2008, 2009 and 2010, respectively. The significant increase in absolute cost of revenue is consistent with the growth of our revenue.

2010 compared to 2009. In 2010, our cost of revenue increased by $413.9 million to $433.4 million, an increase of 2,118%. As compared to 2009, the cost of revenue was lower as a percentage of revenue as demand for our services allowed us to be more selective in the merchant deals we chose to offer while maintaining or improving our merchant terms.

2009 compared to 2008. In 2009, our cost of revenue increased to $19.5 million, an increase of 21,857%. Cost of revenue as a percentage of revenue for the year ended December 31, 2008 was not indicative of normal operating levels due to the small number of transactions processed in that period as we started selling Groupons in November 2008.

Gross Profit

Consolidated gross profit and gross margin for each of the years presented were as follows:

User-specified TAGGED TABLE

	Year Ended December 31,		
	2008	2009	2010
		(dollars in thousands)	
Gross profit	$5	$10,929	$279,954
Gross margin	5.3%	35.9%	39.2%

end of user-specified TAGGED TABLE

Gross margin increased from 35.9% for the year ended December 31, 2009 to 39.2% for the year ended December 31, 2010. The increase in gross margin was due to a higher purchasing rate of offered deals and our ability to maintain or improve our merchant terms. We from time to time offer national deals to generate revenue and increase brand awareness which typically generate a lower gross margin. To date, these transactions have not had a material impact on our results of operations. Additionally, to date we have achieved higher overall gross margins for our International segment.

Marketing

Marketing expense as a percentage of revenue for the years ended December 31, 2009 and 2010 was 14.9% and 36.8%. Over time, as our business continues to scale and we become more established in a greater percentage of our markets, we expect that our marketing expense will decrease as a percentage of revenue.

2010 compared to 2009. In 2010, our marketing expense increased by $258.7 million to $263.2 million, an increase of 5,687%. The significant increase was attributable to an increase in online marketing spend, particularly on social networking websites and search engines as part of our new subscriber acquisition strategy. For the year ended December 31, 2010, marketing expense as a percentage of revenue for the North America and International segments was 23.4% and 59.6%, respectively. In 2010, we made significant marketing investments in our International segment to accelerate growth and establish our presence in new markets.

2009 compared to 2008. In 2009, our marketing expense increased by $4.4 million to $4.5 million, an increase of 2,690%. Marketing expense as a percentage of revenue for the year ended December 31, 2008 is not indicative of normal operating levels due to the small number of transactions processed in 2008 as we started selling Groupons in November 2008.

Selling, General and Administrative

Selling, general and administrative expense as a percentage of revenue was 24.5% and 32.8% for the years ended December 31, 2009 and 2010, respectively. The increases in selling, general and administrative expense as a percentage of revenue were principally related to the build out of our salesforce and investments in our corporate infrastructure necessary to support our current and anticipated growth. Over time, as our operations mature in a greater percentage of our markets, we expect that our selling, general and administrative expense will decrease as a percentage of revenue.

2010 compared to 2009. In 2010, our selling, general and administrative expense increased by $226.5 million to $233.9 million, an increase of 3,036%. As described below, the increase in selling, general and administrative expense for the year ended December 31, 2010 compared to the year ended December 31, 2009 was due to increases in wages and benefits, credit card processing fees, consulting and professional fees and depreciation and amortization expenses.

Wages and benefits (excluding stock-based compensation) increased by $87.6 million to $91.3 million in the year ended December 31, 2010 as we continued to add sales and administrative staff to support our business. Stock-based compensation costs also increased to $36.2 million for the year ended December 31, 2010 from $0.1 million for the year ended December 31, 2009 due to awards issued to retain key employees and awards issued in connection with our acquisitions. Credit card processing fees have also increased consistent with revenue, as this cost is generally variable based on the dollar volume of transactions that are processed. Our consulting and professional fees increased as a percentage of revenue in 2010 primarily related to higher legal and technology-related costs. Depreciation and amortization expense increased as a percentage of revenue in 2010 primarily because we recorded $47.3 million of intangible assets in connection with our acquisitions, resulting in $11.0 million of amortization expense.

2009 compared to 2008. In 2009, our selling, general and administrative expense increased by $6.0 million to $7.5 million, an increase of 406%. Selling, general and administrative expense as a percentage of revenue for the year ended December 31, 2008 is not indicative of normal operating levels due to the small number of transactions processed in 2008 as we started selling Groupons in November 2008.

Acquisition-Related

In May 2010, we acquired CityDeal, a European-based collective buying power business similar to ours. As part of the overall consideration paid, we were obligated to issue additional shares of our common stock in December 2010 due to the achievement of financial and performance earn-out targets. We recorded a liability on our consolidated balance sheet as of the original acquisition date for this consideration and subsequently remeasured the liability on a periodic basis until final settlement. As a result of this remeasurement, we recorded a total expense of $204.2 million as acquisition-related expenses, which was partially offset by other nominal acquisition-related items.

Interest and Other Income (Expense)

For the year ended December 31, 2010 we had other income of $0.5 million related to foreign currency gains. We did not incur any foreign currency gains or losses for the years ended December 31, 2008 and 2009 as we did not have any international operations until 2010. We also recorded $0.4 million of interest expense for the year ended December 31, 2010 related to interest on loans from related parties.

Provision (Benefit) for Income Taxes

The provision for income taxes for the years ended December 31, 2008 and 2009 was nominal due to the size of our operations. We recorded a benefit for income taxes for the year ended December 31, 2010 as the Company was able to benefit losses in certain foreign jurisdictions.

Quarterly Results of Operations

The following table represents data from our unaudited statements of operations and our key operating metrics for our most recent nine quarters. You should read the following table in conjunction with our consolidated financial statements and related notes appearing elsewhere in this prospectus. The results of operations of any quarter are not necessarily indicative of the results that may be expected for any future period.

User-specified TAGGED TABLE

	Three Months Ended								
	Mar. 31, 2009	June 30, 2009	Sept. 30, 2009	Dec. 31, 2009	Mar. 31, 2010	June 30, 2010	Sept. 30, 2010	Dec. 31, 2010	Mar. 31, 2011

	(unaudited)								
	(dollars in thousands)								
Consolidated Statements of Operations Data:									
Revenue	$252	$3,301	$9,998	$16,920	$44,236	$87,298	$185,231	$396,600	$644,728
Gross profit	$83	$1,209	$3,996	$5,641	$19,985	$34,373	$72,287	$153,309	$270,000
Percentage of revenue	32.9%	36.6%	40.0%	33.3%	45.2%	39.4%	39.0%	38.7%	41.9%
(Loss) income from operations	$(316)	$17	$848	$(1,626)	$8,571	$(36,819)	$(55,967)	$(336,129)	$(117,148)
Percentage of revenue	(125.4)%	0.5%	8.5%	(9.6)%	19.4%	(42.2)%	(30.2)%	(84.8)%	(18.2)%
Net (loss) income attributable to Groupon, Inc.	$(309)	$21	$850	$(1,903)	$8,551	$(35,929)	$(49,032)	$(313,230)	$(102,668)
Percentage of revenue	(122.6)%	0.6%	8.5%	(11.2)%	19.3%	(41.2)%	(26.5)%	(79.0)%	(15.9)%
Key operating metrics:									
Subscribers[(1)]	*	152,203	627,051	1,807,278	3,434,610	10,445,521	21,369,608	50,583,805	83,100,006
Cumulative customers[(2)]	6,840	43,014	153,471	375,099	874,017	2,379,611	4,623,267	9,031,807	15,803,995
Featured merchants[(3)]	74	212	765	1,644	2,903	9,565	18,722	35,099	56,781
Groupons sold[(4)]	27,221	116,231	340,471	764,869	1,760,398	4,062,458	8,237,733	16,235,481	28,094,743

end of user-specified TAGGED TABLE

* Not available

(1) Reflects the total number of subscribers on the last day of the applicable period.

(2) Reflects the total number of unique customers who have purchased Groupons from January 1, 2009 through the last day of the applicable period.

(3) Reflects the total number of merchants featured in the applicable period.

(4) Reflects the total number of Groupons sold in the applicable period.

Quarterly Trends

Our gross margin and overall operating results fluctuate from quarter to quarter as a result of a variety of factors. We have experienced exceptional growth since our inception as well as significant changes in our business. For instance, we have entered into many new markets, made several international acquisitions, and increased our merchant and subscriber base over the last three years. These changes have resulted in substantial growth in revenue and corresponding increases in cost of revenue and operating expenses to support our growth. Our growth has led to uneven overall operating results due to differences in the terms and types of deals that we offer, changes in our investment in marketing from quarter-to-quarter, increases in employee headcount and the impact of our acquisitions. We have determined in the past, and expect to continue to determine in the future, to undertake substantial marketing expense increases when we perceive opportunities to enter new markets or penetrate existing markets more deeply. The return on these investments is generally achieved in future periods and, as a result, these investments can adversely impact near term results. For example, although we generated net income in the first quarter of 2010, we subsequently pursued a much more aggressive growth strategy, including rapid international expansion, acquisitions and a substantial increase in our marketing expenses. This has resulted in losses from operations for the three months ended June 30, 2010, September 30, 2010, December 31, 2010 and March 31, 2011.

In addition, our business is directly affected by the behavior of our merchants and subscribers. Economic conditions and competitive pressures can positively and negatively impact the types of deals that we can offer and the rate at which they are purchased. Consequently, the results of any prior quarterly or annual periods should not be relied upon as indications of our future operating performance.

Liquidity and Capital Resources

As of March 31, 2011, we had $208.7 million in cash and cash equivalents, which primarily consisted of cash and money market accounts.

Since our inception, we have funded our working capital requirements and expansion primarily through private sales of common and preferred stock, yielding net proceeds of $1.1 billion. We used $941.7 million of the proceeds from these sales to redeem shares of our common and preferred stock, and the remainder to fund acquisitions and for working capital and general corporate purposes. We generated positive cash flow from operations for the years ended December 31, 2009 and December 31, 2010 and the three months ended March 31, 2011 despite experiencing net losses in each of these periods, and we expect annual cash flow from operations to remain positive in the foreseeable future. We generally use this cash flow to fund our operations, make additional acquisitions, purchase capital expenditures and meet our other cash operating needs. Cash flow from operations was $7.5 million for the year ended December 31, 2009, $86.9 million for the year ended December 31, 2010 and $17.9 million for the three months ended March 31, 2011.

Although we can provide no assurances, we believe that the net proceeds from this offering, together with our available cash and cash equivalents balance and cash generated from operations, should be sufficient to meet our working capital requirements and other capital expenditures for the next twelve months.

Anticipated Uses of Cash

Our priority in 2011 is to continue to increase our revenue and improve our gross profit through organic growth of our overall marketplace, coupled with continued expansion and penetration into new domestic and international markets. We also intend to expand our sales force and aggressively market our products, and to acquire or make strategic investments in complementary businesses that add to our subscriber or customer base or provide incremental technology. In order to support our overall global business expansion, we also expect to make significant investments in our systems, data centers, corporate facilities and information technology infrastructure, with approximately $65 million of capital expenditures planned for the year ended December 31, 2011. We currently plan to fund these expenditures with cash flows generated from operations during this period. We also may use a portion of the net proceeds from this offering to fund these uses of cash. We do not intend to pay dividends in the foreseeable future.

Cash Flow

Our net cash flow from operating, investing and financing activities for the periods below were as follows (in thousands):

User-specified TAGGED TABLE

	Year Ended December 31,			Three Months Ended March 31,	
	2008	2009	2010	2010	2011
			(in thousands)		
Cash provided by (used in):					
Operating activities	$(1,526)	$7,510	$86,885	$12,897	$17,940
Investing activities	(19)	(1,961)	(11,879)	(663)	(44,294)
Financing activities	4,408	3,798	30,445	2	112,106
Effect of changes in exchange rates on cash and cash equivalents	—	—	1,069	—	4,103
Net increase in cash and cash equivalents	$2,863	$9,347	$106,520	$12,236	$89,855

end of user-specified TAGGED TABLE

Cash Provided By (Used In) Operating Activities

Cash provided by (used in) operating activities primarily consists of our net loss adjusted for certain non-cash items, including depreciation and amortization, stock-based compensation, deferred income taxes, acquisition-related expenses and the effect of changes in working capital and other items.

Our current merchant arrangements are structured such that we collect cash up front when our customers purchase Groupons and make payments to most of our merchants at a subsequent date. Under our traditional merchant payment model, we pay our merchants in installments over a period of generally sixty days for all Groupons purchased. Under the redemption payment model, which is utilized in most of our international operations, merchants are not paid until the customer redeems the Groupon that has been purchased. As a result of these payment models, we experience swings in merchant payables depending on the absolute level of our cost of revenue during the last few weeks of each quarter. This can cause volatility in working capital levels and impact cash balances more or less than our operating income or loss would indicate. To the extent we offer our merchants more favorable or accelerated payment terms or our revenue does not continue to grow in the future, our cash flow could be adversely impacted.

For the three months ended March 31, 2011, our net cash provided by operating activities of $17.9 million consisted of net loss of $113.9 million, offset by $23.9 million in adjustments for non-cash items and $107.9 million in cash provided by changes in working capital and other activities. Adjustments for non-cash items primarily consisted of $18.9 million in stock-based compensation expense, $1.9 million in depreciation expense on property and equipment and $5.7 million in amortization of intangible assets, partially offset by $3.4 million in deferred income taxes. The increase in cash resulting from changes in working capital activities primarily consisted of a $121.2 million increase in our merchant payables, due to the growth in the number of Groupons sold, and a $36.2 million increase in accrued expenses and other current liabilities primarily related to online marketing costs incurred to acquire subscribers and operational expenses such as payroll and benefits, customer refunds and costs associated with customer loyalty and reward programs. These increases were partially offset by a decrease in operating cash flow due to a $22.5 million decrease in accounts payable, due to the timing of invoices received and paid, a $16.0 million increase in accounts receivable, a $8.3 million increase in prepaid expenses and other current assets and a $3.9 million increase in other assets and liabilities. Increases in accrued expenses, accounts receivable and other assets and liabilities primarily reflect the significant increase in the number of employees, vendors, and subscribers resulting from our internal growth and global expansion through recent acquisitions.

For the three months ended March 31, 2010, our net cash provided by operating activities of $12.9 million consisted of net income of $8.6 million, $4.1 million in cash provided by changes in working capital and other activities and $0.2 million in adjustments for non-cash items. The increase in cash resulting from changes in working capital primarily consisted of an increase in accrued merchant payables resulting from internal business growth.

For the year ended December 31, 2010, our net cash provided by operating activities of $86.9 million consisted of a net loss of $413.4 million, offset by $245.1 million in adjustments for non-cash items and $255.2 million in cash provided by changes in working capital and other activities. Adjustments for non-cash items primarily consisted of $203.2 million in acquisition-related expenses, $36.2 million in stock-based compensation expense, $1.9 million in depreciation expense on property and equipment and $11.0 million in amortization of intangible assets, partially offset by $7.3 million in deferred income

taxes. The increase in cash resulting from changes in working capital activities primarily consisted of a $149.0 million increase in our merchant payables, due to the growth in the number of Groupons sold, a $94.6 million increase in accrued expenses and other current liabilities primarily related to online marketing costs incurred to acquire subscribers and operational expenses such as payroll and benefits, customer refunds and costs associated with customer loyalty and reward programs, and a $50.8 million increase in accounts payable. These increases were partially offset by a decrease in operating cash flow due to a $34.9 million increase in accounts receivable, a $2.5 million increase in prepaid expenses and other current assets and a $1.5 million increase in other assets and liabilities. Increases in accrued expenses, accounts payable, accounts receivable and other assets and liabilities primarily reflect the significant increase in the number of employees, vendors, and subscribers resulting from our internal growth and global expansion through recent acquisitions.

For the year ended December 31, 2009, our net cash provided by operating activities of $7.5 million was comprised of a net loss of $1.3 million, offset by $8.8 million in cash provided by working capital and other items. The increase in cash resulting from changes in working capital primarily consisted of an increase in accrued merchant payable and accrued expenses resulting from internal business growth.

For the year ended December 31, 2008, our net cash used in operating activities of $1.5 million primarily reflected our net loss of $1.5 million.

Cash Used In Investing Activities

Cash used in investing activities primarily consists of capital expenditures, acquisitions of businesses and changes in the balances of restricted stock.

For the three months ended March 31, 2011, our net cash used in investing activities of $44.3 million primarily consisted of $30.3 million invested in subsidiaries and equity interests, $11.0 million in purchases of capital expenditures and $2.8 million in net cash paid in business acquisitions.

For the three months ended March 31, 2010, our net cash used in investing activities of $0.7 million primarily consisted of the purchases of capital expenditures.

For the year ended December 31, 2010, our net cash used in investing activities of $11.9 million was primarily comprised of $14.7 million in capital expenditures, partially offset by $3.8 million in net cash received from acquisitions. The capital expenditures reflect the significant growth of the business domestically and internationally. We received net cash from our acquisitions in 2010, as a significant portion of the purchase price paid consisted of stock and contingent consideration.

For the year ended December 31, 2009, our net cash used in investing activities of $2.0 million primarily reflected a $1.4 million change in restricted cash related to cash paid for a security agreement with our merchant processor and a letter of credit for a facility lease agreement.

Cash Provided By Financing Activities

Cash provided by financing activities primarily consists of net proceeds from the issuance of common and preferred stock and the exercise of stock options by employees, net of the repurchase of founders' stock, common stock and preferred stock held by certain stockholders.

For the three months ended March 31, 2011, our net cash provided by financing activities of $112.1 million was driven primarily by net cash proceeds from the issuance of common and preferred stock of $509.7 million. We used $348.6 million of the proceeds to repurchase our common stock, $35.0 million to redeem shares of our preferred stock and $13.6 million to pay our related party loans incurred in connection with the CityDeal acquisition.

For the year ended December 31, 2010, our net cash provided by financing activities of $30.4 million was driven primarily by net cash proceeds from the issuance of preferred stock of $584.7 million. We used $503.2 million of the proceeds to repurchase our common stock, $55.0 million to redeem shares of our preferred stock, and $1.3 million to pay dividends to our preferred stockholders. In addition, we received $5.0 million from related party loans throughout 2010.

For the year ended December 31, 2009, our net cash provided by financing activities of $3.8 million was due primarily to $29.9 million of net cash proceeds from the sale and issuance of preferred stock, of which $26.4 million was used to fund a special dividend to certain holders of our capital stock.

For the year ended December 31, 2008, our net cash provided by financing activities of $4.4 million reflected $4.7 million in net proceeds from the sale and issuance of preferred stock.

Contractual Obligations and Commitments

The following table summarizes our future contractual obligations and commitments as of March 31, 2011:

User-specified TAGGED TABLE

	Payment due by period				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
	(in thousands)				
Operating lease obligations[(1)]	$40,375	$12,667	$17,068	$7,010	$3,630
Purchase obligations[(2)]	907	680	227	—	—
Total	$41,282	$13,347	$17,295	$7,010	$3,630

end of user-specified TAGGED TABLE

(1) The operating lease obligations are for office facilities and are non-cancelable. Certain leases contain periodic rent escalation adjustments and renewal and expansion options. Operating lease obligations expire at various dates with the latest maturity in 2017.

(2)

Purchase obligations primarily represent non-cancelable contractual obligations related to internet marketing services.

THIS IS THE END OF A COMPOSITION COMPONENT

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of March 31, 2011.

Quantitative and Qualitative Disclosures about Market Risk

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business, including the effect of foreign currency fluctuations, interest rate changes and inflation. Information relating to quantitative and qualitative disclosures about these market risks is set forth below.

Foreign Currency Exchange Risk

We transact business in various foreign currencies other than the U.S. dollar, principally the euro, British pound sterling and Japanese yen, which exposes us to foreign currency risk. For the first quarter of 2011, we derived approximately 53.8% of our revenue from international customers and we expect the percentage of total revenue derived from outside the United States to increase in future periods as we continue to expand globally. Revenue and related expenses generated from our international operations are denominated in the functional currencies of the corresponding country. The functional currency of our subsidiaries that either operate or support these markets is generally the same as the corresponding local currency. The results of operations of, and certain of our intercompany balances associated with, our international operations are exposed to foreign exchange rate fluctuations. Upon consolidation, as exchange rates vary, our revenue and other operating results may differ materially from expectations, and we may record significant gains or losses on the remeasurement of intercompany balances.

We assess our market risk based on changes in foreign currency exchange rates utilizing a sensitivity analysis that measures the potential impact in earnings, fair values and cash flows based on a hypothetical 10% change (increase and decrease) in currency rates. We use a current market pricing model to assess the changes in the value of the U.S. dollar on foreign currency denominated monetary assets and liabilities. The primary assumption used in these models is a hypothetical 10% weakening or strengthening of the U.S. dollar against all our currency exposures as of March 31, 2011.

We used March 31, 2011 market rates on outstanding foreign currency denominated monetary assets and liabilities to perform the sensitivity analyses separately for each of our currency exposures. The estimates are based on the market risk sensitive portfolios described in the preceding paragraphs and assume instantaneous, parallel shifts in exchange rates. As of March 31, 2011, our working capital (defined as current assets less current liabilities) subject to foreign currency translation risk was $192.3 million. The potential decrease in net current assets from a hypothetical 10% adverse change in quoted foreign currency exchange rates would be $19.2 million.

Interest Rate Risk

Our cash and cash equivalents primarily consisted of highly-rated commercial paper and money market funds. We currently have no investments of any type and do not have any long-term borrowings. Our exposure to market risk for changes in interest rates is limited because nearly all of our cash and cash equivalents have a short-term maturity and are used primarily for working capital purposes.

Impact of Inflation

We believe that our results of operations are not materially impacted by moderate changes in the inflation rate. Inflation and changing prices did not have a material effect on our business, financial condition or results of operations in 2008, 2009, 2010 or the first quarter of 2011.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles of the United States, or U.S. GAAP, requires estimates and assumptions that affect the reported amounts and classifications of assets and liabilities, revenues and expenses, and the related disclosures of contingent liabilities in the consolidated financial statements and accompanying notes. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of the company's financial condition and results of operations, and which require the company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, we have identified the following critical accounting policies and estimates addressed below. We also have other key accounting policies, which involve the use of estimates, judgments, and assumptions that are significant to understanding our results. See Note 2 "*Summary of Significant Accounting Policies*" of Notes to Consolidated Financial Statements for further information. Although we believe that our estimates, assumptions, and judgments are reasonable, they are based upon information available at the time. Actual results may differ significantly from these estimates under different assumptions, judgments, or conditions.

Revenue Recognition

We recognize revenue from the sale of Groupons when the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred; the selling price is fixed or determinable; and collectability is reasonably assured. These criteria generally are met when the number of customers who purchase the daily deal exceeds any predetermined minimum or threshold, based on the executed contract with our merchants. We record the gross purchase price we receive, excluding taxes where applicable, as we are the primary obligor in the transaction, and record an allowance for estimated customer refunds on total revenue primarily based on historical experience.

We use various customer loyalty and reward programs to build brand loyalty and provide subscribers with incentives to buy Groupons. When subscribers perform qualifying acts, such as providing a referral to a new subscriber or participating in promotional offers, we grant the customer credits that can be redeemed for awards such as free or discounted goods or services in the future. We accrue the costs related to the associated obligation to redeem the award credits granted at issuance in accrued expenses on the consolidated balance sheets and record the corresponding offset to revenue on the consolidated statements of operations.

If our judgments regarding estimated customer refunds and accrued costs associated with customer loyalty and reward programs are inaccurate, actual net revenue could differ from the amount we recognize, directly impacting our results of operations.

`Acquisitions and the Recoverability of Goodwill and Long-Lived Intangible Assets`

A component of our growth strategy has been to acquire and integrate businesses that complement our existing operations. We account for business combinations using the purchase method of accounting and allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed based upon their estimated fair value at the purchase date. The difference between the purchase price and the fair value of the net assets acquired is recorded as goodwill.

In determining the fair value of assets acquired and liabilities assumed in a business combination, we primarily use recognized valuation methods such as an income approach or a cost approach and apply present value modeling. Our significant estimates in the income or cost approach include identifying business factors such as size, growth, profitability, risk and return on investment and assessing comparable revenue and operating income multiples in estimating the fair value. Further, we make certain assumptions within present value modeling valuation techniques including risk-adjusted discount rates, future price levels, rates of increase in operating expenses, weighted average cost of capital, rates of long-term growth, and effective income tax rates. Valuations are performed by management or independent valuation specialists under management's supervision, where appropriate. We believe that the estimated fair value assigned to the assets acquired and liabilities assumed are based on reasonable assumptions that marketplace participants would use. However, such assumptions are inherently uncertain and actual results could differ from those estimates.

Future changes in our assumptions or the interrelationship of those assumptions may negatively impact future valuations. In future measurements of fair value, adverse changes in discounted cash flow assumptions could result in an impairment of goodwill or intangible assets that would require a non-cash charge to the consolidated statements of operations and may have a material effect on our financial condition and operating results.

`Stock-Based Compensation`

We measure stock-based compensation cost at fair value, net of estimated forfeitures, and generally recognize the corresponding compensation expense on a straight-line basis over the service period during which awards are expected to vest. We include stock-based compensation expense in selling, general and administrative expenses in our consolidated statements of operations. The fair value of restricted stock and restricted stock units is based on the valuation of our common stock on the date of grant. Determining the fair value of stock-based awards at the grant date requires judgment.

We use the Black-Scholes-Merton option-pricing model to determine the fair value of stock options. The determination of the grant date fair value of options using an option-pricing model is affected by our estimated common stock fair value as well as assumptions regarding a number of other complex and subjective variables. These variables include the fair value of our common stock, our expected stock price volatility over the expected term of the options, stock option exercise and cancellation behaviors, risk-free interest rates, and expected dividends, which are estimated as follows:

- *Fair Value of Our Common Stock.* Because our stock has not been publicly traded, we must estimate the fair value of common stock, as discussed in "Common Stock Valuations" below.
- *Expected Term.* The expected term represents the period of time the stock options are expected to be outstanding and is based on the "simplified method" allowed under SEC guidance. We used the "simplified method" due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options.
- *Volatility.* Since we do not have a trading history for our common stock, the expected stock price volatility was estimated by taking the average historic price volatility for publicly-traded options of comparable industry peers similar in size, stage of life cycle and financial leverage, based on daily price observations over a period equivalent to the expected term of the stock option grants. We did not rely on implied volatilities of traded options in our industry peers' common stock because the volume of activity was relatively low. We intend to continue to consistently apply this process using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock share price becomes available, or unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.
- *Risk-free Interest Rate.* The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term of the options for each option group.
- *Dividend Yield.* We do not presently plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

If any of the assumptions used in the Black-Scholes-Merton model changes significantly, stock-based compensation for future awards may differ materially compared with the awards granted previously.

The following table presents the weighted-average assumptions used to estimate the fair value of options granted during the years ended December 31, 2008, 2009 and 2010:

User-specified TAGGED TABLE

	2008	2009	2010
Dividend yield	–	–	–
Risk-free interest rate	3.10%	2.82%	2.58%
Expected term (in years)	5.98	6.84	6.13
Expected volatility	46%	46%	46%

end of user-specified TAGGED TABLE

Common Stock Valuations

The fair value of the common stock underlying our stock options was determined by our board of directors, or the Board, which intended that all options granted were exercisable at a price per share not less than the per share fair value of our common stock underlying those options on the date of grant. The assumptions we use in the valuation model are based on future expectations combined with management judgment. In the absence of a public trading market, the Board with input from management exercised significant judgment and considered numerous objective and subjective factors to determine the fair value of our common stock as of the date of each option grant, including the following factors:

- the prices, rights, preferences and privileges of our preferred stock relative to the common stock;
- the prices of our preferred stock sold to outside investors in arms-length transactions;
- our operating and financial performance;
- current business conditions and projections;
- the hiring of key personnel;
- the history of the Company and the introduction of new products and services;
- our stage of development;
- the likelihood of achieving a liquidity event for the shares of common stock underlying these stock options, such as an initial public offering or sale of the Company, given prevailing market conditions;
- any adjustment necessary to recognize a lack of marketability for our common stock;
- the market performance of comparable publicly-traded companies; and
- the U.S. and global capital market conditions.

We granted stock options with the following exercise price ranges each quarter since the beginning of 2008:

User-specified TAGGED TABLE

Three Months Ended	Shares Underlying Options	Weighted Average Exercise Price
March 31, 2008	–	–
June 30, 2008	30,000	0.03
September 30, 2008	480,000	0.03
December 31, 2008	600,000	0.03
March 31, 2009	300,000	0.05
June 30, 2009	2,814,000	0.09
September 30, 2009	3,258,000	0.16
December 31, 2009	873,000	0.51
March 31, 2010	5,625,000	2.42
June 30, 2010	1,121,400	3.35

September 30, 2010	1,868,200	4.49
December 31, 2010	150,600	6.95
March 31, 2011	60,000	15.80

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Summarized below are the significant factors the Board considered in determining the fair value of the common stock underlying our stock-based awards.

Fiscal Year 2008 and Prior

We raised $4.7 million in net proceeds from the issuance convertible preferred stock in January 2008 and began operations with the launch of our first market in Chicago in November 2008.

Fiscal Year 2009

First Quarter 2009. In the first quarter, we generated revenue of $0.3 million for the first quarter of 2009 through continued to growth in the Chicago market.

Second Quarter 2009. In the second quarter, we launched our services in four additional markets (New York, Washington D.C., San Francisco and Boston) and the total number of subscribers rose to approximately 0.2 million at June 30, 2009. We generated revenue of $3.3 million for the second quarter of 2009.

Third Quarter 2009. In the third quarter, we launched our services in 12 new markets across the United States and the total number of subscribers increased to approximately 0.6 million at September 30, 2009. We generated revenue of $10.0 million for the third quarter of 2009.

Fourth Quarter 2009. In the fourth quarter, we raised $29.9 million in net proceeds from the issuance of convertible preferred stock in November 2009 and the total number of subscribers increased to approximately 1.8 million at December 31, 2009 as we launched our services in 13 additional markets across the United States. We generated revenue of $16.9 million for the fourth quarter of 2009.

Fiscal Year 2010

First Quarter 2010. In the first quarter, the total number of subscribers increased to approximately 3.4 million as of March 31, 2010 as we launched our services in 13 new markets across the United States. In addition, we launched our official Groupon application for the Apple iPhone and iPod touch, which provides a more convenient buying and redemption process for both consumers and merchants. We generated revenue of $44.2 million for the first quarter of 2010.

Second Quarter 2010. In the second quarter, we raised $134.9 million in net proceeds from the issuance of convertible preferred stock in April 2010. We also expanded our global presence to 80 markets and 16 countries in Europe and in Latin America with acquisitions. In addition, we acquired a mobile development company in May 2010. We also launched our services in 20 additional markets across North America, including Toronto and Vancouver, increasing the total number of subscribers to approximately 10.4 million as of June 30, 2010. We generated revenue of $87.3 million for the second quarter of 2010.

Third Quarter 2010. In the third quarter, the total number of subscribers increased to approximately 21.4 million as of September 30, 2010 as we launched our services in 22 new markets across North America, including Calgary, Edmonton and Ottawa. We also expanded our global presence into the Russian Federation and Japan in August 2010. In addition, we began targeting deals to subscribers based upon their personal preferences and buying history. We generated revenue of $185.2 million for the third quarter of 2010.

Fourth Quarter 2010. In the fourth quarter, we raised $449.7 million in net proceeds from the issuance of preferred stock in December 2010. In addition, we expanded our presence in the Asia-Pacific region, and we also acquired Ludic Labs, Inc., a company that designs and develops local marketing services, in November 2010. The total number of subscribers increased to approximately 50.6 million as of December 31, 2010 as we launched our services in 69 additional markets across North America, including 12 markets in Canada. We generated revenue of $396.6 million for the fourth quarter of 2010.

Fiscal Year 2011

First Quarter 2011. In the first quarter of 2011 we raised $492.5 million in net proceeds from the issuance of preferred stock. We expanded our presence into new and expanding markets in India, Malaysia, South Africa and the Middle East through a series of acquisitions. The total number of subscribers increased to approximately 83.1 million as of March 31, 2011 as we launched our services in 20 additional markets across North America. We generated revenue of $644.7 million for the first quarter of 2011.

`Income Taxes`

We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. Significant judgment is required in evaluating our tax positions and determining our provision for income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. For example, our effective tax rates could be adversely affected by earnings being lower than anticipated in countries where we have lower statutory rates and higher than anticipated in countries where we have higher statutory rates, by changes in foreign currency exchange rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations.

We are subject to audit in various jurisdictions, and such jurisdictions may assess additional income tax against us. Although we believe our tax estimates are reasonable, the final determination of any tax audits and any related litigation could be materially different from historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our operating results or cash flows in the period or periods for which that determination is made.

We account for income taxes using the liability method, under which deferred income tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. We regularly review deferred tax assets to assess their potential realization and establish a valuation allowance for portions of such assets to reduce the carrying value if we do not consider it to be more likely than not that the deferred tax assets will be realized. Any change in the valuation allowance would be charged to income in the period such determination was made.

In performing this review, we make estimates and assumptions regarding projected future taxable income, the expected timing of reversals of existing temporary differences and the implementation of tax planning strategies. A change in these assumptions could cause an increase or decrease to the valuation allowance resulting in an increase or decrease in the Company's effective tax rate, which could materially impact our results of operations.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board, or the FASB, issued accounting guidance, which, among other requirements, defines fair value, establishes a framework for measuring fair value, and expands disclosures about the use of fair value measurements. Such guidance prescribes a single definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial instruments and certain nonfinancial assets and liabilities that are recognized or disclosed at fair value on a recurring basis at least annually, the guidance was effective beginning the first fiscal year that begins after November 15, 2007. This portion of the guidance, which was adopted as of the beginning of 2008, had no impact on our consolidated financial statements. For all other nonfinancial assets and liabilities the guidance was effective for fiscal years beginning after November 15, 2008. We adopted this guidance effective as of the beginning of 2009, and its application had no impact on our consolidated financial statements. In January 2010, the FASB issued additional guidance that improves disclosures about fair value measures that were originally required. The new guidance is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those years. The adoption of this guidance did not impact our financial position or results of operations.

In December 2007, the FASB issued guidance that establishes principles and requirements for determining how a company recognizes and measures the fair value of identifiable assets acquired, liabilities assumed, noncontrolling interests and certain contingent considerations acquired in a business combination. The guidance on business combinations also requires acquisition-related transaction expenses and restructuring costs be expensed as incurred rather than capitalized. This guidance became effective for fiscal years beginning after December 15, 2008 and we adopted the provisions of this guidance prospectively beginning in 2009. In December 2010, the FASB issued an update to this guidance, which specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. The amendments also expand the supplemental pro forma disclosures that are required. The new guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. We adopted the provisions of this business combinations guidance at the beginning of 2011.

In April 2008, the FASB issued a staff position that amends the list of factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets. This new guidance applies to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. Under this guidance, entities estimating the useful life of a recognized intangible asset must consider their historical experience in renewing or extending similar arrangements or, in the absence of historical experience, must consider assumptions that market participants would use about renewal or extension. This staff position became effective for fiscal years beginning after December 15, 2008. We adopted the provisions of this guidance prospectively beginning in 2009, and its application had no impact on our consolidated financial statements.

In June 2009, the FASB issued guidance that establishes the FASB Accounting Standards Codification as the sole source of authoritative U.S. GAAP. Pursuant to these provisions, we have incorporated the applicable references in its consolidated financial statements. The adoption of this guidance did not impact our financial position or results of operations.

In June 2009, the FASB issued guidance that eliminates the qualifying special purpose entity concept, changes the requirements for derecognizing financial assets and requires enhanced disclosures about transfers of financial assets. The guidance also revises earlier guidance for determining whether an entity is a variable interest entity, requires a new approach for determining who should consolidate a variable interest entity, changes when it is necessary to reassess who should consolidate a variable interest entity, and requires enhanced disclosures related to an enterprise's involvement in variable interest entities. The guidance is effective for the first annual reporting period that begins after November 15, 2009. We adopted the provisions of this guidance prospectively beginning in 2010, and its application had no impact on our consolidated financial statements.

In September 2009, the FASB issued guidance that allows companies to allocate arrangement consideration in a multiple element arrangement in a way that better reflects the transaction economics. It provides another alternative for establishing fair value for a deliverable when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined. When this evidence cannot be determined, companies will be required to develop a best estimate of the selling price to separate deliverables and allocate arrangement consideration using the relative selling price method. The guidance also expands the disclosure requirements to require that an entity provide both qualitative and quantitative information about the significant judgments made in applying this guidance. This guidance was effective on a prospective basis for revenue arrangements entered into or materially modified on or after January 1, 2011. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In February 2010, the FASB issued guidance, effective immediately that removes the requirement to disclose the date through which subsequent events were evaluated in both originally issued and reissued financial statements for SEC filers. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In December 2010, the FASB issued guidance about when to perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. According to the new guidance, entities must consider whether it is more likely than not that goodwill impairment exists by assessing if there are any adverse qualitative factors indicating impairment. The qualitative factors are consistent with the existing guidance. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The adoption of this new guidance did not have a material impact on the consolidated financial statements.

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Business

BUSINESS

Groupon is a local e-commerce marketplace that connects merchants to consumers by offering goods and services at a discount. Traditionally, local merchants have tried to reach consumers and generate sales through a variety of methods, including the yellow pages, direct mail, newspaper, radio, television and online advertisements, promotions and the occasional guy dancing on a street corner in a gorilla suit. By bringing the brick and mortar world of local commerce onto the internet, Groupon is creating a new way for local merchants to attract customers and sell goods and services. We provide consumers with savings and help them discover what to do, eat, see and buy in the places where they live and work.

We started Groupon in November 2008 and believe the growth of our business demonstrates the power of our solution and the size of our market opportunity:

- We increased our revenue from $3.3 million in the second quarter of 2009 to $644.7 million in the first quarter of 2011.
- We expanded from five North American markets as of June 30, 2009 to 175 North American markets and 43 countries as of March 31, 2011.
- We increased our subscriber base from 152,203 as of June 30, 2009 to 83.1 million as of March 31, 2011.
- We increased the number of merchants featured in our marketplace from 212 in the second quarter of 2009 to 56,781 in the first quarter of 2011.
- We sold 116,231 Groupons in the second quarter of 2009 compared to 28.1 million Groupons in the first quarter of 2011.
- We grew from 37 employees as of June 30, 2009 to 7,107 employees as of March 31, 2011.

Each day we email our subscribers discounted offers for goods and services that are targeted by location and personal preferences. Consumers also access our deals directly through our websites and mobile applications. A typical deal might offer a $20 Groupon that can be redeemed for $40 in value at a restaurant, spa, yoga studio, car wash or other local merchant. Customers purchase Groupons from us and redeem them with our merchants. Our revenue is the purchase price paid by the customer for the Groupon. Our gross profit is the amount of revenue we retain after paying an agreed upon percentage of the purchase price to the featured merchant.

Groupon primarily addresses the worldwide local commerce markets in the leisure, recreation, foodservice and retail sectors. According to Euromonitor, the leisure, recreation and foodservice market is expected to be $1.4 trillion in the U.S. and $5.3 trillion internationally in 2011. The retail market is expected to be $2.9 trillion in the U.S. and $12.2 trillion internationally in 2011. We believe a substantial portion of these expenditures on leisure, recreation, foodservice and retail will be spent with local merchants. Groupon also addresses the online advertising market serving these merchants. The size of the U.S. online advertising market is estimated to be $51.9 billion in 2011, of which $16.1 billion is estimated to be spent by local merchants according to Borrell Associates. The size of the global online advertising market is estimated to be approximately $79 billion in 2011, according to IDC.

`Our Business`

The following examples illustrate how our marketplace works and the benefits it can provide our merchants and consumers.

- *Two-Hour Romantic Dinner Cruise With Star Fleet Entertainment Yachts, Houston, Texas*

  Merchant Objective: Star Fleet Entertainment Yachts, a yacht charter business on the Texas Gulf Coast, hosts murder mystery themed and romantic dinner cruises for up to 150 passengers. Star Fleet regularly sold out its murder mystery themed cruises, but had trouble filling its romantic dinner cruises. The President and Chief Executive Officer of Star Fleet sought to use our service as a marketing tool to introduce Star Fleet to new consumers and increase sales.

  The Deal: On January 19, 2010, we emailed and posted the following Groupon daily deal in Houston, Texas that offered one ticket on a two-hour romantic dinner cruise on the Star Fleet Entertainment Yacht for $32, a 50% discount.

The Results: We sold 2,181 Groupons in 24 hours. By targeting an under-performing segment of its business, Star Fleet was able to increase ticket sales for romantic dinner cruises. In addition, more than half of the Groupons were sold to new customers. Star Fleet's website traffic peaked on the day the deal was offered at approximately 6,700 unique visits, 82% of which were from new visitors. Star Fleet sold out all romantic dinner cruises from January 19, 2010 through September 30, 2010 and substantially increased its gross sales for romantic dinner cruises compared to the same period in the prior year.

- ***Latin Cuisine and Drinks at Seviche, Louisville, Kentucky***

  Merchant Objective: Seviche is an award-winning restaurant located in Louisville, Kentucky. Despite Seviche's award-winning status, it struggled during the winter months to maintain sales even after trying several forms of traditional local marketing.

  The Deal: On February 8, 2010, we emailed and posted the following Groupon daily deal in Louisville, Kentucky that offered $60 worth of Latin cuisine and drinks for $25, a 58% discount.

  The Results: We sold 793 Groupons in 24 hours. Seviche's customer headcount increased by 170% in the week following the daily deal. The Groupon customers spent an average 68% above the $60 face value of the Groupon, generating approximately $80,000 in gross sales.

We have offered deals involving over 140 different types of businesses, services and activities that fall into the six broad categories identified below. The following chart shows the percentage of deals we offered worldwide across these categories during the first quarter of 2011:

`Our Advantage`

We have created an e-commerce marketplace for connecting local merchants to consumers. Although there are many companies which have tried to replicate our approach, we believe that the customer experience and relevancy of our deals, our merchant scale and quality and our brand are sustainable competitive advantages.

Customer Experience and Relevance of Deals. We are committed to providing a great customer experience and maintaining the trust of our customers. Consistent with this commitment, our "Groupon Promise" is core to our customer service philosophy:

> "*Nothing is more important to us than treating our customers well. If you ever feel like Groupon let you down, give us a call and we'll return your purchase–simple as that.*"

In addition, we use our technology and scale to target relevant deals based on individual subscriber preferences. As we increase the volume of transactions through our marketplace, we increase the amount of data that we have about deal performance and customer interests. This data allows us to continue to improve our ability to help merchants design the most effective deals and deliver deals to customers that better match their interests. We use information about our subscribers to select and send deals via email and our mobile applications can also target deals to subscribers based on proximity to the sponsoring merchant. Increased relevancy enables us to offer several daily deals, which we believe results in increasing purchases by targeted subscribers, thereby driving greater demand for Groupons. We monitor the relevancy of deals by measuring purchasing rates among targeted subscribers.

Merchant Scale and Quality. In the first quarter of 2011, we featured deals from over 56,000 merchants worldwide across over 140 categories of goods and services. Our salesforce of over 3,500 sales representatives enables us to work with local merchants in 175 North American markets and 43 countries. We draw on the experience we have gained to evaluate prospective merchants based on quality, location and relevance to our subscribers. We maintain a large base of prospective merchants interested in our marketplace, which enables us to be more selective and offer our subscribers higher quality deals. Increasing our merchant base also increases the number and variety of deals that we offer to consumers, which we believe drives higher subscriber and user traffic, and in turn promotes greater merchant interest in offering deals through our marketplace, creating a network effect.

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

`Our Strategy`

Our objective is to become an essential part of everyday local commerce for consumers and merchants. Key elements of our strategy include the following:

Grow our subscriber base. As of March 31, 2011, we had 83.1 million subscribers. We have made significant investments to acquire subscribers through online marketing initiatives, such as search engine marketing, display advertisements, referral programs and affiliate marketing. In 2010 and during the first quarter of 2011, we spent $241.5 million and $179.9 million, respectively, on these initiatives. In addition, our subscriber base has increased by word-of-mouth. We intend to continue to invest in acquiring subscribers so long as we believe the economics of our business support such investments. See "– Subscriber Economics." Our goal is to retain existing and acquire new subscribers by providing more targeted and real-time deals, delivering high quality customer service and expanding the number and categories of deals we offer. We intend to continue to invest in the development of increased relevance of our service as the number and variety of our deals we offer our subscribers increase and we gain more information about our subscribers' interests.

Grow the number of merchants we feature. During 2010 and the first quarter of 2011, we featured Groupon daily deals for over 66,000 merchants and over 56,000 merchants worldwide, respectively. To drive merchant growth, we have expanded the number of ways in which consumers can discover deals through our marketplace. We adjust the number and variety of products we offer merchants based on merchant demand in each market. We have also made significant investments in our salesforce, which builds merchant relationships and local expertise. Our merchant retention efforts are focused on providing merchants with a positive experience by offering targeted placement of their deals to our subscriber base, high quality customer service and tools to manage deals more effectively. For example, we recently began offering a mobile redemption application that enables our merchants to manage their Groupon business and maintain an ongoing relationship with their Groupon customers.

Increase the number and variety of our products through innovation. We have launched a variety of new products in the past 12 months and we plan to continue to launch new products to increase the number of subscribers and merchants that transact business through our marketplace. For example, to better target subscribers, in February 2011, we launched Deal Channels, which aggregates daily deals from the same category. We currently offer Deal Channels in home and garden and event tickets and travel. In addition, we recently have launched Groupon NOW, which is a deal initiated by a merchant on demand and offered instantly to subscribers through mobile devices and our website. As our local e-commerce marketplace grows, we believe consumers will use Groupon not only as a discovery tool for local merchants, but also as an ongoing connection point to their favorite merchants.

Expand with acquisitions and business development partnerships. Since May 2010, we have made 13 acquisitions. Our largest transaction to date was our acquisition of CityDeal, a company based in Europe that operated in 80 markets in 16 countries with 1.9 million subscribers at the time of acquisition. Excluding CityDeal, each of the companies we have acquired had less than $1 million in annual revenue at the time of acquisition. Typically, the core assets that we gain from an acquisition are a local management team and small subscriber and merchant bases, to which we then apply our expertise, resources and brand to scale the business. In addition to acquisitions, we have entered into agreements with local partners to expand our international presence. For example, in February 2011, we entered into a partnership with TCH Burgundy Limited, or Tencent, a Chinese internet company, to operate a Chinese e-commerce website. We have also signed partnership agreements with companies such as eBay, Microsoft, Yahoo and Zynga, pursuant to which these partners display, promote and distribute our deals to their users in exchange for a share of the revenue generated from our deals. We intend to continue to expand our business with acquisitions and business development partnerships.

Subscriber Economics

We have grown our subscriber base from 0.2 million as of June 30, 2009 to 83.1 million subscribers worldwide as of March 31, 2011. The chart below shows the number of our subscribers as of the end of each quarter since June 30, 2009:

Subscribers (in millions)

We grow our subscriber base through marketing initiatives and word-of-mouth. Online marketing consists of search engine marketing, display advertisements, referral programs and affiliate marketing and has historically represented our largest operating expense. Our offline marketing programs include traditional television, billboard, and radio advertisements, public relations as well as sponsored events to increase our visibility and build our brand.

In 2010 and the first quarter of 2011, we spent $241.5 million and $179.9 million, respectively, on subscriber acquisition. We acquired 48.8 million and 32.5 million subscribers, respectively, during those periods. Since our inception, we have prioritized growth, and investments in our marketing initiatives have contributed to our losses. Our investments in subscriber growth are driven by the cost to acquire a subscriber as compared to the profits we expect to generate from that subscriber over time. Once acquired, subscribers have been relatively inexpensive to maintain because our interaction is largely limited to daily emails and our mobile applications. Over time, as our business continues to scale and we become more established in a greater percentage of our markets, we expect that our marketing expense will decrease as a percentage of revenue.

To demonstrate the economics of our business model, we have compared the revenue and gross profit generated from the North American subscribers we acquired in the second quarter of 2010, which we refer to as our Q2 2010 cohort, to the online marketing expenses incurred to acquire such subscribers. The Q2 2010 cohort is illustrative of trends we have seen among our North American subscriber base. The Q2 2010 cohort included 3.7 million subscribers that we initially spent $18.0 million in online marketing to acquire in the second quarter of 2010. In that quarter, we generated $29.8 million in revenue and $12.8 million in gross profit from the sale of approximately 1.2 million Groupons to these subscribers. Through March 31, 2011, we generated an aggregate of $145.3 million in revenue and $61.7 million in gross profit from the sale of approximately 6.3 million Groupons to the Q2 2010 cohort. In summary, we spent $18.0 million in online marketing expense to acquire subscribers in the Q2 2010 cohort and generated $61.7 million in gross profit from this group of subscribers over four quarters.

To further illustrate our business model, we have provided case studies for Chicago, the site of our North American headquarters and our oldest North American market, Boston, our second oldest North American market, Berlin, the site of our international headquarters, and London, both international markets we entered through the CityDeal acquisition. The performance of these markets is not necessarily indicative of our current or future performance in other markets.

Case Study: Chicago

Chicago is the first market we entered, and we offered our first daily deal there in November 2008. Chicago is also our largest market. Due to our history in Chicago and the fact that we are headquartered there, we have tested new features and strategies in Chicago. As of June 30, 2009, we had 36,891 subscribers, and, for the second quarter of 2009, we generated $1.6 million in revenue from 46,909 Groupons sold. As of March 31, 2011, we had 1.5 million subscribers, and, for the first quarter of 2011, we generated $21.5 million in revenue from 950,689 Groupons sold. The following table shows subscribers and cumulative customers as of the end of each quarter and featured merchants, revenue and Groupons sold in each quarter beginning with the second quarter of 2009:

User-specified TAGGED TABLE

	Three Months Ended,							
Chicago	Jun. 30, 2009	Sept. 30, 2009	Dec. 31, 2009	Mar. 31, 2010	Jun. 30, 2010	Sept. 30, 2010	Dec. 31, 2010	Mar. 31, 2011
Subscribers	36,891	62,038	147,882	268,056	492,826	750,118,	1,102,146	1,504,978
Cumulative customers	19,003	43,023	74,237	125,403	184,074	285,987	409,746	552,712
Featured merchants	67	92	131	144	157	233	470	759

Revenue (in millions)	$1.6	$3.0	$3.9	$6.3	$9.3	$13.1	$16.9	$21.5
Groupons sold	46,909	84,373	149,371	263,304	350,928	541,084	678,933	950,689

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Case Study: Boston

Boston is the second market we entered, and we offered our first daily deal there in April 2009. As of June 30, 2009, we had 17,069 subscribers, and, for the second quarter of 2009, we generated $0.7 million in revenue from 26,032 Groupons sold. As of March 31, 2011, we had 778,936 subscribers, and, for the first quarter of 2011, we generated $9.3 million in revenue from 388,178 Groupons sold. The following table shows subscribers and cumulative customers as of the end of each quarter and featured merchants, revenue and Groupons sold in each quarter beginning with the second quarter of 2009:

User-specified TAGGED TABLE

	Three Months Ended,							
Boston	Jun. 30, 2009	Sept. 30, 2009	Dec. 31, 2009	Mar. 31, 2010	Jun. 30, 2010	Sept. 30, 2010	Dec. 31, 2010	Mar. 31, 2011
Subscribers	17,069	56,904	122,375	194,615	285,615	412,467	561,064	778,936
Cumulative customers	8,545	20,953	36,634	62,610	94,617	142,930	197,961	272,548
Featured merchants	66	75	87	110	116	145	286	456
Revenue (in millions)	$0.7	$1.4	$1.8	$2.9	$4.6	$5.9	$7.1	$9.3
Groupons sold	26,032	39,996	56,457	95,755	152,675	223,469	284,157	388,178

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Case Study: Berlin

Berlin was one of the international markets we entered through our acquisition of CityDeal which was completed in May 2010 and is the site of our European headquarters. As of June 30, 2010, we had 92,500 subscribers and, for the second quarter of 2010, we generated $1.0 million in revenue from 47,068 Groupons sold. As of March 31, 2011, we had 396,000 subscribers, and, for the first quarter of 2011 we generated $6.1 million in revenue from 229,279 Groupons sold. The following table shows subscribers and cumulative customers as of the end of each quarter and featured merchants, revenue and Groupons sold in each quarter beginning with the second quarter of 2010:

User-specified TAGGED TABLE

	Three Months Ended,			
Berlin	Jun. 30, 2010	Sept. 30, 2010	Dec. 31, 2010	Mar. 31, 2011
Subscribers	92,500	152,800	261,200	396,000
Cumulative customers	9,072	23,007	40,992	69,412
Featured merchants	108	268	303	416
Revenue (in millions)	$1.0	$2.4	$4.5	$6.1
Groupons sold	47,068	89,321	124,585	229,279

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Case Study: London

London also was one of the international markets we entered through our acquisition of CityDeal. As of June 30, 2010, we had 159,156 subscribers, and for the second quarter of 2010, we generated $1.7 million in revenue from 49,564 Groupons sold. As of March 31, 2011, we had 1,602,968 subscribers, and, for the first quarter of 2011 we generated $20.1 million in revenue from 402,086 Groupons sold. The following table shows subscribers and cumulative customers as of the end of each quarter and featured merchants, revenue and Groupons sold in each quarter beginning with the second quarter of 2010:

User-specified TAGGED TABLE

	Three Months Ended,			
London	Jun. 30, 2010	Sept. 30, 2010	Dec. 31, 2010	Mar. 31, 2011
Subscribers	159,156	423,660	993,622	1,602,968
Cumulative customers	10,284	34,182	75,897	144,933
Featured merchants	102	232	294	432
Revenue (in millions)	$1.7	$5.4	$10.8	$20.1

Groupons sold	49,564	126,916	237,756	402,086

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Our Merchants

In the first quarter of 2011, we featured deals from over 56,000 merchants worldwide. To drive merchant growth, we have expanded the number and variety of product offerings available through our marketplace and invested in our salesforce. The charts below show the number of merchants we featured in our North America segment and our International segment, which we entered in May 2010 with the acquisition of CityDeal, during each quarter indicated:

Our salesforce includes over 3,500 inside and outside merchant sales representatives who build merchant relationships and provide local expertise. Our North American merchant sales representatives are based in our offices in Chicago and our international merchant sales representatives work from our 74 international offices. As the size of our salesforce has grown, the productivity of our sales representatives has increased. In the first quarter of 2009, when we first began investing in the development of our salesforce, the average number of merchants featured per sales representative per month was six and the average revenue per sales representative per month was $87,000. In the first quarter of 2011, the average number of merchants featured per sales representative per month was 17 and the average revenue per sales representative per month was $172,000. The following table lists the number of sales representatives in our North American and International segments as of the end of each quarter beginning with the first quarter of 2009:

User-specified TAGGED TABLE

Size of Salesforce	Mar. 31, 2009	Jun. 30, 2009	Sept. 30, 2009	Dec. 31, 2009	Mar. 31, 2010	Jun. 30, 2010	Sept. 30, 2010	Dec. 31, 2010	Mar. 31, 2011
North America	2	18	44	76	128	201	348	493	661
International	—	—	—	—	—	1,080	1,224	2,080	2,895
Total	2	18	44	76	128	1,281	1,572	2,573	3,556

end of user-specified TAGGED TABLE

The number of sales representatives is higher as a percentage of revenue in our International segment due to the need to have separate sales organizations for most of the different countries in which we operate. Due to local economic conditions, however, the average cost of each sales representative is lower in most countries in our International segment as compared to the costs in our North American segment.

Our standard contractual arrangements grant us the exclusive right to feature deals for a merchant's products and services for a limited time period and provide us with the discretion as to whether or not to offer the deal during such period. Our merchant pool represents the number of committed deals that we have discretion to run at any time. Our merchant pool has grown from 15 as of March 31, 2009 to over 40,000 as of March 31, 2011. We restrict the size of our merchant pool to manage the length of time between contract signing to deal launch, but have expanded the pool each quarter as we have increased our capacity to offer more deals each day. The scale of our merchant pool benefits our marketplace by enabling us to offer a wider variety of more relevant deals.

The charts below show the size of our merchant pool for our North America segment and our International segment, which we entered in May 2010 with the acquisition of CityDeal, as of the end of each quarter indicated:

User-specified TAGGED TABLE

North American Merchant Pool	International Merchant Pool

end of user-specified TAGGED TABLE

Our Products

As our operations have grown, we have increased the number and variety of products that we offer. Our new products have allowed us to serve more merchants each day by segmenting our subscriber base, offering more relevant, targeted deals and increasing the rate at which deals are purchased within each segment. We employ an algorithmic approach to deal targeting based on data collected by us about our subscribers, merchants and deals. We launched our first targeted deals in June 2010 in our largest North American markets. The combination of our North American salesforce of 661 as of March 31, 2011, our technology platform and our merchant pool of over 20,000 merchants as of March 31, 2011 gives us the ability to target deals to subsets of North American subscribers within a particular market. In addition, instead of featuring one deal per city per day, we can feature multiple deals per city per day matched to different groups of subscribers based on what we know about their personal preferences. We intend to continue to build our international infrastructure to enable us to offer targeted deals worldwide, as targeting increases the number of deals that we can offer across our marketplace.

Our products include:

Featured Daily Deals. We distribute a featured daily deal by email on behalf of local merchants to subscribers using our targeting technology, which distributes deals to subscribers based on their location and personal preferences. We also have offered daily deals from more than 40 national merchants, including Bath & Body Works, The Body Shop, Hyatt Regency, InterContinental Hotels, Lions Gate, Redbox, Shutterfly and Zipcar across subsets of the North American market. We initially offered one daily deal to all subscribers in a given market but now offer several daily deals in most established markets. We launched this product in November 2008 and it is offered in all of our North American and international markets.

Deals Nearby. Daily deals that do not appear as a featured daily deal appear as Deals Nearby. Each Deal Nearby currently is summarized in fewer than 20 words next to the featured daily deal. Deals Nearby often extend beyond the subscriber's closest market or buying preferences. Deals Nearby can also be targeted to certain subscribers, where access to the deal can only be obtained through an emailed hyperlink. Upon clicking the hyperlink, a subscriber is

directed to a full description of the deal that is presented in the same format as the subscriber's featured daily deal. We launched this product in January 2009 and it is offered in substantially all of our North American and international markets.

The following graphic captures the featured daily deal and all Deals Nearby offered in Washington, DC on March 24, 2011:

National Deals. National merchants also have used our marketplace as an alternative to traditional marketing and brand advertising. Although our primary focus continues to be on local deals, we use national deals from time to time to build our brand awareness, acquire new customers and generate additional revenue. As an example, on August 19, 2010, we emailed and posted a Groupon daily deal offering $50 of apparel at Gap for $25 to 9.2 million subscribers across 85 markets in North America. We sold approximately 433,000 Groupons in 24 hours, generating over $10.8 million in revenue. Of the consumers who purchased Groupons, approximately 200,000 were new subscribers. The Gap deal was our first deal from a national brand that we distributed across our North American markets. Since the Gap deal, we have featured deals from Barnes & Noble, FTD and Nordstrom across our North American markets.

Groupon NOW. Groupon NOW is a deal initiated by a merchant on demand and offered instantly to subscribers through mobile devices and our website. Groupon NOW deals target subscribers within close proximity of the merchant and the purchased Groupons typically expire within a few hours of the deal launch. Merchants launch Groupon NOW deals from our platform and can use this product to attract customers when they have excess capacity. We launched Groupon NOW in the second quarter of 2011 in selected North American markets.

Deal Channels. Deal Channels aggregate daily deals from the same category and are accessible through our website and through email alerts that subscribers sign up to receive. We currently offer Deal Channels in home and garden and event tickets and travel. Merchants can register their deals to be included in a Deal Channel. Subscribers can use Deal Channels to focus on deals that are of interest to them. We launched Deal Channels in February 2011 in selected North American markets.

Self-Service Deals. Self-Service Deals allows our merchants to use a self-service platform to create and launch deals at their discretion. The use of the platform is free and allows merchants to establish a permanent e-commerce presence on Groupon that can be visited and followed by subscribers. We receive a portion of the purchase price from deals sold through Self-Service Deals based on the extent to which we marketed the deal. We launched Self-Service Deals in December 2010 in selected North American markets.

Distribution

We distribute our deals directly through several platforms: a daily email, our websites, our mobile applications and social networks. We also utilize various online affiliates to display and promote Groupon deals on their websites, as well as agreements with several large online brands to distribute our deals. Our large online affiliates include eBay, Microsoft, Yahoo and Zynga. Other partnerships allow us to distribute daily deals to a partner's user base. For example, in December 2010, we partnered with Redbox to offer a daily deal to their user base and we acquired over 200,000 new customers through that offer and in March 2011, we partnered with eBay to offer a daily deal to their user base and we acquired over 290,000 new customers through that offer.

In addition, we have partnered with thousands of smaller online affiliates. Affiliates can embed our widget onto their website and earn a commission when their website visitors purchase Groupons through the affiliate link. Our commission rate varies depending on whether the customer is new or existing and the website's overall sales volume. We also offer commissions to affiliates when they refer a customer to Groupon. We expect to continue to pursue relationships to extend the distribution of our deals.

We also use various customer loyalty and reward programs to build brand loyalty and provide customers with incentives to buy Groupons. When customers perform qualifying acts, such as providing a referral to a new subscriber or participating in promotional offers, we grant the customer credits that can be redeemed for awards such as free or discounted goods or services in the future.

Email. The featured daily deal email contains one headline deal with a full description of the deal and often contains links to "More Great Deals Nearby," all of which are available within a subscriber's market. A subscriber who clicks on a deal within the daily email is directed to our website to learn more about the deal and to purchase the Groupon. We sometimes email "WOW" deals to targeted subscribers as they are available, which are deals that have performed well in the past and can be offered on behalf of the merchant on demand.

Websites. Visitors are prompted to register as a subscriber when they first visit our website and thereafter use the website as a portal for featured daily deals, Deals Nearby, national deals, and where available, Deal Channels and Self-Service Deals. Our website also provides opportunities to engage with the Groupon community through the GrouBLOGpon, a blog maintained by our employees, Groupon Meetups, a forum for meeting with others to redeem Groupons at a particular location, Groupon Flickr, a collection of digital photos from subscribers, and rewards programs for referring new subscribers, such as our offer of $10 in Groupon Bucks to subscribers who refer someone who later buys a Groupon.

Mobile Applications. Consumers also access our deals through our mobile applications, which are available on the iPhone, Android, Blackberry and Windows mobile operating systems. We launched our first mobile application in March 2010 and our applications have been downloaded 8.8 million times since then. These applications enable consumers to browse, purchase, manage and redeem deals on their mobile devices as well as access Groupon NOW deals that are offered based on the location of the subscriber.

Social Networks. We publish our daily deals through various social networks and our notifications are adapted to the particular format of each of these social networking platforms. Our website and mobile application interfaces enable our consumers to push notifications of our deals to their personal social networks.

Operations

Our business operations are divided into the following core functions to address the needs of our merchants and customers.

City Planners. Our city planners identify merchant leads and manage deal scheduling to maximize deal quality and variety within our markets. In identifying leads, city planners rank local merchants based on reviews, local feedback and other data. In certain cases, city planners submit requests to merchant services representatives for certain deals based on a scoring system that considers past performance of similar deals, quality of merchant reviews, number of

redemption locations and the zip code of the merchant. In scheduling deals, city planners review deals in our merchant pool and determine which deals to offer based on the viability of the deal as well as gross profit and marketing goals. City planners also work with our salesforce to establish sales quotas based on subcategory-level performance in a particular city, such as addressable market size and scheduling diversity. As of March 31, 2011, we employed 410 city planners.

Editorial. Our editorial department is responsible for creating editorial content on the daily deals we offer, as well as additional content featured on our website. Each deal that we feature typically goes through several stages to ensure that the deal description meets our standards for accuracy, quality and editorial voice. After offer details are reviewed, our editorial staff verifies the accuracy of the deal and its value through independent research. Once a deal is vetted, our editorial staff drafts a full description of the deal, which is passed through voice editing and copy editing before being launched. As of March 31, 2011, we employed 925 editorial staff.

THIS IS THE END OF A COMPOSITION COMPONENT

Merchant Services. Once a contract is signed, one of our merchant services representatives initiates the first of several communications with the merchant to introduce the merchant to the tools that we provide and plan for Groupon redemptions through expiration. Typically, a merchant services representative communicates with merchants before, during, and after a daily deal is featured. Before the deal is run, the representative works with the merchant to prepare staffing and inventory capacity in anticipation of increased customer traffic. The representative communicates with the merchant on the day the deal is featured to review deal performance. After the deal has closed, the representative maintains contact with the merchant to support the merchant's redemption efforts and to prepare the merchant for a potential spike in redemption near expiration. We also offer several merchant tools to help merchants manage their deals. These tools include status updates on deal performance, analytics that measure purchase traffic and demographic information of purchasers, a capacity calculator to estimate demand for the deal ahead of its feature date, and a return on investment calculator that estimates the return on investment that the merchant may receive from the deal. Each of these tools is accessible through an online account that is personal to the merchant and accessed through our website. As of March 31, 2011, we employed 277 merchant services representatives.

Customer Service Representatives. Our customer service representatives can be reached via phone or email 24 hours a day, seven days a week. Our Groupon Promise is core to our customer service philosophy. The customer service team also works with our information technology team to improve the customer experience on the website and mobile applications based on customer feedback. As of March 31, 2011, we employed 825 customer representatives.

Technology. We employ technology to improve the experience we offer to subscribers and merchants, increase the rate at which our subscribers purchase Groupons, and enhance the efficiency of our business operations. A component of our strategy is to continue developing and refining our technology.

We currently use a common technology platform across our North American operations that includes business operations tools to track internal workflow, applications and infrastructure to serve content at scale, dashboards and reporting tools to display operating and financial metrics for historical and ongoing deals, and a publishing and purchasing system for consumers. Over time, we plan to merge our North American technology platform with our international technology platforms and we expect this to enable greater efficiencies and consistency across our global organization.

Our websites are hosted at U.S. datacenters in Miami, Florida and Dallas, Texas and international datacenters in Asia and Europe. Our data centers host our public-facing websites and applications, as well as our back-end business intelligence systems. We use commercial antivirus, firewall and patch-management technologies to protect and maintain the systems located at our data centers. We have invested in intrusion detection and pattern detection tools to try to recognize intrusions to our website. We have also engaged a third-party internet security provider to test the security of our website and identify vulnerabilities. In financial transactions between our website and our customers, we use Secure Socket Layer to provide encryption in transferring data. We have designed our websites to be available, secure and cost-effective using a variety of proprietary software and freely available and commercially supported tools. We believe we can scale to accommodate increasing numbers of subscribers by adding relatively inexpensive industry-standard hardware or using a third-party provider of computing resources.

We devote a substantial portion of our resources to developing new technologies and features and improving our core technologies. Our information technology team is focused on the design and development of new features and products, maintenance of our websites and development and maintenance of our internal operations systems. As of March 31, 2011, our information technology team consisted of 253 employees.

Competition

Since our inception, a substantial number of competing group buying sites have emerged around the world attempting to replicate our business model. These competitors offer substantially the same or similar product offerings as us. We also compete with businesses that focus on particular merchant categories or markets. We increasingly compete against other large internet and technology-based businesses, such as Facebook, Google and Microsoft, each of which have launched initiatives which are competitive to our business. We also compete with traditional offline coupon and discount services, as well as newspapers, magazines and other traditional media companies that provide coupons and discounts on products and services. We believe the principal competitive factors in our market include the following:

- breadth of subscriber base and merchants featured;
- local presence and understanding of local business trends;
- ability to deliver a high volume of relevant deals to consumers;
- ability to produce high purchase rates for deals among subscribers;
- ability to generate positive return on investment for merchants; and

- strength and recognition of our brand.

We believe we compete favorably on the factors described above. However, we anticipate that larger, more established companies may directly compete with us as we continue to demonstrate the viability of a local e-commerce business model. Many of our current and potential competitors have longer operating histories, significantly greater financial, technical, marketing and other resources and larger customer bases than we do. These factors may allow our competitors to benefit from their existing customer or subscriber base with lower acquisition costs or to respond more quickly than we can to new or emerging technologies and changes in customer requirements. These competitors may engage in more extensive research and development efforts, undertake more far-reaching marketing campaigns and adopt more aggressive pricing policies, which may allow them to build a larger subscriber base or to monetize that subscriber base more effectively than us. Our competitors may develop products or services that are similar to our products and services or that achieve greater market acceptance than our products and services.

Regulation

We are subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the internet, many of which are still evolving and could be interpreted in ways that could harm our business. In the United States and abroad, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims. These regulations and laws may involve taxation, tariffs, subscriber privacy, data protection, content, copyrights, distribution, electronic contracts and other communications, consumer protection, the provision of online payment services and the characteristics and quality of services. It is not clear how existing laws governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the internet as the vast majority of these laws were adopted prior to the advent of the internet and do not contemplate or address the unique issues raised by the internet or e-commerce. In addition, it is possible that governments of one or more countries may seek to censor content available on our websites or may even attempt to completely block access to our websites. Accordingly, adverse legal or regulatory developments could substantially harm our business.

Groupons may be considered gift cards, gift certificates, stored value cards or prepaid cards and therefore governed by, among other laws, the CARD Act and state laws governing gift cards, stored value cards and coupons. Many of these laws contain provisions governing the use of gift cards, gift certificates, stored value cards or prepaid cards, including specific disclosure requirements and prohibitions or limitations on the use of expiration dates and the imposition of certain fees. If Groupons are subject to the CARD Act, the value of the Groupon must not expire before the later of (i) five years after the date on which the Groupon was issued or the date on which the customer last loaded funds on the Groupon if the Groupon has a reloadable feature; and (ii) the Groupon's expiration date (if any). We are currently subject to several purported class actions claiming that Groupons are subject to the CARD Act.

In addition, certain states and foreign jurisdictions have requirements for disclosure and product terms and conditions, including expiration dates and permissible fees, that might apply to a Groupon. Some states and foreign jurisdictions also include gift cards under their unclaimed and abandoned property laws which require companies to remit to the government the value of the unredeemed balance on the gift cards after a specified period of time (generally between one and five years) and impose certain reporting and recordkeeping obligations. We do not remit any amounts relating to unredeemed Groupons based upon our assessment of applicable laws. The analysis of the potential application of the unclaimed and abandoned property laws to Groupons is complex, involving an analysis of constitutional and statutory provisions and factual issues, including our relationship with customers and merchants and our role as it relates to the issuance and delivery of a Groupon. We are currently subject to several actions claiming that Groupons are subject to various unclaimed and abandoned property laws.

Many states have passed laws requiring notification to subscribers when there is a security breach of personal data. There are also a number of legislative proposals pending before the U.S. Congress, various state legislative bodies and foreign governments concerning data protection. In addition, data protection laws in Europe and other jurisdictions outside the United States may be more restrictive, and the interpretation and application of these laws are still uncertain and in flux. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices. If so, in addition to the possibility of fines, this could result in an order requiring that we change our data practices, which could have an adverse effect on our business. Furthermore, the Digital Millennium Copyright Act has provisions that limit, but do not necessarily eliminate, our liability for linking to third-party websites that include materials that infringe copyrights or other rights, so long as we comply with the statutory requirements of this act. Complying with these various laws could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

Various federal laws, such as the Bank Secrecy Act and the USA PATRIOT Act, impose certain anti-money laundering requirements on companies that are financial institutions or that provide financial products and services. For these purposes, financial institutions are broadly defined to include money services businesses such as money transmitters, check cashers and sellers or issuers of stored value. Examples of anti-money laundering requirements imposed on financial institutions include customer identification and verification programs, record retention policies and procedures and transaction reporting. We do not believe that we are a financial institution subject to these laws and regulations based, in part, on the characteristics of the Groupons and our role with respect to the distribution of the Groupons to customers. However, the Financial Crimes Enforcement Network, a division of the U.S. Treasury Department tasked with implementing the requirements of the Bank Secrecy Act, recently proposed amendments to the scope and requirements for parties involved in stored value or prepaid access, including a proposed expansion of the definition of financial institution to include sellers or issuers of prepaid access. In the event that this proposal is adopted as proposed, it is possible that a Groupon could be considered a financial product and that we could be a financial institution.

We are or may be subject to similar laws and regulations in jurisdictions outside of the United States.

Intellectual Property

We protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We control access to our proprietary technology by entering into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with third parties.

In addition to these contractual arrangements, we also rely on a combination of trade secrets, copyrights, trademarks, service marks, trade dress, domain names and patents to protect our intellectual property. We pursue the registration of our copyrights, trademarks, service marks and domain names in the United States and in certain locations outside the United States. Our trademarks in the United States or other countries include Groupon®, Groupon NOW, CityDeal, Grouspawn and the Groupon logo, as well as others, and as of May 5, 2011, we owned one patent and had five patent applications pending.

Circumstances outside our control could pose a threat to our intellectual property rights. For example, effective intellectual property protection may not be available in the United States or other countries in which we operate. Also, the efforts we have taken to protect our proprietary rights may not be sufficient or effective. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Also, protecting our intellectual property rights is costly and time-consuming. Any unauthorized disclosure or use of our intellectual property could make it more expensive to do business and harm our operating results.

Companies in the internet, social media technology and other industries may own large numbers of patents, copyrights and trademarks and may frequently request license agreements, threaten litigation or file suit against us based on allegations of infringement or other violations of intellectual property rights. We are currently subject to, and expect to face in the future, allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including our competitors and non-practicing entities. As we face increasing competition and as our business grows, we will likely face more claims of infringement.

Employees

As of March 31, 2011, we had 1,724 employees in our North America segment, consisting of 811 corporate and operational staff, 661 sales representatives and 252 customer service representatives, and 5,383 employees in our International segment, consisting of consisting of 1,915 corporate and operational staff, 2,895 sales representatives and 573 customer service representatives.

Properties

Our principal executive offices in North America are located in Chicago, Illinois and our principal international executive offices are located in Berlin, Germany. As of March 31, 2011, the properties listed below represented our materially important facilities, both of which are leased. We believe that our properties are generally suitable to meet our needs for the foreseeable future. However, we will continue to seek additional space as needed to satisfy our growth.

User-specified TAGGED TABLE

Description of Use	Square Footage	Operating Segment	Lease Expiration
Corporate office facilities	358,000	North America	From 2011 through 2017
Corporate office facilities	298,000	International	From 2011 through 2016

end of user-specified TAGGED TABLE

Legal Proceedings

We currently are involved in several disputes or regulatory inquiries, including suits by our customers (individually or as class actions) alleging, among other things, violation of the CARD Act and state laws governing gift cards, stored value cards and coupons, violations of unclaimed and abandoned property laws and violations of privacy laws. The number of these disputes and inquiries is increasing. Any claims or regulatory actions against us, whether meritorious or not, could be time consuming, result in costly litigation, damage awards, injunctive relief or increased costs of doing business through adverse judgment or settlement, require us to change our business practices in expensive ways, require significant amounts of management time, result in the diversion of significant operational resources or otherwise harm our business.

In addition, third parties have from time to time claimed, and others may claim in the future, that we have infringed their intellectual property rights. We are subject to intellectual property disputes, and expect that we will increasingly be subject to intellectual property infringement claims as our services expand in scope and complexity. We have in the past been forced to litigate such claims. We may also become more vulnerable to third-party claims as laws such as the Digital Millennium Copyright Act are interpreted by the courts, and as we become subject to laws in jurisdictions where the underlying laws with respect to the potential liability of online intermediaries like ourselves are either unclear or less favorable. We believe that additional lawsuits alleging that we have violated patent, copyright or trademark laws will be filed against us. Intellectual property claims, whether meritorious or not, are time consuming and costly to resolve, could require expensive changes in our methods of doing business, or could require us to enter into costly royalty or licensing agreements.

From time to time, we may become party to additional litigation incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these matters will not have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

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Management

MANAGEMENT

Executive Officers and Directors

The following table sets forth information about our executive officers and directors as of June 2, 2011:

User-specified TAGGED TABLE

Name	Age	Position
Executive Officers:		
Andrew D. Mason	30	Co-Founder, Chief Executive Officer and Director
Jason E. Child	42	Chief Financial Officer
Margaret H. Georgiadis	47	Chief Operating Officer
Brian K. Totty	44	Senior Vice President—Engineering and Operations
Directors:		
Eric P. Lefkofsky	42	Co-Founder and Executive Chairman of the Board
Peter J. Barris[(2)(3)]	59	Director
Kevin J. Efrusy[(1)(2)]	39	Director
Bradley A. Keywell[(2)(3)]	41	Co-Founder and Director
Theodore J. Leonsis[(1)(2)(3)]	55	Vice Chairman of the Board
Howard Schultz[(1)]	57	Director

end of user-specified TAGGED TABLE

(1) Member of our Audit Committee.

(2) Member of our Compensation Committee.

(3) Member of our Nominating and Corporate Governance Committee.

Executive Officers

Andrew D. Mason is a co-founder of the Company and has served as our Chief Executive Officer and a director since our inception. In 2007, Mr. Mason co-founded ThePoint, a web platform that enables users to promote collective action to support social, educational and civic causes, from which Groupon evolved. Prior to co-founding ThePoint, Mr. Mason worked as a computer programmer with Innerworkings, Inc. (NASDAQ:INWK). Mr. Mason received his Bachelor of Arts from Northwestern University. Mr. Mason brings to our Board the perspective and experience as one of our founders and as Chief Executive Officer. Mr. Mason was elected to the Board pursuant to voting rights granted to holders of our common stock and preferred stock under our voting agreement, which will be terminated upon the closing of this offering.

Jason E. Child has served as our Chief Financial Officer since December 2010. From March 1999 through December 2010, Mr. Child held several positions with Amazon.com, Inc. (NASDAQ: AMZN), including Vice President of Finance, International from April 2007 to December 2010, Vice President of Finance, Asia from July 2006 to July 2007, Director of Finance, Amazon Germany, from April 2004 to July 2006, Director of Investor Relations from April 2003 to April 2004, Director of Finance, Worldwide Application Software from November 2001 to April 2003, Director of Finance, Marketing and Business Development from November 2000 to November 2001 and Global Controller from October 1999 to November 2000. Prior to joining Amazon.com, Mr. Child spent more than seven years at Arthur Andersen where he was a C.P.A. and a consulting manager. Mr. Child received his Bachelor of Arts from the Foster School of Business at the University of Washington.

Margaret H. Georgiadis has served as our Chief Operating Officer since May 2011. From October 2009 through April 2011, Ms. Georgiadis served as Vice President, Global Sales Operations at Google, Inc. (NASDAQ: GOOG), where she managed sales operations across regions and channels and the global technology teams that commercialize Google's products. She also led the local and commerce businesses. From January 2009 to September 2009, she served as a Principal at Synetro Capital, a private equity group in Chicago, Illinois. From August 2004 to December 2008, Ms. Georgiadis was Executive Vice President of Card Products and Chief Marketing Officer at Discover Financial Services in Riverwoods, Illinois. From 1990 to 2004, she was a partner at McKinsey and Company in London and Chicago. Ms. Georgiadis has served on the board of directors of The Jones Group Inc. (NYSE: JNY) since January 2009. Ms. Georgiadis received her AB in Economics from Harvard and her Master of Business Administration from Harvard Business School.

Brian K. Totty, Ph.D., has served as our Senior Vice President of Engineering since November 2010. Dr. Totty was the Chief Executive Officer of Ludic Labs, Inc., a startup venture developing a new class of software applications from January 2006 through November 2007. We acquired Ludic Labs in November 2010. Dr. Totty also was a co-founder and Senior Vice President of Research and Development of Inktomi Corporation from February 2006 to August 2007. Dr. Totty received his Ph.D. in computer science from the University of Illinois at Urbana-Champaign, his Master of Public Administration from Harvard's Kennedy School and his Bachelor of Science from the Massachusetts Institute of Technology.

Directors

Eric P. Lefkofsky is a co-founder of the Company and has served as our Executive Chairman since our inception. Mr. Lefkofsky was elected to the Board pursuant to voting rights granted to the former holders of our Series B Preferred Stock under our voting agreement, which will be terminated upon the closing of this offering. Mr. Lefkofsky is a co-founder of Echo Global Logistics, Inc. (NASDAQ: ECHO) and has served on its board of directors since February 2005. Mr. Lefkofsky is the co-founder of InnerWorkings, Inc. (NASDAQ: INWK) and has served on its board of directors since August 2008. In 2008, Mr. Lefkofsky co-founded Lightbank LLC, a private investment firm specializing in information technology companies, and has served as a manager since that time. In April 2006, Mr. Lefkofsky co-founded MediaBank, LLC, an electronic exchange and database that automates the procurement and administration of advertising media, and has served as a director or manager since that time. From May 2000 to April 2001, Mr. Lefkofsky served as Chief Operating Officer and director of HA-LO Industries Inc. Mr. Lefkofsky co-founded Starbelly.com, Inc., and served as its President from September 1999 to May 2000, at which point Starbelly.com was acquired by HA-LO. In July 2001, HA-LO filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. Mr. Lefkofsky also serves on the board of directors of Children's Memorial Hospital, the board of trustees of the Steppenwolf Theatre, the board of trustees of the Art Institute of Chicago and the board of trustees of the Museum of Contemporary Art in Chicago. Mr. Lefkofsky holds a bachelor's degree from the University of Michigan and a Juris Doctor degree from the University of Michigan Law School. Mr. Lefkofsky brings to the Board an in-depth knowledge and understanding of the Company's business as one of its founders as well as experience as the director of several public companies.

Peter J. Barris has served on our Board since January 2008. Mr. Barris was elected pursuant to voting rights granted to New Enterprise Associates under our voting agreement, which will be terminated upon the closing of this offering. Since July 2009, Mr. Barris has served on the board of directors of Echo Global Logistics, Inc. (NASDAQ: ECHO) and since January 2006, Mr. Barris has served on the board of directors of InnerWorkings, Inc. (NASDAQ: INWK). Since 1999, Mr. Barris has been the Managing General Partner of New Enterprise Associates where he specializes in information technology investing. Mr. Barris also serves on the board of directors of Vonage Holdings Corp. (NASDAQ: VG) and Neutral Tandem, Inc. (NASDAQ: TNDM). Mr. Barris is a member of the board of trustees, Northwestern University and board of advisors, Tuck's Center for Private Equity and Entrepreneurship at Dartmouth. He received a Master of Business Administration from Dartmouth College and a Bachelor of Science in Electrical Engineering from Northwestern University. Mr. Barris brings to the Board a sophisticated knowledge of information technology companies that includes investments in over twenty information technology companies that have completed public offerings or successful mergers as well as experience serving as a director of several public companies.

Kevin J. Efrusy has served on our Board since November 2009. Mr. Efrusy was elected pursuant to voting rights granted to Accel Growth Fund L.P. under our voting agreement, which will be terminated upon the closing of the offering. Mr. Efrusy joined Accel in 2003 where serves as a General Partner. From 1999 to 2002 he co-founded and served as President and VP of Business Development of IronPlanet, an online marketplace for heavy equipment. In 1998 he was a co-founder of Corio, an ASP/SaaS pioneer that went public on NASDAQ and was acquired by IBM in 2005. Mr. Efrusy was a product manager at Zip2 from 1996 to 1997 and an Associate Consultant at Bain & Company from 1995 to 1996. Mr. Efrusy also serves on the boards of directors of several private consumer internet service and SaaS/open source software companies. He formerly served on the boards of Xensource (acquired by Citrix in 2007), Springsource (acquired by VMWare in 2009), and BBN Technologies (acquired by Raytheon in 2009). Mr. Efrusy received his Master of Business Administration from the Stanford Graduate School of Business where he was an Arjay Miller Scholar. He received his Master of Science in Electrical Engineering, Bachelor of Science in Electrical Engineering, and Bachelor of Arts from Stanford University. Mr. Efrusy brings to the Board an in-depth knowledge of the consumer internet services industry.

Bradley A. Keywell is a co-founder of the Company and has served on our Board since December 2006. Mr. Keywell was elected pursuant to voting rights granted to the holders of our Series B preferred stock under our voting agreement, which will be terminated upon the closing of this offering. Mr. Keywell is a co-founder of Echo Global Logistics, Inc. (NASDAQ: ECHO) and has served on its board of directors since February 2005. In 2008, Mr. Keywell co-founded Lightbank LLC, a private investment firm specializing in information technology companies, and has served as a manager since that time. In April 2006, Mr. Keywell co-founded MediaBank, LLC, an electronic exchange and database that automates the procurement and administration of advertising media, and has served as a director or manager since that time. From May 2000 to March 2001, Mr. Keywell served as the President of HA-LO Industries Inc. Mr. Keywell co-founded Starbelly.com Inc., which was acquired by HA-LO in May 2000. In July 2001, HA-LO filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. Mr. Keywell also serves as a trustee of Equity Residential (NYSE: EQR), a real estate investment trust. Mr. Keywell serves on the board of trustees of the Zell-Lurie Entrepreneurship Institute at the University of Michigan, the NorthShore University HealthSystem Foundation and the Museum of Contemporary Art in Chicago. Mr. Keywell is the Chairman of the Illinois Innovation Council. Mr. Keywell is also the founder and Chairman of *Chicago Ideas Week* and the *Connect to the Future* Foundation. Mr. Keywell holds a bachelor's degree from the University of Michigan and a Juris Doctor degree from the University of Michigan Law School. Mr. Keywell brings to the Board an in-depth knowledge and understanding of the information technology sector as well as experience as a director of a public company.

Theodore J. Leonsis has served on our Board since June 2009 and as our Vice Chairman since April 2011. Mr. Leonsis was elected pursuant to voting rights granted to the holders of our common stock and preferred stock under our voting agreement, which will be terminated upon the closing of this offering. Since 1999, Mr. Leonsis has served as the Chairman and Chief Executive Officer of Monumental Sports & Entertainment, LLC, a sports and entertainment company that owns the NBA's Washington Wizards, NHL's Washington Capitals, WNBA's Washington Mystics, the Verizon Center in Washington, D.C. and the Baltimore-Washington Ticketmaster franchise. Mr. Leonsis also has served as a Vice Chairman Emeritus of AOL LLC, a leading global Web company, since December 2006. Mr. Leonsis held a number of other executive positions with AOL from September 1994 to December 2006, most recently as Vice Chairman and President, AOL Audience Business. Mr. Leonsis has served as a director of American Express Co. (NYSE: AXP) since July 2010, a director of Rosetta Stone Ltd. (NYSE: RST) since December 2009 and a director of NutriSystem, Inc. (NASDAQ: NTRI) since December 2008. Mr. Leonsis also serves on the board of directors of several private internet and technology companies. Mr. Leonsis is an acknowledged innovator and internet entrepreneur. Mr. Leonsis brings to the Board his experiences in digital businesses, his innovative approaches, and his expertise in identifying business opportunities and driving new strategies based on changing technologies, social media, and the internet.

Howard Schultz has served on our Board since February 2011. Mr. Schultz was elected pursuant to pursuant to voting rights granted to the holders of our common stock and preferred stock under our voting agreement, which will be terminated upon the closing of this offering. Mr. Schultz is the founder of Starbucks Corporation (NASDAQ: SBUX) and serves as its Chairman, President and Chief Executive Officer. Mr. Schultz has served as the Chairman of Starbucks since 1985 and reassumed the role of President and Chief Executive Officer in January 2008. Mr. Schultz also served as a director of Dreamworks, Animation SKG, Inc. (NASDAQ: DWA) from October 2004 and May 2008. As the founder of Starbucks, Mr. Schultz brings to the Board a record of innovation, achievement and leadership as well as almost 30 years of experience in brand marketing and international distribution and operations.

Our Founders

Andrew D. Mason, our Chief Executive Officer, Eric P. Lefkofsky, our Executive Chairman, and Bradley A. Keywell, one of our directors (who we collectively refer to in this prospectus as our "founders"), founded Groupon in November 2008. Groupon evolved from The Point, which is a web platform that enables users to promote collective action in support of social, educational or other causes. Mr. Mason conceived of the idea for The Point in 2006 and Mr. Lefkofsky provided funding to the business, which led to its launch in November 2007. In November 2008, Groupon began operations when Mr. Mason decided to apply the concept of web-based collective action to create an e-commerce marketplace.

Working closely together since our inception, Messrs. Mason and Lefkofsky have had key roles in the management of our company. Mr. Mason serves as our Chief Executive Officer and Mr. Lefkofsky serves as our Executive Chairman of our Board of Directors. As Executive Chairman, Mr. Lefkofsky will continue to work actively with Mr. Mason and senior management concerning a broad range of operating and strategic issues.

In addition, as a result of the concentration of our capital stock ownership with our founders, they will have significant influence over management and over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets, for the foreseeable future. Our Class B common stock has votes per share and our Class A common stock has one vote per share. As of 2011, our founders owned shares of Class A common stock and Class B common stock representing approximately % of the voting power of our outstanding capital stock. As a result of this dual class structure, our founders will continue to be able to control all matters submitted to our stockholders for approval even if they come to own less than 50% of the outstanding shares of our common stock.

Consulting Arrangements

Oliver Samwer and Marc Samwer ("Messrs. Samwer") are the founders of CityDeal, a European-based collective buying power business that we acquired in May 2010. Since the CityDeal acquisition, Messrs. Samwer have served as consultants and been extensively involved in the development and operations of our International segment.

Messrs. Samwer entered into consulting agreements with CityDeal on May 12, 2010. Pursuant to their consulting agreements, Messrs. Samwer advise CityDeal with respect to its goals and spend at least 50% of their work hours consulting for CityDeal. Messrs. Samwer do not receive any additional compensation from CityDeal or Groupon in connection with their consulting role. The term of Messrs. Samwers' consulting agreements expire on October 18, 2011.

Code of Ethics

In connection with the completion of this offering, we will adopt a Code of Ethics for Principal Executive and Senior Financial Officers, which is applicable to our chief executive officer, chief financial officer and other principal executive and senior financial officers. This code will become effective as of the effective date of this offering.

Board of Directors

Our board of directors currently consists of seven members. Our bylaws permit our board of directors to establish by resolution the authorized number of directors, and nine directors are currently authorized.

Pursuant to our certificate of incorporation as currently in effect and a voting agreement among us and significant holders of our preferred stock and common stock, who together have substantial control of the total voting power of our outstanding capital stock, those holders vote together to cause the election of all of our directors as follows:

- Mr. Barris, who was elected as the designee of New Enterprise Associates;
- Mr. Efrusy, who was elected as the designee of Accel Growth Fund L.P.;
- Messrs. Leonsis and Schultz, who were elected as the designees of (i) the holders of a majority of our common stock, voting as a class and (ii) the holders of a majority of our preferred stock, voting as a class, which holders also have the right to elect one additional director pursuant to the voting agreement;
- Mr. Mason, who was elected as the designee of the holders of a majority of our preferred stock and common stock, voting together; and
- Messrs. Lefkofsky and Keywell, who were elected as the designees of the holders of a majority of the outstanding shares of our Series B preferred stock, which holders also have the right to elect one additional director pursuant to the voting agreement.

Upon the closing of this offering, the voting agreement by which these directors were elected will terminate.

Director Independence

Under , a majority of a listed company's board of directors must be comprised of independent directors, and each member of a listed company's audit, compensation and nominating and corporate governance committees must be independent as well. Under , a director will only qualify as an "independent director" if that company's board of directors affirmatively determines that the director has no material relationship with that company, either directly or as a partner, shareholder or officer of an organization that has a relationship with that company.

In addition, following the effectiveness of this registration statement, the members of our audit committee must satisfy the independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended, or Rule 10A-3. In order to be considered to be independent for purposes of Rule 10A-3, no member of the audit committee may, other than in his capacity as a member of the audit committee, the board of directors, or any other Board committee: (1) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the company or any of its subsidiaries; or (2) be an affiliated person of the company or any of its subsidiaries.

Prior to the completion of this offering, our board of directors will undertake a review of the independence of each director and consider whether any director has a material relationship with us that could compromise his ability to exercise independent judgment in carrying out his responsibilities.

Committees of the Board of Directors

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee, each of which has the composition and responsibilities described below.

Audit Committee

Our audit committee is comprised of Messrs. Efrusy, Leonsis and Schultz, each of whom is a non-employee member of our board of directors. Mr. Leonsis is the chairperson of our audit committee. Our board of directors has determined that each member of the audit committee meets the financial literacy requirements under the rules and regulations of the and the SEC and Mr. Leonsis qualifies as our audit committee financial expert under the SEC rules implementing Section 407 of the Sarbanes-Oxley Act of 2002. Under the audit committee charter to be effective upon the completion of this offering, our audit committee will be responsible for, among other things:

- selecting and hiring our independent auditors, and approving the audit and non-audit services to be performed by our independent auditors;
- evaluating the qualifications, performance and independence of our independent auditors;
- 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;
- discussing the scope and results of the audit with the independent auditors and reviewing with management and the independent auditors our interim and year-end operating results; and
- preparing the audit committee report that the SEC requires in our annual proxy statement.

Compensation Committee

Our compensation committee is currently comprised of Messrs. Barris, Efrusy, Keywell and Leonsis. Mr. Barris is the chairperson of our compensation committee. Under the compensation committee charter to be effective upon the completion of this offering, our compensation committee will be responsible for, among other things:

- reviewing and approving for our executive officers: the annual base salary, the annual incentive bonus, including the specific goals and amount, equity compensation, employment agreements, severance arrangements and change in control arrangements, and any other benefits, compensation or arrangements;
- reviewing the succession planning for our executive officers;
- reviewing and recommending compensation goals and bonus and stock compensation criteria for our employees;
- preparing the compensation committee report that the SEC requires to be included in our annual proxy statement; and
- administering, reviewing and making recommendations with respect to our equity compensation plans.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee is comprised of Messrs. Barris, Keywell and Leonsis. Mr. Keywell is the chairperson of our nominating and corporate governance committee. Under the nominating and corporate governance committee charter to be effective upon the completion of this offering, our nominating and corporate governance committee will be responsible for, among other things:

- assisting our board of directors in identifying prospective director nominees and recommending nominees for each annual meeting of stockholders to the board of directors;
- reviewing developments in corporate governance practices and developing and recommending governance principles applicable to our board of directors;
- overseeing the evaluation of our board of directors and management; and
- recommending members for each committee of our board of directors.

`Compensation Committee Interlocks and Insider Participation`

Messrs. Efrusy, Keywell and Lefkofsky served as members of the compensation committee during 2010. None of the members of our compensation committee, other than Mr. Lefkofsky, is or has in the past served as an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

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Executive Compensation

EXECUTIVE COMPENSATION

`Compensation Discussion and Analysis`

The following is a presentation of the material elements of the compensation arrangements of the following current and former executive officers, who are also identified in the "Summary Compensation Table" for 2010 (collectively, our "named executive officers" or "NEOs"):

- Andrew D. Mason, Chief Executive Officer
- Jason E. Child, Chief Financial Officer
- Robert S. Solomon, Former President and Chief Operating Officer
- Brian K. Totty, Senior Vice President of Engineering and Operations
- Kenneth M. Pelletier, Former Chief Technology Officer

This discussion also contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs.

`Overview`

Our business is highly competitive, and competition presents an ongoing challenge to our success. We expect competition in the internet business generally, and the group buying business in particular, to continue to increase because there are not substantial barriers to entry. Our ability to compete and succeed in this environment is directly tied to our ability to recruit, incentivize and retain skilled and talented individuals to form an executive team characterized by a high level of sales, marketing, operations, financial, and strategic acquisitions expertise. Our compensation philosophy is centered around our goal of establishing and maintaining an executive compensation program that attracts proven, talented leaders who possess the skills and experience necessary to materially add to the Company's long-term value, expansion and ability to achieve our strategic goals. To that end, our executive compensation program also permits us to recognize and reward individual achievements within the framework of the Company's overarching goals and objectives.

Briefly, the primary goals of our executive compensation program are as follows:

- Recruit and retain talented and experienced individuals who are able to develop, implement and deliver on long-term value creation strategies;
- Provide a substantial portion of each executive's compensation in components that are directly tied to the long-term value and growth of the Company;
- Reward both Company and individual performance and achievement; and
- Ensure that our compensation is reasonable and competitive with opportunities made available to executives at companies with which we compete for executive talent.

Our Compensation-Setting Process

Historically, the initial compensation arrangements with our executive officers, including the named executive officers, have been the result of arm's-length negotiations between the Company and each individual executive. Prior to the formation of our compensation committee, the Board was primarily responsible for overseeing and approving the negotiation of these arrangements on behalf of the Company. We have been undergoing a period of substantial growth and development in recent years in a highly competitive business and technological environment, and the focus of these arrangements has been to recruit talented individuals to help us meet specific long-term financial and growth objectives. Individual compensation arrangements with executives have been influenced by a number of factors, including the following, each as of the time of the applicable hiring decision:

- our need to fill a particular position;
- our financial position and growth direction at the time of hiring;
- the individual's expertise and experience; and
- the competitive nature of the position.

In May 2010, we formed our compensation committee. Our compensation committee is now composed entirely of independent directors, and is responsible for overseeing our executive compensation program and approving ongoing compensation arrangements for our named executive officers. Due to the relatively recent formation of our compensation committee, its members are in the process of formulating a comprehensive overall approach to executive compensation, and we expect that our compensation program in future may vary, perhaps significantly, from our historical practices.

In February 2011, we retained a compensation consultant to review and assess our current employee compensation practices relative to market compensation practices. Specifically, the compensation consultant was engaged to:

- provide data for the establishment of a peer group of companies to serve as a basis for assessing competitive executive and director compensation practices going forward;
- review and assess our current executive compensation programs relative to market to determine any changes that may need to be implemented in connection with or following our initial public offering;
- assist in the development of salary and equity guidelines for certain technology positions; and
- assess current cash and equity compensation levels relative to market and compensation strategy and structure for executive, director and technology positions and certain other employee groups.

The results of the compensation consultant's review and assessment were presented to the compensation committee in April 2011. The compensation committee resolved to take the review and assessment provided by the compensation consultant under advisement for further discussion and analysis at its next regular meeting.

Our compensation committee generally expects to seek input from our chief executive officer and chief operating officer when discussing the performance and compensation of the other named executive officers, as well as during the process of searching for and negotiating compensation packages with new senior management hires. The compensation committee also expects to coordinate with our chief financial officer in determining the financial and accounting implications of our compensation programs and hiring decisions. None of our named executive officers participates in compensation committee deliberations relating to his or her own compensation.

Elements of Our Compensation Program

The four key elements of our compensation package for named executive officers are base pay, discretionary performance bonuses, equity-based awards, and our benefits programs. We do not use specific formulas or weightings in determining the allocation of the various pay elements; rather, each named executive officer's compensation has been designed to provide a combination of fixed and at-risk compensation that is tied to achievement of the Company's short- and long-term objectives.

Base Salary. We offer reasonable base salaries that are intended to provide a level of stable fixed compensation to executives for performance of day-to-day services. Each named executive officer's base salary was established as the result of arm's-length negotiation with the individual, and is generally reviewed annually to determine whether an adjustment is warranted or required. The base salaries paid to our named executive officers in 2010 are set forth in the "Summary Compensation Table" below. The following table sets forth the base salary rates in effect for 2010:

User-specified TAGGED TABLE

Name	2010 Base Salary Rate ($)	
Andrew D. Mason	180,000	(1)
Jason E. Child	350,000	
Robert S. Solomon	350,000	

Brian K. Totty	250,000
Kenneth M. Pelletier	185,000

end of user-specified TAGGED TABLE

(1) At his own recommendation to the compensation committee, Mr. Mason's base salary for 2011 was reduced to $575, effective January 1, 2011.

Discretionary Performance Bonus. We offer our named executive officers the opportunity to earn annual performance bonuses, which are determined by the Board or the compensation committee at its sole discretion, based on each officer's job performance and the Company's financial performance. As a privately-held company, we believe that a discretionary cash bonus program has allowed the Board and compensation committee to retain flexibility to conserve cash while rewarding results as determined to be appropriate. Because of the rapidly-changing nature of our business, the Board and compensation committee have not believed that selecting pre-set performance metrics would enhance incentive efforts, and instead have focused on using equity incentives to encourage company-wide improvements. No discretionary bonuses were awarded to any named executive officers for 2010 performance.

Equity-Based Awards. Our practice, as a private and rapidly growing company, has been to grant equity awards to our newly hired executive officers, in order to effectively align the interests of the executive with our long-term growth objectives. As such, we have not generally made regular equity awards to our named executive officers, although we anticipate that annual equity awards may form a component of our compensation structure for executives going forward, in order to more effectively align the interests of executive officers and our stockholders and ensure appropriate long-term incentives remain in place. The sizes and types of awards that have historically been granted to newly hired executive officers have not been determined based on a specific formula, but rather on a combination of the Board's or compensation committee's discretionary judgment regarding the appropriate level of compensation for the position, the need to fill a particular position, and the negotiation process with the particular individual involved.

Benefits Programs. Our employee benefit programs, including our 401(k) plan and health, dental, vision and short-term disability coverage programs, are designed to provide a stable array of support to our employees generally, including our named executive officers, and their families.

Post-Employment Compensation

The terms and conditions of employment for Messrs. Mason, Child and Totty are set forth in their employment agreements. Prior to his departure from the position of President and Chief Operating Officer, the terms and conditions of employment for Mr. Solomon were also set forth in his employment agreement. The material terms of these agreements are summarized under "Employment Agreements" below. These employment agreements also provide for certain benefits in the event of the named executive officer's termination of employment under specified circumstances or upon a change in control. We believe that our extension of these post-employment and change in control benefits was necessary in order to induce these individuals to forego other competitive opportunities that were available to them. The material terms of these post-employment arrangements, including the terms of Mr. Solomon's separation agreement and Mr. Pelletier's separation agreement, are set forth in "Potential Payments Upon Termination or Change in Control" below. Prior to his departure from the Company, Mr. Pelletier had not entered into any formal employment agreement or post-employment compensation arrangement with us.

Effect of Accounting and Tax Treatment on Compensation Decisions

Accounting Treatment. We recognize a charge to earnings for accounting purposes for equity awards over their vesting period. When we become a publicly-held company, we expect that our compensation committee will continue to review and consider the accounting impact of equity awards in addition to considering the impact for dilution and overhang when deciding on amounts and terms of equity grants.

Deductibility of Executive Compensation. After the end of a transition period following our initial public offering, Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, will limit the amount that we may deduct from our federal income taxes for compensation paid to our executive officers to $1 million dollars per executive officer per year, unless certain requirements are met. Section 162(m) provides an exception from this deduction limit for certain forms of performance-based compensation. While our compensation committee is mindful of the benefit to us of the full deductibility of compensation, the Board and the compensation committee believe that we should not be constrained by the requirements of the Section 162(m) exception where those requirements would impair our flexibility in compensating our executive officers in a manner that can best promote our corporate objectives. Therefore, the Board and the compensation committee have not adopted a policy that would require that all compensation be deductible. We intend to continue to compensate our executive officers in a manner consistent with the best interests of the Company and our stockholders.

Taxation of Parachute Payments and Deferred Compensation. We do not provide and have no obligation to provide any executive officer, including any named executive officer, with a "gross-up" or other reimbursement payment for any tax liability that he or she might owe as a result of the application of Section 280G, 4999, or 409A of the Code. Sections 280G and 4999 of the Code provide that executive officers and directors who hold significant equity interests and certain other service providers may be subject to an excise tax if they receive payments or benefits in connection with a change in control that exceed certain limits prescribed by the Code, and that the employer may forfeit a deduction on the amounts subject to this additional tax. Our 2010 Plan permits a participant to elect, in his or her discretion, to reduce a payment or acceleration of vesting under the plan to the extent necessary to avoid the imposition of an excise tax under Sections 280G and 4999. Section 409A of the Code also may impose significant taxes on a service provider in the event that he or she receives deferred compensation that does not comply with the requirements of Section 409A. We have structured our compensation arrangements with the intention of complying with or otherwise being exempt from the requirements of Section 409A. Further, our 2010 Plan provides that the Board may amend the terms of the plan or any award agreement to the extent necessary to comply with or effectuate an exemption from the requirements of Section 409A.

Hiring of New Chief Operating Officer

On April 15, 2011, we hired Margaret H. Georgiadis to serve as our new Chief Operating Officer. Pursuant to the terms of her employment agreement, which expires December 15, 2015, Ms. Georgiadis receives a base salary of $500,000 per year. She is also eligible to receive a discretionary annual bonus not to exceed 100% of her base salary and to participate in our employee and executive benefit plans (the costs of which will be reimbursed by the Company). In connection with her hiring, Ms. Georgiadis was granted 1,100,000 restricted stock units under 2010 Plan, 300,000 of which were immediately vested. With respect to the remaining restricted stock units, $^{12}/_{56}$ of them will vest on April 15, 2012, $^{3}/_{56}$ of them will vest at the end of each of the next fourteen three-month periods thereafter, and a final $^{2}/_{56}$ of them will vest at the end of the 56^{th} month following the date of hire. Vesting is subject to Ms. Georgiadis' continued employment through each vesting date.

If Ms. Georgiadis' employment is terminated without cause or for good reason, she will be entitled to receive (i) continued payment of base salary for twelve months following termination, (ii) a lump sum payment of 100% of her annual bonus target, (iii) continued company-paid medical and insurance benefits for up to twelve months following termination, and (iv) immediate vesting of the sum of 171,249 restricted stock units plus the positive difference between (x) the number of restricted stock units that would have vested through her termination (excluding the immediately vested units), had the vesting been determined at the rate of $^{1}/_{56}$ of the total per month, and (y) the number of restricted units that would have vested in accordance with her employment agreement. If the foregoing termination occurs within six months prior to or twelve months following a change in control, Ms. Georgiadis will also be entitled to immediate vesting of her unvested restricted stock units and any other equity awards granted to her during her employment. Her right to these benefits is contingent on her execution of a release of claims against the Company.

Summary Compensation Table

The following table sets forth information regarding the compensation of the individuals who served as our named executive officers during 2010.

User-specified TAGGED TABLE

Name and Principal Position(1)	Year	Salary ($)	Bonus ($)(2)	Option Awards ($)(3)	Stock Awards ($)(4)	All Other Compensation ($)(5)	Total Compensation ($)
Andrew D. Mason *Chief Executive Officer*	2010	180,000 (6)	–	–	–	4,599	184,599
Jason E. Child(7) *Chief Financial Officer*	2010	5,384	375,000	–	9,477,000	140	9,857,524
Robert S. Solomon(8) *Former President and Chief Operating Officer*	2010	263,846	–	5,068,785	–	2,160	5,334,791
Brian K. Totty *Senior Vice President of Engineering and Operations*	2010	20,833	–	–	2,659,334	–	2,680,167
Kenneth M. Pelletier(9) *Former Chief Technology Officer*	2010	185,000	–	–	–	7,838	192,838

end of user-specified TAGGED TABLE

(1) Eric P. Lefkofsky, our Co-Founder and Executive Chairman of the Board, is not an employee of the Company and receives no compensation for his service as an executive officer. Therefore he is not included in the compensation tables or "Compensation Discussion and Analysis". Mr. Lefkofsky's compensation for his service as a non-employee director is disclosed in "Director Compensation in 2010" below.

(2) There were no discretionary performance bonuses paid to any of our named executive officers for 2010. Mr. Child received a one-time signing bonus in connection with the execution of his employment agreement, effective December 20, 2010.

(3) Amounts disclosed in this column relate to grants of stock options made under the 2010 Plan. With respect to each stock option grant, the amounts disclosed generally reflect the grant date fair value computed in accordance with FASB ASC Topic 718 "Stock Compensation". The exercise price of stock options is equal to the fair market value of the underlying stock on the grant date, determined in good faith by the Board and in a manner consistent with Section 409A of the Code. Grant date fair value was determined using a generally accepted option valuation methodology referred to as the Black-Scholes-Merton option pricing model. Information regarding assumptions used in calculating the value of stock option awards made to executive officers is provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" above.

(4) Amounts disclosed in this column relate to grants of restricted stock units made under the 2010 Plan. With respect to each restricted stock unit grant, the amounts disclosed generally reflect the grant date fair value computed in accordance with FASB ASC Topic 718. Grant date fair value for each restricted stock unit award was determined in good faith by the Board without regard to lapsing restrictions and in a manner consistent with Section 409A of the Code.

(5) Amounts disclosed in this column relate to amounts paid to reimburse our named executive officers for the cost of participation in our group health and dental plans and for parking costs at the Company's headquarters in Chicago, Illinois.

(6) At his own recommendation to the compensation committee, Mr. Mason's base salary rate for 2011 was reduced to $575, effective January 1, 2011.

(7)

Mr. Child was appointed as our Chief Financial Officer on December 20, 2010. Prior to his appointment, no single individual served in the capacity of or performed the functions of chief financial officer of the Company.

(8) Mr. Solomon ceased to be our President and Chief Operating Officer on March 22, 2011.

(9) Mr. Pelletier's employment with us terminated on March 23, 2011.

Employment Agreements

Overview. We have entered into employment agreements with each of Messrs. Mason, Child and Totty. Prior to his departure from the position of President and Chief Operating Officer, we had entered into an employment agreement with Mr. Solomon. Prior to his separation, Mr. Pelletier did not have a formal employment agreement with the Company.

Andrew D. Mason. We entered into an employment agreement with Mr. Mason to serve as our Chief Executive Officer effective November 1, 2009, which replaced his prior employment agreement. His current agreement expires on December 1, 2014. Pursuant to his agreement, Mr. Mason is to be paid a base salary of $180,000 annually, which amount is to be increased by at least fifteen percent per year thereafter. Notwithstanding this provision of his employment agreement, Mr. Mason's base salary for 2011 has been reduced to $575, upon his own recommendation to the compensation committee. He is also eligible to receive an annual performance bonus of up to fifty percent of his base salary, which is payable as determined by the Board and the compensation committee in their sole discretion based on Mr. Mason's job performance, our financial performance, and certain performance targets that may be approved by the Board and the compensation committee. Notwithstanding this provision of his employment agreement, Mr. Mason's bonus has been eliminated as a component of his 2011 compensation, upon his own recommendation to the compensation committee. Mr. Mason is also entitled to participate in our executive and employee benefit plans on the same basis as other members of our senior management, and is reimbursed by us for the costs of those plans in which he elects to participate. In connection with the execution of his employment agreement, Mr. Mason purchased 1,800,000 shares of our Class A common stock on November 1, 2009 at their then current fair market value with a promissory note. In April 2011, Mr. Mason repaid the promissory note with respect to 1,650,000 shares and forfeited 150,000 shares. In connection with the repayment of the promissory note and forfeiture of the shares, the remaining balance of the promissory note was cancelled. These shares are subject to our right to repurchase upon a termination of Mr. Mason's employment for any reason prior to November 1, 2014, at a purchase price of their fair market value on the repurchase date. The repurchase right lapses with respect to twenty percent of the underlying shares for every year in which Mr. Mason continues to be employed commencing on November 1, 2009. Mr. Mason is also entitled to receive certain benefits upon certain terminations of employment, which benefits are summarized below in "Potential Payments Upon Termination or Change in Control."

Jason E. Child. We entered into an employment agreement with Mr. Child to serve as our Chief Financial Officer effective December 20, 2010, which was amended and restated effective April 29, 2011, and expires on December 20, 2015. Pursuant to his amended and restated employment agreement, Mr. Child is paid a base salary of $350,000 annually. Mr. Child is also eligible to receive an annual performance bonus of at least $350,000, determined by the Board and the compensation committee, payable semi-annually on June 20th and December 20th of each year. Mr. Child is entitled to participate in our executive and employee benefit plans on the same basis as other members of our senior management, and is reimbursed by us for the costs of those plans in which he elects to participate. In connection with the execution of his employment agreement in December 2010, Mr. Child received a one-time signing bonus of $375,000, and an award of 600,000 restricted stock units under our 2010 Plan. We granted Mr. Child an additional 50,000 restricted stock units on April 29, 2011 in connection with the execution of his amended and restated employment agreement. No restricted stock units will vest until the earliest of (i) December 20, 2011, (ii) six months after the effective date of our initial public offering, or (iii) a change in control. On the first of the foregoing events to occur, 130,000 restricted stock units will vest, and on the last day of each subsequent three-month period, 32,500 additional restricted stock units will vest. No restricted stock units will vest if Mr. Child has not been continuously employed by us up to and including the applicable vesting date. Mr. Child is also entitled to receive certain benefits upon certain terminations of employment and a change in control, which benefits are summarized below in "Potential Payments Upon Termination or Change in Control."

Rob S. Solomon. Mr. Solomon ceased to hold the position of President and Chief Operating Officer of the Company on March 22, 2011. Prior to that date, we had entered into an employment agreement with Mr. Solomon to serve as our President and Chief Operating Officer effective March 15, 2010. Pursuant to his agreement, Mr. Solomon was paid a base salary of $350,000 annually. He was also eligible to receive an annual performance bonus of up to thirty-three percent of his base salary, which was payable as determined by the Board and the compensation committee in their sole discretion based on Mr. Solomon's job performance, our financial performance, and certain performance targets approved by the Board. Mr. Solomon was also entitled to participate in our executive and employee benefit plans on the same basis as other members of our senior management, and was reimbursed by us for the costs of those plans in which he elected to participate. In connection with the execution of his employment agreement, Mr. Solomon received an award of options to purchase 4,110,000 shares of our Class A common stock under our 2010 Plan, 1,027,500 of which vested on March 22, 2011, with the remaining options to vest in approximately equal increments each quarter thereafter beginning on June 22, 2011. Mr. Solomon entered into a transition services and separation agreement with us on April 5, 2011, pursuant to which he receives certain benefits throughout a specified transition period and following his termination, which benefits are summarized below in "Potential Payments Upon Termination or Change in Control."

Brian K. Totty. We entered into an employment agreement with Mr. Totty to serve as our Senior Vice President of Engineering and Operations, effective November 30, 2010. His agreement does not have a specified term. Pursuant to his agreement, Mr. Totty is paid a base salary of $250,000 annually. Mr. Totty is also eligible to participate in those fringe benefit plans generally available to our employees. In connection with the execution of his employment agreement, Mr. Totty received an award of 197,280 restricted stock units under our 2010 Plan, which vest in equal increments over thirty-six months beginning December 30, 2010. No restricted stock units will vest if Mr. Totty has not been continuously employed by us up to and including the applicable vesting date. If, as of November 30, 2012, there has not been a change in control, an initial public offering, or a bona fide third party offer to purchase Mr. Totty's shares of Class A common stock, Mr. Totty will have a one-time right to require us to purchase his shares of Company capital stock at their then current fair market value, up to an aggregate value of $2,000,000, which right shall expire after 60 days. This right will terminate automatically if Mr. Totty

voluntarily terminates employment (other than following a demotion) at any time prior to November 30, 2012. Mr. Totty is also entitled to receive certain benefits upon certain terminations of employment and a change in control, which benefits are summarized below in "Potential Payments Upon Termination or Change in Control."

Grants of Plan-Based Awards in 2010

The following table sets forth information regarding grants of awards made to our named executive officers during 2010. These amounts have been adjusted to reflect a three-for-one stock split completed in August 2010, and a two-for-one stock split completed in January 2011.

User-specified TAGGED TABLE

Name	Grant Date	Number of Securities Underlying Restricted Stock Units (#)		Number of Securities Underlying Options (#)		Exercise Price of Option Awards ($/sh)	Grant Date Fair Value of Stock and Option Awards ($)[1]
Andrew D. Mason	–	–		–		–	–
Jason E. Child	12/20/2010	600,000	(2)	–		–	9,477,000
Robert S. Solomon	3/22/2010	–		155,424	(3)	2.57	191,684
	3/22/2010	–		3,954,576	(4)	2.57	4,877,179
Brian K. Totty	11/30/2010	197,280	(5)	–		–	2,659,334
Kenneth M. Pelletier	–	–		–		–	–

end of user-specified TAGGED TABLE

(1) Reflects grant date fair value of restricted stock units and option awards computed in accordance with FASB ASC Topic 718. Assumptions underlying the valuations are set forth in footnotes 2 and 3 to the Summary Compensation Table above.

(2) Reflects the award of restricted stock units under the 2010 Plan upon Mr. Child's employment as Chief Financial Officer, pursuant to his entering into an employment agreement with us.

(3) Reflects the award of incentive stock options under the 2010 Plan upon Mr. Solomon's employment as President and Chief Operating Officer, pursuant to his entering into an employment agreement with us.

(4) Reflects the award of nonqualified statutory stock options under the 2010 Plan upon Mr. Solomon's employment as President and Chief Operating Officer, pursuant to his entering into an employment agreement with us.

(5) Reflects the award of restricted stock units under the 2010 Plan upon Mr. Totty's employment as Senior Vice President of Engineering and Operations, pursuant to his entering into an employment agreement with us.

Outstanding Equity Awards at 2010 Year-End

The following table lists all outstanding equity awards held by our named executive officers as of December 31, 2010. These amounts have been adjusted to reflect a three-for-one stock split completed in August 2010, and a two-for-one stock split completed in January 2011.

User-specified TAGGED TABLE

	Option Awards					Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares of Stock that Have Not Vested (#)		Market Value of Shares of Stock that Have Not Vested ($)
Andrew D. Mason	–	–	–	–	–		–
Jason E. Child	–	–	–	–	600,000	(1)	9,477,000
Robert S. Solomon	–	4,110,000 (2)	2.57	3/22/2020	–		–
Brian K. Totty	–	–	–	–	191,800	(3)	3,029,481
Kenneth M. Pelletier	–	45,000 (4)	0.02	9/1/2017	–		–
	–	143,750 (5)	0.02	11/7/2018	–		–
	–	387,500 (6)	0.16	7/9/2019	–		–

end of user-specified TAGGED TABLE

(1)

Restricted stock units vest according to the following schedule: 120,000 on the earliest of (i) December 20, 2011, (ii) six months after the effective date of our initial public offering, or (iii) a change in control event; and an additional 30,000 on the last day of each subsequent three-month period following the initial vesting event. Vesting is subject to Mr. Child's continued employment by the Company up to and including each applicable vesting date.

(2)

Stock options would have vested according to the following schedule: 1,027,500 on March 22, 2011; an additional 256,878 on June 22, 2011 and on each monthly anniversary of such date thereafter through December 22, 2011; and an additional 256,842 on March 22, 2014. Vesting of certain of Mr. Solomon's stock options was accelerated pursuant to his separation agreement, as described below in "Mr. Solomon's Transition Services and Separation Agreement."

(3)

Restricted stock units vest according to the following schedule: 5,480 on December 31, 2010 and on each monthly anniversary of such date thereafter. Vesting is subject to Mr. Totty's continued employment by us up to and including each applicable vesting date.

(4)

Stock options would have vested according to the following schedule: 5,000 on January 1, 2011 and on each monthly anniversary of such date thereafter. Vesting of certain of Mr. Pelletier's stock options was accelerated pursuant to his separation agreement, as described below in "Mr. Pelletier's Separation Agreement."

(5)

Stock options would have vested according to the following schedule: 6,250 on January 7, 2011 and on each monthly anniversary of such date thereafter. Vesting of certain of Mr. Pelletier's stock options was accelerated pursuant to his separation agreement, as described below in "Mr. Pelletier's Separation Agreement."

(6)

Stock options would have vested according to the following schedule: 12,500 on January 9, 2011 and on each monthly anniversary of such date thereafter. Vesting of certain of Mr. Pelletier's stock options was accelerated pursuant to his separation agreement, as described below in "Mr. Pelletier's Separation Agreement."

Option Exercises and Stock Vested in 2010

The following table sets forth all exercises of stock options by our named executive officers during 2010. These amounts have been adjusted to reflect a three-for-one stock split completed in August 2010, and a two-for-one stock split completed in January 2011.

User-specified TAGGED TABLE

	Option Awards		Stock Awards		
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)[1]	Number of Shares Acquired on Vesting (#)		Value Realized on Vesting ($)[2]
Andrew D. Mason	–	–	–		–
Jason E. Child	–	–	–		–
Robert S. Solomon	–	–	–		–
Brian K. Totty	–	–	5,480	[3]	86,584
Kenneth M. Pelletier	544,998	2,424,762	–		–

end of user-specified TAGGED TABLE

(1)

The value realized on exercise is the difference between the fair market value of the underlying stock at the time of exercise and the exercise price of the option.

(2)

The value realized on vesting is the fair market value of the underlying stock on the vesting date.

(3)

Consists of shares settled upon the vesting of restricted stock units awarded on November 30, 2010.

Pension Benefits

Aside from our 401(k) plan, we do not maintain any pension plan or arrangement under which our named executive officers are entitled to participate or receive post-retirement benefits.

Non-Qualified Deferred Compensation

We do not maintain any nonqualified deferred compensation plans or arrangements under which our named executive officers are entitled to participate.

THIS IS THE END OF A COMPOSITION COMPONENT

Potential Payments Upon Termination or Change in Control

Potential Payments pursuant to Mr. Mason's Employment Agreement. Upon a termination of employment by us without cause or by Mr. Mason for good reason, Mr. Mason is entitled to receive, for a period of 180 days following termination, (i) continued payment of his base salary, less applicable withholding, and (ii) continuation of his then-current benefits under our benefit plans. Mr. Mason is also subject to non-competition and non-solicitation restrictive covenants for a period of two years following a termination of employment for any reason.

"Cause" is defined in Mr. Mason's employment agreement as:

- failure to perform reasonable legally assigned duties following written notice of such failure and a reasonable opportunity to cure;
- theft, dishonesty, or falsification of employment or Company records;
- an act or acts constituting a felony or involving moral turpitude;
- willful misconduct or gross negligence that has had a material adverse effect on our reputation or business; or
- material breach of the employment agreement following written notice of such breach and reasonable opportunity to cure.

"Good reason" is defined in Mr. Mason's employment agreement as:

- material reduction of duties and responsibilities below what is customary for his position, without Mr. Mason's consent;
- office relocation more than twenty-five miles from our current office, without Mr. Mason's consent; or
- our breach of the employment agreement which has continued for more than thirty days following notice to us of such breach.

"Change in control" is defined in Mr. Mason's employment agreement by reference to our 2008 Plan, which is described below under "2008 Stock Option Plan."

Potential Payments pursuant to Mr. Child's Employment Agreement. Upon a termination of employment by us without cause or by Mr. Child for good reason, Mr. Child is entitled to receive immediate vesting of 110,000 unvested restricted stock units (from his original grant of 600,000 restricted stock units) and, for a period of six months following termination, (i) continued payment of his base salary, less applicable withholding, and (ii) continuation of Company-provided insurance benefits until he has secured insurance benefits elsewhere. Upon a change in control, Mr. Child is entitled to immediate vesting of fifty percent of his then unvested restricted stock units. However, in the event of a change of control that occurs on or before December 20, 2011, Mr. Child has the option to elect, in lieu of such immediate vesting, to receive a contractual commitment from us to pay him $2,650,000 annually, payable on a quarterly basis over the next five years, contingent on Mr. Child's remaining employed by us on each payment date. If Mr. Child makes such an election, and his employment is terminated by us without cause or by Mr. Child for good reason during the period beginning three months prior to the public announcement of a change in control and ending twelve months following a change in control, Mr. Child shall be entitled to receive a lump sum payment of the amount he would have received had he remained employed by us for an additional thirty-six months, payable in a lump sum. Mr. Child is also subject to non-competition and non-solicitation restrictive covenants for a period of six months following a termination of employment for any reason.

"Cause" is defined in Mr. Child's employment agreement as:

- theft, material dishonesty, or falsification of employment or Company records;
- an act or acts constituting a felony; or
- willful misconduct or gross negligence that has had a material adverse effect on our reputation or business.

"Good reason" is defined in Mr. Child's employment agreement as:

- material reduction of duties and responsibilities below what is customary for his position, without Mr. Child's consent;
- a change in title;
- our requirement that he report to anyone other than the chief executive officer;
- office relocation more than fifty miles from our current office, without Mr. Child's consent;
- material reduction of his base salary or minimum annual bonus, without a corresponding similar reduction to the base salaries or annual bonuses of other executive officers; or
-

- our material breach of the employment agreement which has continued for more than thirty days following notice to us of such breach.

"Change in control" is defined in Mr. Child's employment agreement by reference to our 2010 Plan, which is described below under "2010 Stock Plan."

Potential Payments pursuant to Mr. Solomon's Employment Agreement. Upon a termination of employment by us without cause or by Mr. Solomon for good reason, Mr. Solomon was entitled to receive, for a period of six months following termination, (i) continued payment of his base salary, less applicable withholding, (ii) continuation of Company-provided insurance benefits until he has secured insurance benefits elsewhere, and (iii) immediate vesting of 900,000 options. If such a termination had occurred during the period beginning three months prior to the public announcement of a change in control and ending twelve months following a change in control, Mr. Solomon also would have been entitled to immediate vesting of the options that would have vested over the next two years. Mr. Solomon is also subject to non-competition and non-solicitation restrictive covenants for a period of two years following a termination of employment for any reason.

"Cause" is defined in Mr. Solomon's employment agreement as:

- failure to perform reasonably assigned duties following written notice of such failure and a thirty-day cure period;
- theft, dishonesty, or falsification of employment or Company records;
- an act or acts constituting a felony or involving moral turpitude;
- willful misconduct or gross negligence that has had a material adverse effect on our reputation or business; or
- material breach of the employment agreement following written notice of such breach and a thirty-day cure period.

"Good reason" is defined in Mr. Solomon's employment agreement as:

- material reduction of duties and responsibilities below what is customary for his position, without Mr. Solomon's consent;
- office relocation more than one hundred miles from our current office, without Mr. Solomon's consent; or
- our breach of the employment agreement which has continued for more than thirty days following notice to us of such breach.

"Change in control" is defined in Mr. Solomon's employment agreement by reference to the Company's 2010 Plan, which is described below under "2010 Stock Plan."

Mr. Solomon's Transition Services and Separation Agreement. Upon his departure from the position of President and Chief Operating Officer on March 22, 2011, Mr. Solomon entered into a transition services and separation agreement with us on April 5, 2011. Pursuant to this agreement, he is required to perform certain transitional duties during the transition period, which ends on July 25, 2011 (the "Separation Date"). During the transition period, Mr. Solomon will continue to receive his former base salary and be eligible to participate in our employee benefit plans. In addition, the vesting of 900,000 options was accelerated as of March 22, 2011, and Mr. Solomon will be permitted to exercise his vested options for a period of ninety days following the Separation Date. Following the Separation Date, and provided that Mr. Solomon executes a release of claims, Mr. Solomon is entitled to receive (i) continued payment of his base salary, less applicable withholding, for a period of six months following termination, (ii) immediate vesting of an additional 416,556 options, and (iii) continued group health insurance benefits through July 31, 2011 and Company-paid COBRA premiums thereafter through January 31, 2012. However, if Mr. Solomon is terminated for cause during the transition period, he will not be eligible to receive any post-employment benefits under this agreement. Mr. Solomon is also subject to non-competition and non-solicitation restrictive covenants for a period of two years following his termination of employment.

"Cause" is defined in Mr. Solomon's separation agreement as:

- theft, dishonesty, or falsification of employment or Company records;
- an act or acts constituting a felony or involving moral turpitude;
- willful misconduct or gross negligence that has had a material adverse effect on our reputation or business; or
- material breach of the separation agreement following written notice of such breach and a thirty-day cure period.

Potential Payments pursuant to Mr. Totty's Employment Agreement. Upon a termination of employment by us without cause or a demotion, in each case, that occurs before November 30, 2012, Mr. Totty is entitled to receive immediate vesting of fifty percent of his then unvested restricted stock units. Mr. Totty is also subject to a non-solicitation restrictive covenant for a period of one year following a termination of employment for any reason. Upon a change in control, Mr. Totty is entitled to receive immediate vesting of fifty percent of his restricted stock units, to the extent they have not already vested in accordance with their terms. In addition, upon a change in control that is agreed to prior to November 30, 2011, Mr. Totty is entitled to receive:

- a cash amount equal to the positive difference, if any, between (i) $4,575,000, and (ii) the value of 307,500 shares of our stock (as of the date of the change in control); and
- one-third of the "retention shortfall", which is determined by subtracting (i) the value of 600,000 restricted stock units (as of the date of the change in control), from (ii) the difference between $38,300,000 and the sum of the (x) the value of 1,230,000 shares (as of the date of the change in control) and (y) four times the amount described in the first bullet point above. Mr. Totty's share of the retention shortfall is subject to vesting in equal monthly increments over the three year period commencing on November 30, 2010, provided that Mr. Totty has been continuously employed by us on each applicable vesting date. In the event that Mr. Totty experiences a demotion or is terminated

  without cause prior to the full vesting of his share of the retention shortfall, his entire share shall be immediately vested. All amounts above have been adjusted to reflect the January 2011 stock split.

"Cause" is defined in Mr. Totty's employment agreement as:

- conviction of or plea of *nolo contendere* to any felony or other crime involving fraud, theft or moral turpitude;
- fraud, theft, embezzlement, or other material dishonesty involving the Company or a material breach of his fiduciary duty to the Company;
- gross negligence or willful misconduct in the performance of his employment duties to the extent such gross negligence or willful misconduct materially and adversely affects the Company; or
- material breach of his employment agreement, which is not curable or is not cured within fifteen days following notice by us to Mr. Totty specifying the nature of such breach.

A "demotion" is defined in Mr. Totty's employment agreement as:

- material reduction in his duties and responsibilities or a permanent change in his duties and responsibilities which is materially inconsistent with the duties and responsibilities of his position, which reduction or change is not cured within thirty days following notice by Mr. Totty to us thereof.

"Change in control" is defined in Mr. Totty's employment agreement as (i) the acquisition by any person or entity of the beneficial ownership of more than fifty percent of the then outstanding shares of our common stock or the combined voting power of the then outstanding securities entitled to vote in the election of directors; (ii) the closing of a sale or other conveyance of substantially all of the Company's assets; (iii) the consummation of any merger or other business combination involving the Company if, immediately after such transaction, the holders of a majority of the outstanding securities entitled to vote in the election of directors of the surviving entity of such transaction are not persons or entities who, immediately prior to such transaction, held such securities; or (iv) the completion of any other transaction that has the same effect as any of the foregoing.

Mr. Pelletier's Separation Agreement. Upon his separation from the Company on March 23, 2011, Mr. Pelletier entered into a separation agreement and general release with us on April 6, 2011. Pursuant to this agreement, Mr. Pelletier is entitled to (i) continued payment of his base salary, less applicable withholding, for a period of six months following termination, and (ii) immediate vesting of fifty percent of his unvested stock options, which remained exercisable for thirty days following termination.

The table below shows the estimated amount of payments and benefits that we would provide to our named executive officers assuming that their employment was terminated as of December 31, 2010 by us without cause or by the officer for good reason, including in connection with a change in control. None of our named executive officers were retirement eligible as of December 31, 2010. The table below also shows the estimated amount of payments and benefits that we would provide to our named executive officers assuming a change of control as of December 31, 2010.

User-specified TAGGED TABLE

Executive	Payment Elements	Change in Control ($)	Termination Without Cause or for Good Reason in Connection with a Change in Control ($)	Termination Without Cause or for Good Reason ($)
Andrew D. Mason	Salary	—	88,767	88,767
	Stock Options	—	—	—
	Restricted Stock Units	—	—	—
	Restricted Stock	—	—	—
	Health Coverage	—	5,400	5,400
	Total	—	94,167	94,167
Jason E. Child	Salary	—	175,000	175,000
	Stock Options	—	—	—
	Restricted Stock Units	4,738,500	4,738,500	—
	Restricted Stock	—	—	—
	Health Coverage	—	5,400	5,400

	Total	4,738,500	4,918,900		180,400	
Robert S. Solomon	Salary	—	175,000		175,000	
	Stock Options	—	49,271,668		11,902,500	
	Restricted Stock Units	—	—		—	
	Restricted Stock	—	—		—	
	Health Coverage	—	5,400		5,400	
	Total	—	49,452,068		12,082,900	
Brian K. Totty	Salary	—	—		—	
	Stock Options	—	—		—	
	Restricted Stock Units	1,558,019	1,558,019	(1)	1,514,741	(1)
	Restricted Stock	—	—		—	
	Health Coverage	—	—		—	
	Additional Payments	3,131,685 (2)	3,131,685	(2)	—	
	Total	4,689,704	4,689,704		1,514,741	
Kenneth M. Pelletier	Salary	—	—		—	
	Stock Options	—	—		—	
	Restricted Stock Units	—	—		—	
	Restricted Stock	—	—		—	
	Health Coverage	—	—		—	
	Total	—	—		—	

end of user-specified TAGGED TABLE

(1) Vesting of Mr. Totty's restricted stock units is accelerated upon a demotion or a termination of his employment by us without cause. See "Potential Payments pursuant to Mr. Totty's Employment Agreement" above for further details.

(2) Represents potential payments made upon a change in control occurring prior to November 30, 2011, in connection with the merger of Groupon Ludic, Inc. and Ludic Labs, Inc. See "Potential Payments pursuant to Mr. Totty's Employment Agreement" above for further details.

Employee Benefit Plans

2010 Stock Plan

We established the 2010 Stock Plan, originally effective April 16, 2010 and most recently amended on April 1, 2011, referred to herein as the 2010 Plan. The purpose of the 2010 Plan is to advance the interests of the Company, and our affiliates and stockholders, by providing incentives to retain and reward participants and motivate them to contribute to our growth and profitability. The 2010 Plan provides for the award of incentive stock options, nonqualified stock options, restricted stock purchase rights, restricted stock units, and restricted stock bonuses.

Administration. The 2010 Plan is administered and interpreted by the compensation committee. The compensation committee has the full and final power and authority to determine the terms of awards under the 2010 Plan, including designating those persons who will receive awards, the types of awards granted, the fair market value of shares of stock or other property, and the restrictions and conditions that may be applicable to each award and underlying shares. Awards under the 2010 Plan are evidenced by award agreements.

Grant of Awards; Shares Available for Awards. Generally, awards under the 2010 Plan may be granted to employees, consultants and directors of the Company or any affiliate, other than incentive stock options, which may only be granted to employees. An aggregate of 10,000,000 shares of our Class A common stock (as adjusted to reflect a three-for-one stock split completed in August 2010 and a two-for-one stock split completed in January 2011), in the aggregate, are reserved for issuance under the 2010 Plan. The number of shares issued or reserved pursuant to the 2010 Plan may be adjusted by the compensation committee, as it deems appropriate, as the result of stock splits, stock dividends, and similar changes in our Class A common stock.

Stock Options. Under the 2010 Plan, the compensation committee may grant participants incentive stock options, which qualify for special tax treatment under United States tax law, as well as nonqualified stock options. The compensation committee establishes the duration of each option at the time of grant, with a maximum duration of ten years from the effective date of the grant. The compensation committee also establishes any performance criteria or passage of time requirements that must be satisfied prior to the exercise of options. Option grants must have an exercise price that is not less than the fair market value of a share of common stock on the grant date. Payment of the exercise price for shares being purchased pursuant to a stock option may be made in cash or check, or, if the Company permits, by means of a stock tender exercise, a cashless exercise or a net exercise.

Restricted Stock Awards. Restricted stock awards under the 2010 Plan may be made in the form of either restricted stock bonuses or restricted stock purchase rights. Restricted stock bonuses are awards of shares that vest in accordance with terms and conditions established by the compensation committee. Restricted stock purchase rights are awards of rights to purchase shares that vest in accordance with terms and conditions established by the compensation committee; these rights are exercisable for a period established by the compensation committee that shall not exceed thirty days from the grant date. Except as otherwise provided by an award agreement, recipients of restricted stock awards have all the rights of stockholders with respect to the underlying shares, including the right to vote such shares and receive dividends on such shares.

Restricted Stock Units. Under the 2010 Plan, the compensation committee may grant participants restricted stock units, which are units representing the right to receive shares of our common stock, or the cash value of such shares, on a specified date in the future, subject to forfeiture of such right. The compensation committee establishes the time or times on which a restricted stock unit will vest and the form of consideration (shares, cash or a combination of both) to be distributed to a participant on settlement.

Change in Control Provisions. The compensation committee may provide that, in the event of a termination of a participant's service in connection with a change in control, an outstanding award will become fully vested and/or exercisable. In the event of a change in control, the 2010 Plan provides that the surviving entity may assume or continue our rights and obligations under any outstanding award, or may substitute substantially equivalent awards with respect to the surviving entity's stock. The compensation committee may also, in its discretion, determine that an outstanding award may be cashed out in connection with a change in control. A change in control is defined as either (i) a sale of more than fifty percent of our outstanding stock, a merger or consolidation, or a sale of substantially all of our assets, wherein the Company's stockholders do not retain, immediately after the transaction, in substantially the same proportions as their ownership of shares of voting stock immediately before the transaction, direct or indirect ownership of more than fifty percent of the total combined voting power of the Company's outstanding voting stock, or (ii) our stockholders' approval of a plan of liquidation or dissolution.

Compliance with Laws. The 2010 Plan is designed to comply with all applicable federal, state and foreign securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. The 2010 Plan and all awards granted thereunder are intended to comply with, or otherwise be exempt from, Section 409A of the Code.

Amendment and Termination. The compensation committee may amend, suspend or terminate the 2010 Plan at any time. However, no amendment that requires the approval of our stockholders shall be made without the approval of the Company's stockholders. In addition, no amendment, suspension, or termination of the 2010 Plan may adversely affect any outstanding awards; provided, however, that the compensation committee may amend the 2010 Plan or any award agreement for the purposes of conforming the 2010 Plan or the award agreement to the requirements of law, including the requirements of Section 409A of the Code.

2008 Stock Option Plan

We established the 2008 Stock Option Plan, originally effective January 15, 2008, referred to herein as the 2008 Plan. The 2008 Plan was frozen in December 2010; however, option awards previously granted and outstanding under the 2008 Plan remain subject to the terms of the 2008 Plan and the applicable award agreement. The purpose of the 2008 Plan is to advance the interests of the Company and our affiliates and stockholders, by providing incentives to retain and reward participants and motivate them to contribute to our growth and profitability. The 2008 Plan provides for the award of incentive stock options and nonqualified stock options.

Administration. The 2008 Plan is administered and interpreted by the compensation committee. The compensation committee has the full and final power and authority to determine the terms of option awards under the 2008 Plan, including designating those persons who will receive option awards, the number of shares to be subject to each option award, the fair market value of shares of stock or other property, and the restrictions and conditions that may be applicable to each option award and the underlying shares. Awards under the 2008 Plan are evidenced by option award agreements.

Grant of Option Awards; Shares Available for Awards. Generally, option awards under the 2008 Plan may be granted to employees, consultants and directors of the Company or any affiliate, other than incentive stock options, which may only be granted to employees. An aggregate of 32,309,250 shares of our Class A common stock (as adjusted to reflect a three-for-one stock split completed in August 2010 and a two-for-one stock split completed in January 2011), in the aggregate, were reserved for issuance under the 2008 Plan. The number of shares issued or reserved pursuant to the 2008 Plan may be adjusted by the compensation committee, as it deems appropriate, as the result of stock splits, stock dividends, and similar changes in our Class A common stock. No new option awards have been granted under the 2008 Plan since it was frozen in December 2010.

Stock Options. Under the 2008 Plan, the compensation committee granted participants incentive stock options, which qualified for special tax treatment under United States tax law, as well as nonqualified stock options. The compensation committee established the duration of each option at the time of grant, with a maximum duration of ten years from the effective date of the grant. The compensation committee also established any performance criteria or passage of time requirements that must be satisfied prior to the exercise of options. Incentive stock option grants were required to have an exercise price that was not less than the fair market value of a share of common stock on the grant date, while nonqualified stock option grants were required to have an exercise price that was not less than eighty-five percent of the fair market value of a share of common stock on the grant date. Payment of the exercise price for shares being purchased pursuant to a stock option may be made in cash or check, or, if the Company permits, by means of a stock tender exercise, a cashless exercise or a net exercise.

Change in Control Provisions. In the event of a change in control, the surviving entity may assume or continue the Company's rights and obligations under any outstanding option award, or may substitute substantially equivalent options with respect to the surviving entity's stock. Options that are neither assumed nor substituted upon a change in control shall terminate and cease to be outstanding as of the date of the change in control. A change in control is defined as either (i) a sale of more than fifty percent of our outstanding stock, a merger or consolidation, or a sale of substantially all of our assets, wherein the Company's stockholders do not retain, immediately after the transaction, in substantially the same proportions as their ownership of shares of voting stock immediately before the transaction, direct or indirect ownership of more than fifty percent of the total combined voting power of the Company's outstanding voting stock, or (ii) our stockholders' approval of a plan of liquidation or dissolution.

Compliance with Laws. The 2008 Plan is designed to comply with all applicable federal, state and foreign securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934.

Amendment and Termination. The compensation committee may amend or terminate the 2008 Plan at any time. However, no amendment that requires the approval of our stockholders shall be made without the approval of the Company's stockholders. In addition, no amendment or termination of the 2008 Plan may adversely affect any outstanding options without the participant's consent, unless the amendment or termination is required to enable an option

designated as an incentive stock option to qualify as an incentive stock option or is necessary to comply with applicable law.

401(k) Plan

Our 401(k) plan, which is generally available to all employees, allows participants to defer amounts of their annual compensation before taxes, up to the maximum amount specified by the Code, which was $16,500 per person for calendar year 2010. Elective deferrals are immediately vested and nonforfeitable upon contribution by the employee.

Compensation and Risk

In March 2011, management undertook a risk review of the Company's employee compensation plans and arrangements in which our employees (including our executive officers) participate, to determine whether these plans and arrangements have any features that might create undue risks or encourage unnecessary and excessive risk-taking that could threaten the value of the Company. In our review, we considered numerous factors and design elements that manage and mitigate risk, without diminishing the effect of the incentive nature of compensation, including the following: a commission-based incentive program for sales employees that only results in payout based on actual gross profits; discretionary bonuses for executive employees that are not tied to specific quantitative formulas and may be adjusted for qualitative factors and individual performance; ownership of a large percentage of our shares and equity-based awards by senior management; and our practice of awarding long-term equity grants upon hire to our executives in order to directly tie the executive's expectation of compensation to their contributions to our long-term value of the Company. Based on our review, we concluded that any potential risks arising from our employee compensation programs, including our executive programs, are not reasonably likely to have a material adverse effect on the Company.

Director Compensation in 2010

Historically, with the exception of cash payments to Messrs. Keywell and Lefkofsky in 2010, we have not paid our non-employee directors any cash compensation for their services as members of our Board. We have provided occasional grants of equity awards to directors, though none were granted in 2010. As described below, we have implemented an annual cash and equity compensation program for our non-employee directors beginning in 2011. The following table sets forth the compensation paid to our non-employee directors in 2010.

User-specified TAGGED TABLE

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)	All Other Compensation ($)	Total ($)
Peter J. Barris	–	–	–	–
Kevin J. Efrusy	–	–	–	–
Jason Fried[(1)]	–	–	–	–
Bradley A. Keywell	90,000	–	–	–
Eric P. Lefkofsky	90,000	–	–	–
Theodore J. Leonsis	–	–	–	–
John R. Walter[(1)]	–	–	–	–
Harry Weller[(1)]	–	–	–	–

end of user-specified TAGGED TABLE

(1) Messrs. Fried, Walter and Weller ceased to be members of the Board as of January 13, 2011.

As of December 31, 2010, as adjusted for the August 2010 and January 2011 stock splits, the aggregate option awards outstanding for our non-employee directors were as follows: Theodore J. Leonsis—600,000; and Jason Fried—450,000. There were no outstanding stock or option awards for any other non-employee directors.

In February 2011, our non-employee directors each received an award of 60,000 shares of restricted stock, which will vest in four equal installments on each anniversary of the grant date. Beginning in 2011, we have also implemented an annual cash and equity compensation program, under which each non-employee director will receive a retainer of $150,000 annually, half of which will be paid in cash, and the other half in restricted stock units.

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Related Party Transactions

RELATED PARTY TRANSACTIONS

In addition to the cash and equity compensation arrangements of our directors and executive officers discussed above under "Management—Director Compensation" and "Executive Compensation," the following is a description of transactions since January 1, 2008, to which we have been a party in which the amount involved exceeded or will exceed $120,000 within any fiscal year and in which any of our directors, executive officers, beneficial holders of more than 5% of our capital stock or entities affiliated with them had or will have a direct or indirect material interest.

Legal Services of Lefkofsky & Gorosh, P.C.

Steven P. Lefkofksy, the brother of Eric P. Lefkofsky, is a founder and shareholder of Lefkofsky & Gorosh, P.C. For 2009, 2010 and the first quarter of 2011, we paid Lefkofsky & Gorosh, P.C. approximately $0.1 million, $0.3 million and $0.2 million, respectively, for legal services rendered. We expect to continue to obtain legal services from Lefkofsky & Gorosh in the future.

Sublease with Echo Global Logistics, Inc.

In May 2009, we entered into an agreement with Echo Global Logistics, Inc. (NASDAQ: ECHO) pursuant to which we sub-lease a portion of Echo's office space in Chicago, which was subsequently amended in November 2009. Pursuant to the sublease, we paid Echo approximately $0.1 million and $0.2 million for 2009 and 2010, respectively. Three of our directors, Peter A. Barris, Eric P. Lefkofsky and Bradley A. Keywell, are also directors of Echo and have direct and/or indirect ownership interests in Echo. In addition, John R. Walter, one of our former directors, is also a director of Echo and has an ownership interest in Echo. Certain of our stockholders, including Old Willow Partners, LLC, an entity controlled by Richard A. Heise, Jr., and affiliates of New Enterprise Associates, also have direct and/or indirect ownership interests in Echo.

Sales of Our Securities

We sold the following capital stock to our directors, officers and holders of 5% or more of our outstanding capital stock, and their respective affiliates, in private transactions on the dates set forth below. The information set forth below with respect to our voting and non-voting common stock gives effect to (i) the three-for-one stock split of our voting and non-voting common stock that was completed in August 2010 and (ii) the two-for-one stock split of our voting and non-voting common stock that was completed in January 2011.

User-specified TAGGED TABLE

Name of Stockholder	Series D Preferred Stock[1]	Series E Preferred Stock[2]	Series F Preferred Stock[3]	Series G Preferred Stock[4]	Voting Common Stock[5]	Non-Voting Common Stock[6]	Date of Purchase	Total Purchase Price
Entities affiliated with New Enterprise Associates	6,560,174						1/15/08	$4,799,999
Andrew D. Mason						1,800,000	11/1/09	$144,000
Entities affiliated with Accel Growth Fund L.P.		2,932,552					11/17/09	$20,000,005
Entities affiliated with New Enterprise Associates		1,466,276					11/17/09	$10,000,002
Entities affiliated with CityDeal Management UG					19,800,000		5/15/10	[7]
Entities affiliated with CityDeal Management UG					21,600,000		12/1/10	[8]
Howard Schultz[9]						949,668	2/10/11	$15,000,006
Theodore J. Leonsis						63,331	2/10/11	$1,000,313

end of user-specified TAGGED TABLE

(1) Each share of Series D preferred stock will convert into six shares of Class A common stock upon the consummation of this offering.

(2) Each share of Series E preferred stock will convert into six shares of Class A common stock upon the consummation of this offering.

(3) Each share of Series F preferred stock will convert into six shares of Class A common stock upon the consummation of this offering.

(4) Each share of Series G preferred stock will convert into two shares of Class A common stock upon the consummation of this offering.

(5) Each share of voting common stock will convert into one share of Class A common stock upon the consummation of this offering.

(6) Each share of non-voting common stock will convert into one share of Class A common stock upon the consummation of this offering.

(7) These shares were issued as consideration in connection with the merger of CityDeal Europe GmbH with and into Groupon Germany GbR.

(8) These shares were issued as contingent consideration in connection with the merger of CityDeal Europe GmbH with and into Groupon Germany GbR.

(9) Includes 567,269 shares of non-voting common stock owned by Maveron Equity Partners IV, L.P., 47,483 shares of non-voting common stock held by MEP Associates IV, L.P. and 18,360 shares of non-voting common stock held by Maveron IV Entrepreneurs' Fund, L.P. (together, the "Maveron Funds"). Mr. Schultz is a limited partner of MEP Associates IV, L.P. and has an economic membership interest in, but is not a manager of, Maveron General Partner IV LLC, the general partner of the Maveron Funds.

Series F Preferred Stock Investment

In April 2010, we issued 4,202,658 shares of our Series F preferred stock to a group of third-party investors in exchange for $135.0 million in cash, or $32.12 per share. We retained $15.0 million of these proceeds for working capital and general corporate purposes. We used the remaining $120.0 million of these proceeds to redeem voting and non-voting common stock from our existing stockholders at a purchase price of $5.3537 per share (on a post-stock split basis). In connection with this redemption, the following of our directors, officers and 5% or greater stockholders (or their respective affiliates) of the Company received the payments listed below:

User-specified TAGGED TABLE

Director, Officer or 5% Stockholder (or Affiliate)	Shares Redeemed[1]	Redemption Payment Amount
Green Media, LLC[2]	10,665,450 shares of voting common stock	$57,095,709
Rugger Ventures LLC[3]	4,336,284 shares of voting common stock	$23,213,574
Andrew D. Mason	3,349,584 shares of voting common stock	$17,931,440
Theodore J. Leonsis	38,946 shares of non-voting common stock	$208,491
600 West Partners II, LLC[4]	1,071,606 shares of voting common stock	$5,736,664
Kenneth M. Pelletier[5]	181,110 shares of non-voting common stock	$969,542
John R. Walter[6]	609,156 shares of voting common stock	$3,261,015

end of user-specified TAGGED TABLE

(1) The number of shares of voting and non-voting common stock redeemed gives effect to the subsequent (i) three-for-one stock split of our voting and non-voting common stock that was completed in August 2010 and (ii) two-for-one stock split of our voting and non-voting common stock that was completed in January 2011.

(2) Green Media, LLC is owned by Eric P. Lefkofsky (50%) and his wife, Elizabeth Kramer Lefkofsky (50%).

(3) Rugger Ventures LLC is owned by Kimberly Keywell (80%), the wife of Bradley A. Keywell, and Mr. Keywell's children (20%).

(4) The manager of 600 West Partners II, LLC is Blue Media, LLC, an entity owned by Eric P. Lefkofsky (50%) and his wife, Elizabeth Kramer Lefkofsky (50%).

(5) Mr. Pelletier is our former Chief Technology Officer.

(6) Mr. Walter is one of our former directors.

Series G Preferred Stock Investment

In December 2010 and January 2011, we issued 30,072,814 aggregate shares of our Series G preferred stock to a group of third-party investors in exchange for $946.0 million in cash, or $31.59 per share. We retained $136.2 million of these proceeds for working capital and general corporate purposes. We used the remaining $809.8 million of these proceeds to redeem voting and non-voting common stock from our existing stockholders at a purchase price of $15.795 per share (on a post-stock split basis), and Series D preferred stock and Series E preferred stock from our existing stockholders at a purchase price of $31.59 per share. In connection with this redemption, the following of our directors, officers and 5% or greater stockholders (or their respective affiliates) of the Company received the payments listed below:

User-specified TAGGED TABLE

Director, Officer or 5% Stockholder (or Affiliate)	Shares Redeemed[1]	Redemption Payment Amount
Andrew D. Mason	633,172 shares of voting common stock	$10,000,000
600 West Partners II, LLC[2]	3,899,526 shares of voting common stock	$61,590,170
Green Media, LLC[3]	16,302,446 shares of voting common stock	$257,481,816
John R. Walter[4]	1,302,460 shares of voting common stock	$20,571,474
Entities affiliated with Accel Growth Fund L.P.	211,037 shares of Series E preferred stock	$19,999,976
Entities affiliated with New Enterprise Associates	603,754 shares of Series D preferred stock and 134,940 shares of Series E preferred stock	$70,006,315
Entities affiliated with CityDeal Management UG	10,778,720 shares of voting common stock	$170,249,882
Rugger Ventures LLC[5]	8,447,860 shares of voting common stock	$133,427,713

Brian K. Totty	41,470 shares of non-voting common stock	$655,019
Kenneth M. Pelletier[6]	481,918 shares of non-voting common stock	$7,611,895
Jason Fried[7]	35,310 shares of non-voting common stock	$557,721

end of user-specified TAGGED TABLE

(1) The number of shares of voting and non-voting common stock redeemed gives effect to (i) the three-for-one stock split of our voting and non-voting common stock that was completed in August 2010 and (ii) subsequent two-for-one stock split of our voting and non-voting common stock that was completed in January 2011.

(2) The manager of 600 West Partners II, LLC is Blue Media, LLC, an entity owned by Eric P. Lefkofsky (50%) and his wife, Elizabeth Kramer Lefkofsky (50%).

(3) Green Media, LLC is owned by Eric P. Lefkofsky (50%) and his wife, Elizabeth Kramer Lefkofsky (50%).

(4) Mr. Walter is one of our former directors.

(5) Rugger Ventures LLC is owned by Kimberly Kewell (80%), the wife of Bradley A. Keywell, and Mr. Keywell's children (20%).

(6) Mr. Pelletier is our former Chief Technology Officer.

(7) Mr. Fried is one of our former directors.

Non-Voting Common Stock Investment

In February 2011, we issued 1,090,830 shares of our non-voting common stock to Howard Shultz and his affiliates, Theodore Leonsis, Matt McCutchen and Placido Arango in exchange for $17.2 million in cash, or $15.795 per share. We retained $0.2 million of the proceeds for working capital and general corporate purposes. We used the remaining $17.0 million of these proceeds to redeem non-voting common stock from our existing stockholders at a purchase price of $15.795 per share. In connection with this redemption, the following of our directors, officers and 5% or greater stockholders of the Company received the payments listed below:

User-specified TAGGED TABLE

Director, Officer or 5% Stockholder	Shares Redeemed	Redemption Payment Amount	
John R. Walter[1]	253,325 shares of voting common stock	$4,001,268	
Robert S. Solomon[2]	316,556 shares of non-voting common stock	$4,890,790	[3]

end of user-specified TAGGED TABLE

(1) Mr. Walter is one of our former directors.

(2) Mr. Solomon is our former President and Chief Operating Officer.

(3) Prior to the redemption, Mr. Solomon exercised options to purchase 316,556 shares of non-voting common stock. The redemption payment amount of $4,890,790 is net of the aggregate exercise price of $109,212.

Loan to Andrew D. Mason

On November 1, 2009, Andrew D. Mason, our Chief Executive Officer and one of our directors, purchased 1,800,000 shares of our non-voting common stock with a promissory note to Groupon in the amount of $144,000. Mr. Mason repaid the promissory note with respect to $132,000 on May 4, 2011 and forfeited 150,000 shares. The remaining balance of the promissory note was cancelled.

Transactions and Relationships with Samwers and Affiliated Entities

CityDeal Acquisition. On May 15, 2010, we entered into and consummated a Share Exchange and Transfer Agreement by and among CD-Inv Holding UG ("Holding"), CD-Rocket Holding UG ("Rocket Holding"), CityDeal Management UG ("CityDeal Management"), CityDeal Europe GmbH ("CityDeal"), Groupon Germany Gbr ("Groupon Germany") and Groupon, Inc., pursuant to which Rocket Holding and CityDeal Management transferred all of the outstanding shares of CityDeal to Groupon Germany in exchange for 19,800,000 shares of our voting common stock, and CityDeal merged with and into Groupon Germany with CityDeal as the surviving entity and a wholly-owned subsidiary of Groupon. An additional 21,600,000 shares of our voting common stock were issued to Rocket Holding and CityDeal Management on December 1, 2010, as contingent consideration for the merger. As a result of

the merger, Holding, Rocket Holding and CityDeal Management, entities affiliated with Oliver Samwer, Marc Samwer and Alexander Samwer, acquired an aggregate of 41,400,000 shares of our voting common stock representing 10.3% of the total outstanding voting shares. Our founders may vote the shares held by Holding, Rocket Holding and CityDeal Management. See "Principal and Selling Stockholders" for further information.

CityDeal Loan Agreement. In May 2010, we and the former CityDeal shareholders (including Oliver Samwer, Marc Samwer and Alexander Samwer, collectively the "Samwers") entered into a loan agreement to provide CityDeal with a $20.0 million term loan facility (the "Facility"). The Facility subsequently was amended on July 20, 2010 increasing the total commitment to $25.0 million. Each of the Company and the former CityDeal shareholders was obligated to make available $12.5 million under the terms of the Facility. The entire $25.0 million under the Facility was disbursed to CityDeal during 2010. Proceeds from the Facility were used to fund operational and working capital needs. The outstanding balance accrued interest at a rate of 5% per annum. The outstanding balance and accrued interest were payable upon termination of the Facility, which was the earlier of any prepayments or December 2012. In March 2011, CityDeal repaid all amounts outstanding to the former CityDeal shareholders related to the Facility.

Consulting Agreement with Oliver Samwer. On May 12, 2010, CityDeal entered into a consulting agreement with Oliver Samwer, pursuant to which Mr. Samwer advises CityDeal with respect to its goals and spends at least fifty-percent of his work hours consulting for CityDeal. CityDeal reimburses Mr. Samwer for travel and other expenses incurred in connection with his service to CityDeal. Mr. Samwer does not receive any additional compensation from CityDeal or Groupon in connection with his consulting role. The term of Mr. Samwer's consulting agreement expires on October 18, 2011. We paid $0.1 million to reimburse Mr. Samwer for travel and other expenses for 2010.

Consulting Agreement with Marc Samwer. On May 12, 2010, CityDeal entered into a consulting agreement with Marc Samwer, pursuant to which Mr. Samwer advises CityDeal with respect to its goals and spends at least fifty-percent of his work hours consulting for CityDeal. CityDeal reimburses Mr. Samwer for travel and other expenses incurred in connection with his service to CityDeal. Mr. Samwer does not receive any additional compensation from CityDeal or Groupon in connection with his consulting role. The term of Mr. Samwer's consulting agreement expires on October 18, 2011. We paid less than $0.1 million to reimburse Mr. Samwer for travel and other expenses for 2010.

Management Services. CityDeal entered into agreements with Rocket Internet GmbH ("Rocket") and various other companies in which the Samwers have direct and/or indirect ownership interests to provide information technology, marketing and other services to CityDeal. CityDeal paid $1.4 million to Rocket and a total of $0.2 million to the other companies for services rendered for 2010. In April 2011, this arrangement terminated and the personnel primarily responsible for the services provided to us became our employees.

Merchant Contracts. CityDeal entered into several agreements with merchant companies in which the Samwers have direct and/or indirect ownership interests, and, in some cases, who are also directors of these companies, pursuant to which CityDeal conducts its business by offering goods and services at a discount with these merchants. CityDeal paid in total $1.1 million to these companies under the merchant agreements for 2010.

E-Commerce King Limited Joint Venture (China). On January 14, 2011, Groupon, B.V. entered into a joint venture with Rocket Asia GmbH & Co. KG, an entity affiliated with the Samwers ("Rocket Asia"), TCH Burgundy Limited ("Tencent") and Group Discount (HK) Limited ("Yunfeng"). Pursuant to the joint venture arrangement, Groupon B.V. and Tencent each own 40% of E-Commerce King Limited ("E-Commerce") and Rocket Asia and Yunfeng each own 10% of E-Commerce. Pursuant to a shareholders agreement entered into in connection with the joint venture, the board of directors of E-Commerce consists of a director appointed by a subsidiary of Groupon, a director appointed by Rocket Asia, who is Oliver Samwer, and two directors appointed by Tencent. Each of the parties to the joint venture also has rights of co-sale and first refusal pursuant to the shareholders agreement.

The Point.com

Prior to the closing of this offering, we plan to convert The Point.com, our predecessor entity, which is a web platform that enables users to promote collective action in support of social, educational or other causes, into a not-for-profit corporation. Following the conversion, we and our stockholders will no longer have any financial interest in The Point.com.

Recapitalization

Prior to the completion of this offering, we intend to recapitalize all outstanding shares of our capital stock (other than our Series B preferred stock) into newly issued shares of Class A common stock. Each share of Series D preferred stock, Series E preferred stock and Series F preferred stock will be converted into newly issued shares of Class A common stock on approximately a six-for-one basis; each share of Series G preferred stock will be converted into newly issued shares of Class A common stock on a two-for-one basis; and each share of non-voting common stock and common stock will be converted into newly issued shares of Class A common stock on a one-for-one basis. In addition, prior to the completion of this offering, we intend to recapitalize all outstanding shares of our Series B preferred stock into newly issued shares of our Class B common stock on an approximately six-for-one basis. The purpose of the recapitalization is to exchange all of our outstanding shares of our capital stock (other than our Series B preferred stock) for shares of the Class A common stock that will be sold in this offering. In addition, each outstanding option will be converted into an option to receive one share of Class A common stock.

Investor Rights Agreement

We have entered into an investor rights agreement with certain holders of our common stock and preferred stock that provides for certain rights relating to the registration of their shares of common stock, including those shares issued in connection with the recapitalization. See "Description of Capital Stock—Registration Rights" below for additional information.

Indemnification of Officers and Directors

Upon completion of this offering, our amended and restated certificate of incorporation and bylaws will provide that we will indemnify each of our directors and officers to the fullest extent permitted by Delaware law.

Board of Directors

Prior to the closing of this offering, New Enterprise Associates, Accel Growth Fund L.P. the holders of preferred stock and common stock and the holders of our Series B preferred stock had the rights to appoint individual directors. See "Management—Board of Directors" above for more information. These rights terminate upon the closing of this offering. The respective nominees will remain on our Board following this offering, but we are under no contractual obligation to retain them.

Policies and Procedures for Related Party Transactions

As provided by our audit committee charter, our audit committee is responsible for reviewing and approving any related party transaction. Prior to the creation of our audit committee, our full board of directors reviewed related party transactions.

All of the transactions set forth above were approved or will be ratified by our board of directors. We believe that we have executed all of the transactions set forth above on terms no less favorable to us than we could have obtained from unaffiliated third parties. It is our intention to ensure that all future transactions between us and our officers, directors and principal stockholders and their affiliates are approved by our audit committee on terms no less favorable to us than those that we could obtain from unaffiliated third parties.

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Principal and Selling Stockholders

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock at June 2, 2011, and as adjusted to reflect the sale of Class A common stock offered by us in this offering, for

- each person who we know beneficially owns more than five percent of our outstanding capital stock;
- each of our directors;
- each of our named executive officers;
- all of our directors and executive officers as a group; and
- all selling stockholders.

Unless otherwise noted below, the address of each beneficial owner listed in the table is c/o Groupon, Inc., 600 West Chicago Avenue, Suite 620, Chicago, Illinois 60654.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of Class A and Class B common stock that they beneficially own, subject to applicable community property laws.

Applicable percentage ownership is based on 296,574,301 shares of Class A common stock and 1,199,988 shares of Class B common stock outstanding at June 2, 2011, assuming the recapitalization of all outstanding shares of Series B preferred stock into Class B common stock and all other classes of preferred stock, voting common stock and non-voting common stock into Class A common stock. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days of June 2, 2011. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Beneficial ownership representing less than one percent is denoted with an "*."

User-specified TAGGED TABLE

	Shares Beneficially Owned Prior to Offering						Shares Beneficially Owned After Offering				
	Class A Common Stock		Class B Common Stock				Class A Common Stock		Class B Common Stock		
Name of Beneficial Owner	Shares	%	Shares	%	% Total Voting Power[1]	Shares Being Offered[17]	Shares	%	Shares	%	% Total Voting Power[1]
Officers and Directors											
Andrew D. Mason[2][16]	22,967,252	7.7	499,992	41.7							
Jason E. Child	—	—	—	—							
Margaret H. Georgiadis[3]	300,000	*									
Kenneth M. Pelletier	1,096,972	*	—	—							

Robert S. Solomon[4]	1,610,944	6.8	—	—
Brian K. Totty[5]	285,308	*	—	—
Peter J. Barris[6]	—	—	—	—
Kevin J. Efrusy[7]	—	—	—	—
Bradley A. Keywell[8][16]	20,415,848	6.9	200,004	16.7
Eric P. Lefkofsky[9][16]	64,113,046	21.6	499,992	41.7
Theodore J. Leonsis[10]	924,385	*	—	—
Howard Schultz[11]	917,185	*	—	—
All executive officers and directors as a group (12 persons)[12]	109,923,024	36.9	1,199,988	100.0

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	Shares Beneficially Owned Prior to Offering					Shares Beneficially Owned After Offering				
	Class A Common Stock		Class B Common Stock				Class A Common Stock		Class B Common Stock		
Name of Beneficial Owner	Shares	%	Shares	%	% Total Voting Power[1]	Shares Being Offered[17]	Shares	%	Shares	%	% Total Voting Power[1]
5% Stockholders											
Green Media, LLC[9][16]	64,113,046	21.6	499,992	41.7							
Rugger Ventures LLC[8][16]	20,415,848	6.9	200,004	16.7							
Entities affiliated with New Enterprise Associates, Inc. 1954 Greenspring Drive, Suite 600 Timonium, MD 21093[13]	43,726,536	14.7	—	—							
Entities affiliated with Accel Growth Fund L.P. c/o Accel Partners 428 University Avenue Palo Alto, CA 94301[14]	16,601,964	5.6	—	—							
Entities affiliated with CityDeal Management UG[15] Soarbrücker Str. 20/21 10405 Berlin Bundesrepublik Deutschland	30,621,280	10.3	—	—							
Selling Stockholders											

end of user-specified TAGGED TABLE

(1) Percentage total voting power represents voting power with respect to all shares of our Class A and Class B common stock, as a single class. Each holder of Class B common stock shall be entitled to votes per share of Class B common stock and each holder of Class A common stock shall be entitled to one vote per share of Class A common stock on all matters submitted to our stockholders for a vote. The Class A common stock and Class B common stock vote together as a single class on all matters submitted to a vote of our stockholders, except as may otherwise be required by law. The Class B common stock is convertible at any time by the holder into shares of Class A common stock on a share-for-share basis.

(2) Includes 21,317,252 shares of our Class A common stock and 499,992 shares of our Class B common stock held by Andrew Mason Trust. Does not include 91,120 shares of our Class A common stock held by 600 West Partners II, LLC, which represents Mr. Mason's proportionate economic interest in the shares of Class A common stock held by 600 West Partners II.

(3) Includes 300,000 shares of our Class A common stock issuable upon the exercise of restricted stock units exercisable within 60 days of June 2, 2011.

(4) Includes 1,610,944 shares of our Class A common stock issuable upon the exercise of options that are exercisable within 60 days of June 2. Mr. Solomon ceased to be our President and Chief Operating Officer on March 22, 2011.

(5) Includes 38,360 shares of our Class A common stock issuable upon the exercise of restricted stock units that are exercisable within 60 days of June 2, 2011.

(6)

Does not include shares held by entities affiliated with New Enterprise Associates described in footnote 13. Mr. Barris is the Managing General Partner of New Enterprise Associates.

(7)

Does not include shares held by entities affiliated with Accel Growth Fund L.P. Mr. Efrusy is the General Partner of Accel.

(8)

Includes 20,415,848 shares of our Class A common stock and 200,004 shares of our Class B common stock held by Rugger Ventures LLC, an entity owned by Kimberly Keywell (80%), the wife of Bradley A. Kewell, and Mr. Keywell's children (20%).

(9)

Includes 54,682,108 shares of our Class A common stock and 499,992 shares of our Class B common stock held by Green Media, LLC, an entity owned by Eric P. Lefkofsky (50%) and his wife, Elizabeth Kramer Lefkofsky (50%). Mr. Lefkofsky shares voting and investment control with respect to the shares held by Green Media, LLC. Also includes 9,430,938 shares of our Class A common stock held by 600 West Partners II, LLC, the manager of which is Blue Media, LLC, an entity owned by Mr. Lefkofsky (50%) and Mrs. Lefkofsky (50%).

(10)

Includes 300,000 shares of our Class A common stock issuable upon the exercise of options that are exercisable within 60 days of June 2, 2011.

(11)

Includes 567,269 shares of our Class A common stock owned by Maveron Equity Partners IV, L.P., 47,483 shares of our Class A common stock held by MEP Associates IV, L.P. and 18,360 shares of our Class A common stock held by Maveron IV Entrepreneurs' Fund, L.P. (together, the "Maveron Funds"). Mr. Schultz is a limited partner of MEP Associates IV, L.P. and has an economic membership interest in, but is not a manager of, Maveron General Partner IV LLC, the general partner of the Maveron Funds. Also includes 15,000 shares of our Class A common stock issuable upon the exercise of options that are exercisable within 60 days of June 2, 2011.

(12)

Excludes Kenneth M. Pelletier and Rob Solomon, who were not executive officers on June 2, 2011.

(13)

Includes 43,592,478 shares of our Class A common stock held by New Enterprise Associates 12, Limited Partnership ("NEA 12"). The shares directly held by NEA 12 are indirectly held by NEA Partners 12, Limited Partnership ("NEA Partners 12"), the sole general partner of NEA 12, NEA 12 GP, LLC ("NEA 12 LLC"), the sole general partner of NEA Partners 12, and each of the individual Managers of NEA 12 LLC. The individual Managers (collectively, the "Managers") of NEA 12 LLC are M. James Barrett, Peter J. Barris, Forest Baskett, Ryan D. Drant, Patrick J. Kerins, Krishna "Kittu" Kolluri, C. Richards Kramlich, Charles W. Newhall III, Mark W. Perry and Scott D. Sandell. NEA Partners 12, NEA 12 LLC and the Managers share voting and dispositive power over the shares directly held by NEA 12. Also includes 134,058 shares of our Class A common stock held by NEA Ventures 2008, L.P. ("Ven 2008"). The shares directly held by Ven 2008 are indirectly held by Karen P. Welsh, the general partner of Ven 2008, who holds voting and dispositive power over the shares directly held by Ven 2008. All indirect holders of the above referenced shares disclaim beneficial ownership of all applicable shares except to the extent of their actual pecuniary interest therein.

(14)

Includes 15,809,826 shares of our Class A common stock held by Accel Growth Fund L.P., 210,648 shares of our Class A common stock held by Accel Growth Fund Investors 2009 LLC, 308,616 shares of our Class A common stock held by Accel Growth Fund Strategic Partners LP, 24,122 shares of our Class A common stock held by Accel Investors 2007 LLC, 224,820 shares of our Class A common stock held by Accel IX L.P. and 23,932 shares of our Class A common stock held by Accel IX Strategic Partners L.P.

(15)

Includes 2,771,582 shares of our Class A common stock held by CityDeal Management UG, 9,719,646 shares of our Class A common stock held by CD-Inv Holding UG and 18,130,052 shares of our Class A common stock held by CD-Rocket Holding UG.

(16)

In connection with the CityDeal acquisition, Rocket Holding and CityDeal Management entered into a shareholders agreement with our founders. Pursuant to the shareholders agreement, the shares of our Class A common stock owned by Rocket Holding, CityDeal Management and their affiliates must be voted in the same manner as the majority-in-interest of the shares of Class A common stock held by our founders in connection with certain material transactions, including the initial public offering of our Class A common stock, the authorization, designation or issuance of any new class or series of our capital stock or a material acquisition or asset transfer. In connection with the shareholders agreement, Rocket Holding, CityDeal Management and their affiliates have granted our founders, president and secretary proxy authority to vote their shares in connection with such material transactions for five years following the closing of this offering.

(17)

If the underwriters' over-allotment option is exercised in full, of the additional shares will be allocated to the Company and the balance of the additional shares sold will be allocated among the selling stockholders as follows:

User-specified TAGGED TABLE

Selling Stockholders	Shares Subject to the Over-allotment Option

end of user-specified TAGGED TABLE

If the underwriters' over-allotment option is exercised in part, the additional shares sold would be allocated pro rata based upon the share amounts set forth in the preceding table.

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Description of Capital Stock

DESCRIPTION OF CAPITAL STOCK

`General`

The following is a summary of our capital stock and provisions of our amended and restated certificate of incorporation, amended and restated bylaws and recapitalization agreement, as each will be in effect upon the closing of this offering, and certain provisions of Delaware law. This summary does not purport to be complete and is qualified in its entirety by the provisions of our amended and restated certificate of incorporation and amended and restated bylaws, copies of which have been or will be filed with the SEC as exhibits to the registration statement of which this prospectus is a part. References in this section to the "Company," "we," "us" and "our" refer to Groupon, Inc. and not to any of its subsidiaries.

Upon the closing of this offering, the total amount of our authorized capital stock will consist of shares of Class A common stock, $0.0001 par value, shares of Class B common stock, $0.0001 par value, and shares of preferred stock.

`Recapitalization`

Prior to the completion of this offering, we intend to recapitalize all outstanding shares of our capital stock (other than our Series B preferred stock) into newly issued shares of Class A common stock. Each share of Series D preferred stock, Series E preferred stock and Series F preferred stock will be converted into newly issued shares of Class A common stock on approximately a six-for-one basis; each share of Series G preferred stock will be converted into newly issued shares of Class A common stock on a two-for-one basis; and each share of non-voting common stock and common stock will be converted into newly issued shares of Class A common stock on a one-for-one basis. In addition, prior to the completion of this offering, we intend to recapitalize all outstanding shares of our Series B preferred stock into newly issued shares of our Class B common stock on an approximately six-for-one basis. The purpose of the recapitalization is to exchange all of our outstanding shares of our capital stock (other than our Series B preferred stock) into shares of the Class A common stock that will be sold in this offering. In addition, each outstanding option will be converted into an option to receive one share of Class A common stock upon the applicable exercise date.

`Class A and Class B Common Stock`

Voting Rights. Holders of our Class A and Class B common stock have identical rights, except that holders of our Class A common stock are entitled to one vote per share and holders of our Class B common stock are entitled to votes per share. Holders of shares of Class A common stock and Class B common stock will vote together as a single class on all matters (including the election of directors) submitted to a vote of stockholders, unless otherwise required by law. We have not provided for cumulative voting for the election of directors in our certificate of incorporation.

Dividends. Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of Class A common stock and Class B common stock shall be entitled to share equally in any dividends that our board of directors may determine to issue from time to time. In the event a dividend is paid in the form of shares of common stock or rights to acquire shares of common stock, the holders of Class A common stock shall receive Class A common stock, or rights to acquire Class A common stock, as the case may be, and the holders of Class B common stock shall receive Class B common stock, or rights to acquire Class B common stock, as the case may be.

Liquidation Rights. Upon our liquidation, dissolution or winding-up, the holders of Class A common stock and Class B common stock shall be entitled to share equally all assets remaining after the payment of any liabilities and the liquidation preferences on any outstanding preferred stock.

Conversion. Our Class A common stock is not convertible into any other shares of our capital stock.

Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock shall convert automatically into one share of Class A common stock upon any transfer, whether or not for value, except for certain transfers described in our certificate of incorporation, including the following:

- transfers between holders of Class B common stock; and
- transfers for tax and estate planning purposes, including to trusts, corporations and partnerships controlled by a holder of Class B common stock.

Once transferred and converted into Class A common stock, the Class B common stock shall not be reissued. No class of common stock may be subdivided or combined unless the other class of common stock concurrently is subdivided or combined in the same proportion and in the same manner.

`Preferred Stock`

Upon the closing of this offering, each outstanding share of our Series D preferred stock, Series E preferred stock and Series F preferred stock will be converted into approximately six shares of Class A common stock and each outstanding share of our Series G preferred stock will be converted into two shares of Class A common stock. In addition, upon the closing of this offering, each share of our Series B preferred stock will be converted into six shares of our Class B common stock.

Following the closing of this offering, our board of directors will have the authority, without approval by the stockholders, to issue up to a total of shares of preferred stock in one or more series. Our board of directors may establish the number of shares to be included in each such series and may fix the designations, preferences, powers and other rights of the shares of a series of preferred stock. Our board could authorize the issuance of preferred stock with voting or conversion rights that could dilute the voting power or rights of the holders of common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of Groupon and might harm the market price of our common stock. We have no current plans to issue any shares of preferred stock.

Registration Rights

Pursuant to the terms of the investor rights agreement between us and certain holders of our stock, including certain of our directors, officers and holders of 5% or greater of our outstanding capital stock are entitled to demand and piggyback registration rights. The stockholders who are party to the investor rights agreement will hold an aggregate of approximately shares, or approximately % of our Class A common stock, and shares, or 100% of our Class B common stock, outstanding upon completion of this offering (assuming no exercise of the underwriters' over-allotment option). The registration rights described below will expire five years after the effective date of the registration statement of which this prospectus forms a part.

Demand Registration Rights. At any time beginning 180 days after the effective date of the registration statement of which this prospectus forms a part, the holders of a majority of the shares of Class A common stock issued upon conversion of our Series G preferred stock may, on not more than two occasions, request that we register all or a portion of their shares. Such request for registration must cover that number of shares with an aggregate offering price to the public of at least $50 million. We will not be required to effect a demand registration during the period beginning on the date of the filing of the registration statement of which this prospectus forms a part and ending on the date 180 days after the effective date of the registration statement. Depending on certain conditions, we may defer a demand registration for up to 90 days.

Piggyback Registration Rights. In connection with this offering, the holders of registrable securities are entitled to include their shares of registrable securities in this offering. In the event that we propose to register any of our securities under the Securities Act, either for our account or for the account of our other security holders, the holders of registrable shares will be entitled to certain "piggyback" registration rights allowing the holder to include their shares in such registration, subject to certain marketing and other limitations. As a result, whenever we propose to file a registration under the Securities Act, other than with respect to a registration statement on Form S-4 or Form S-8, the holders of these shares are entitled to notice of the registration and have the right, subject to limitations that the underwriters may impose on the number of shares included in the registration, to include their shares in the registration.

Form S-3 Registration Rights. Any holder of registrable securities may make a request that we register their shares on Form S-3 if we are qualified to file a registration statement on Form S-3 and if the aggregate price to the public is equal to or would exceed $25 million. We would not be required to effect more than two registrations on Form S-3 within any 12-month period.

Elimination of Liability in Certain Circumstances

Our amended and restated certificate of incorporation eliminates the liability of our directors to us or our stockholders for monetary damages resulting from breaches of their fiduciary duties as directors. Directors will remain liable for breaches of their duty of loyalty to us or our stockholders, as well as for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, and transactions from which a director derives improper personal benefit. Our amended and restated certificate of incorporation will not absolve directors of liability for payment of dividends or stock purchases or redemptions by us in violation of Section 174 (or any successor provision of the Delaware General Corporation Law).

The effect of this provision is to eliminate the personal liability of directors for monetary damages for actions involving a breach of their fiduciary duty of care, including any such actions involving gross negligence. We do not believe that this provision eliminates the liability of our directors to us or our stockholders for monetary damages under the federal securities laws. Our amended and restated certificate of incorporation and our amended and restated bylaws provide indemnification for the benefit of our directors and officers to the fullest extent permitted by the Delaware General Corporation Law as it may be amended from time to time, including most circumstances under which indemnification otherwise would be discretionary.

Anti-Takeover Effects of Delaware Law, Our Amended and Restated Certificate of Incorporation and Our Amended and Restated Bylaws *Dual Class Structure.* Our Class B common stock has votes per share, while our Class A common stock, which is the class of stock we are selling in this offering and which will be the only class of common stock which is publicly traded, has one vote per share. After the offering, % of our Class B common stock will be controlled by our founders, representing % of the voting power of our outstanding capital stock. As a result, our founders will continue to be able to control all matters submitted to our stockholders for approval even if they come to owns significantly less than 50% of the shares of our outstanding common stock. This concentrated control could discourage others from initiating any potential merger, takeover or other change of control transaction that other stockholders may view as beneficial.

Number of Directors; Removal; Vacancies. Our amended and restated bylaws provide that we shall have nine directors, or such other number set by the board of directors. Vacancies on the board of directors may be filled only by the affirmative vote of a majority of the remaining directors then in office. Our amended and restated bylaws provide that, subject to the rights of holders of any future series of preferred stock, directors may be removed, with or without cause, at meetings of stockholders by the affirmative vote of the holders of a majority of the outstanding shares entitled to vote generally in the election of directors.

Special Meetings of Stockholders; Limitations on Stockholder Action by Written Consent. Our amended and restated certificate of incorporation provides that special meetings of our stockholders may be called only by our Executive Chairman of the Board, our Chief Executive Officer, our board of directors or holders of not less than a majority of our issued and outstanding voting stock. Any action required or permitted to be taken by our stockholders must be effected at an annual or special meeting of stockholders and may not be effected by written consent unless the action to be effected and the taking of such action by written consent have been approved in advance by our board of directors.

Amendments; Vote Requirements. Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws provide that the affirmative vote of a majority of the shares entitled to vote on any matter is required for stockholders to amend our amended and restated certificate of incorporation or amended and restated bylaws, including those provisions relating to action by written consent and the ability of stockholders to call special meetings.

Authorized but Unissued Shares; Undesignated Preferred Stock. The authorized but unissued shares of our Class A and Class B common stock will be available for future issuance without stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. In addition, our board of directors may authorize, without stockholder approval, undesignated preferred stock with voting rights or other rights or preferences that could impede the success of any attempt to acquire us. The existence of authorized but unissued shares of common stock or preferred stock could render it more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

Advance Notice Requirements for Stockholder Proposals and Nomination of Directors. Our amended and restated bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate individuals for election as directors at an annual meeting of stockholders, must provide timely notice in writing. To be timely, a stockholder's notice must be delivered to or mailed and received at our principal executive offices not less than 60 days nor more than 90 days prior to the anniversary date of the immediately preceding annual meeting of stockholders. However, in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, such notice will be timely only if received not later than the close of business on the tenth day following the date on which notice of the date of the annual meeting was mailed to stockholders or made public, whichever first occurs. Our amended and restated bylaws also specify requirements as to the form and content of a stockholder's notice.

Transfer Agent and Registrar

Upon the closing of this offering, the transfer agent and registrar for our Class A common stock will be . The transfer agent's address is , and its telephone number is .

Stock Exchange Listing

We expect to apply to list our Class A common stock listed on the under the symbol "GRPN."

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Material United States Federal Tax Considerations

MATERIAL UNITED STATES FEDERAL TAX CONSIDERATIONS

The following discussion describes material U.S. federal income tax consequences associated with the purchase, ownership and disposition of our Class A common stock, as of the date of this prospectus. It is assumed in this discussion that you hold shares of our Class A common stock as capital assets within the meaning of Section 1221 of the Code. Furthermore, the discussion below is based upon the provisions of the Code, its legislative history, the final, temporary and proposed U.S. Treasury regulations promulgated thereunder, or the Regulations, and administrative and judicial interpretations thereof, all as of the date of this prospectus, and all of which are subject to change or differing interpretation, possibly with retroactive effect, so as to result in different U.S. federal income tax consequences than those discussed herein. This discussion does not address any state, local, or non-U.S. tax consequences, nor does this discussion address any U.S. federal tax consequences other than U.S. federal income tax consequences.

This discussion is not a comprehensive discussion of all of the U.S. federal income tax considerations applicable to us or that may be relevant to a particular holder of our Class A common stock in view of such holder's particular circumstances and, except to the extent provided below, this discussion does not apply to holders of our Class A common stock subject to special treatment under the U.S. federal income tax laws, such as banks or other financial institutions, dealers in securities or currencies, tax-exempt organizations, retirement plans, individual retirement accounts, tax-deferred accounts, certain former U.S. citizens or long-term residents of the U.S., corporations that accumulate earnings to avoid U.S. federal income tax, regulated investment companies, real estate investment trusts, insurance companies, mutual funds, persons holding shares as part of a hedge or a position in an integrated or conversion transaction, risk reduction transaction, constructive sale transaction or a straddle, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, brokers or dealers in securities or currencies, charitable remainder unit trusts, common trust funds, passive foreign investment companies, or controlled foreign corporations. As a general discussion, this summary does not address all U.S. federal income tax considerations, including, but not limited to, the Medicare contribution tax and the alternative minimum tax and the application of such tax considerations to a holder of our Class A common stock.

The following discussion also does not address entities that are taxed as grantor trusts under subpart E of subchapter J of the Code, disregarded entities for U.S. federal income tax purposes, partnerships or similar entities classified as flow-through entities for U.S. federal income tax purposes. If a grantor trust, disregarded entity, partnership or other flow-through entity holds our Class A common stock, the tax treatment of such grantor trust, disregarded entity, partnership (or other flow-through entity) and its partners (or beneficial owners) will depend on the status of the partner (or beneficial owner) and the activities of the entity. Partnerships, grantor trusts, disregarded entities, (and other flow-through entities) and their partners (or beneficial owners) should consult with their own tax advisors to determine the tax consequences of acquiring, owning or disposing of our Class A common stock.

There can be no assurance that the Internal Revenue Service, or the IRS, will not take a contrary position to the discussion of the U.S. federal income tax consequences discussed herein or that such position will not be sustained by a court. No ruling from the IRS or opinion of counsel has been obtained with respect to the U.S. federal income tax consequences of acquiring, owning, or disposing of our Class A common stock.

Persons considering the purchase, ownership, and disposition of our Class A common stock should consult their own tax advisors to determine the U.S. federal, state, local and non-U.S. income tax, tax treaties or other tax (such as estate and gift tax laws) consequences of acquiring, owning or disposing our Class A common stock in light of their particular situations.

U.S. Holder

A "U.S. Holder" of our Class A common stock means a holder that is for U.S. federal income tax purposes:

- an individual citizen or resident of the U.S. including an alien individual who is a lawful, permanent resident of the U.S. or who meets the "substantial presence" test under Section 7701(b) of the Code;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source;
- a trust (i) if it is subject to the supervision of a court within the U.S. and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) that has a valid election in effect under applicable Regulations to be treated as a U.S. person; or
- an entity that is disregarded as separate from its owner if all of its interests are owned by a single U.S. Holder, as defined above.

Under the "substantial presence" test referred to above, an individual may, subject to certain exceptions, be deemed to be a resident of the U.S. by reason of being present in the U.S. for at least 31 days in the calendar year and for an aggregate of at least 183 days during the three-year period ending on the last day of the current calendar year (counting for such purposes all of the days present in the current year, one-third of the days present in the immediately preceding year and one-sixth of the days present in the second preceding year).

Distributions on Class A Common Stock to U.S. Holder

In general, any distribution we make to a U.S. Holder with respect to its shares of our Class A common stock that constitutes a dividend for U.S. federal income tax purposes will be taxable upon receipt as ordinary income, although possibly at reduced rates, as discussed below. A distribution will constitute a dividend for U.S. federal income tax purposes to the extent made out of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Any distribution not constituting a dividend will be treated first as reducing the adjusted basis in the U.S. Holder's shares of our Class A common stock (as applicable) and, to the extent such distribution exceeds such basis, will be treated as capital gain from the sale or exchange of such stock.

Dividends received by corporate U.S. Holders will be eligible for the dividends-received deduction, subject to certain restrictions, including restrictions relating to the corporate U.S. Holder's taxable income, holding period and debt financing. Under current law, dividends paid to individual U.S. Holders in taxable years beginning before January 1, 2013 will qualify for taxation at special rates if certain holding period and other applicable requirements are met. As of the date of this prospectus, such special rates will no longer be available, and ordinary income tax rates will apply, to dividends paid in tax years beginning after December 31, 2012.

A dividend that exceeds certain thresholds in relation to a U.S. Holder's tax basis in our Class A common stock (as applicable) could be characterized as an "extraordinary dividend," as defined under the Code. Generally, a corporate U.S. Holder that receives an extraordinary dividend is required to reduce its stock basis by the portion of such dividend that is not taxed because of the dividends-received deduction. If the amount of the reduction exceeds such corporate U.S. Holder's tax basis in our Class A common stock (as applicable), the excess is treated as taxable gain. If you are a non-corporate U.S. Holder and you receive an extraordinary dividend in taxable years beginning before January 1, 2013, you will be required to treat any losses on the sale of our Class A common stock as long-term capital losses to the extent of the extraordinary dividends you receive that qualify for the special tax rate on certain dividends described above.

U.S. Holder's Sale or Exchange of Class A Common Stock

Upon the sale or other disposition of our Class A common stock, you will generally recognize capital gain or loss equal to the difference between the amount realized and your adjusted tax basis in such stock. Such capital gain or loss will generally be long-term capital gain or loss if your holding period in respect of the stock is more than one year. Under current law, net long-term capital gains, recognized in tax years beginning prior to January 1, 2013 by U.S. Holders who are individuals, are eligible for reduced rates of taxation. As of the date of this prospectus, such reduced rates will increase from the current rates for net long-term capital gains recognized in tax years beginning after December 31, 2012. The deductibility of capital losses is subject to limitations.

Information Reporting and Backup Withholding Consequences to U.S. Holder

U.S. backup withholding (currently at a rate of 28%, but as of the date of this prospectus, scheduled to increase to 31% for payments made after December 31, 2012) is imposed on certain payments to persons that fail to furnish the information required under the U.S. information reporting requirements. Dividends on our Class A common stock paid to a U.S. Holder will generally be exempt from backup withholding, provided the U.S. Holder meets applicable certification requirements, including providing a U.S. taxpayer identification number, or otherwise establishes an exemption. We must report annually to the IRS and to each U.S. Holder, the amount of dividends paid to that holder and the proceeds from the sale, exchange or other disposition of our Class A common stock, unless a U.S. Holder is an exempt recipient.

Backup withholding does not represent an additional tax. Any amounts withheld from a payment to a U.S. Holder under the backup withholding rules will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information or returns are timely furnished by the holder to the IRS.

Non-U.S. Holder

As used in this discussion, "Non-U.S. Holder" means a beneficial owner of our Class A common stock, other than a partnership, disregarded entity (or an entity or arrangement classified as either a partnership or a disregarded entity for U.S. federal income tax purposes), a non-U.S. simple trust or a grantor trust under subpart E of subchapter J of the Code, which is not a U.S. Holder.

Distributions on Class A Common Stock to Non-U.S. Holder

Distributions on our Class A common stock, paid to a Non-U.S. Holder, will generally constitute dividends for U.S. federal income tax purposes to the extent such distributions are paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a tax-free return of the Non-U.S. Holder's investment to the extent of the Non-U.S. Holder's adjusted tax basis in our Class A common stock. Any remaining excess will be treated as capital gain from a sale or disposition of such stock. A Non-U.S. Holder's adjusted tax basis is generally the purchase price of our Class A common stock, reduced by the amount of any tax-free return of capital. See "U.S. Holder's Sale or Exchange of Class A Common Stock" for additional information.

Dividends paid to a Non-U.S. Holder generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. A Non-U.S. Holder of our Class A common stock who wishes to claim the benefit of an applicable income tax treaty rate for dividends will be required to (a) complete IRS Form W-8BEN (or appropriate substitute form) and certify, under penalty of perjury, that such holder is not a U.S. person (or, in the case of a Non-U.S.

Holder that is an estate or trust, such forms certifying the status of each beneficiary of the estate or trust as not a U.S. person, as so defined) and is eligible for the benefits allowed by such treaty with respect to dividends or (b) hold our Class A common stock through certain non-U.S. intermediaries and satisfy the certification requirements for treaty benefits of applicable Regulations. Special certification requirements apply to certain Non-U.S. Holders that act as intermediaries (as well as to certain non-U.S. partnerships that act as intermediaries). A Non-U.S. Holder eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

This U.S. withholding tax generally will not apply to dividends that are (a) effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the U.S., and, (b) in cases in which certain income tax treaties apply, attributable to a U.S. permanent establishment or fixed base of the Non-U.S. Holder (collectively "effectively connected dividends"). Effectively connected dividends are subject to U.S. federal income tax generally in the same manner as if the Non-U.S. Holder was a U.S. person, as defined under the Code. Certain IRS certification and disclosure requirements, including delivery of a properly executed IRS Form W-8ECI, must be complied with in order for effectively connected dividends to be exempt from withholding. Any such effectively connected dividends received by a Non-U.S. Holder that is a non-U.S. corporation may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

The certification requirements described above may require a non-U.S. Holder that provides an IRS W-8 form (or appropriate substitute form), or that claims the benefit of an income tax treaty, to also provide its U.S. taxpayer identification number.

Any applicable IRS Form W-8 (or appropriate substitute form) provided must be received by us (as the withholding agent) before the payment of a dividend occurs and the beneficial owner must inform us (as the withholding agent) of any change in the information as provided on such IRS Form W-8 (or appropriate substitute form) within 30 days of such change and may be required to provide an updated properly executed IRS Form W-8 (or appropriate substitute form) upon its expiration.

Non-U.S. Holder's Sale or Exchange of Class A Common Stock

A Non-U.S. Holder generally will not be subject to U.S. federal income tax (or any withholding thereof) with respect to gain recognized on a sale or other disposition of our Class A common stock unless:

- the gain is effectively connected with a trade or business of the Non-U.S. Holder in the U.S. and, in cases in which certain tax treaties apply, is attributable to a U.S. permanent establishment or fixed base of the Non-U.S. Holder (collectively, "effectively connected gain");
- the Non-U.S. Holder is a nonresident alien individual who is present in the U.S. for 183 or more days during the taxable year of disposition and meets certain other requirements; or
- we are or have been a "U.S. real property holding corporation" within the meaning of Section 897(c)(2) of the Code, also referred to as a USRPHC, for U.S. federal income tax purposes at any time within the five-year period preceding the disposition (or, if shorter, the Non-U.S. Holder's holding period for our Class A common stock).

Effectively connected gain is subject to U.S. federal income tax on a net income basis generally in the same manner as if the Non-U.S. Holder were a U.S. person, as defined under the Code. Any such effectively connected gain from the sale or disposition of our Class A common stock received by a Non-U.S. Holder that is a non-U.S. corporation may, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

An individual nonresident alien Non-U.S. Holder who is present in the U.S. for 183 or more days during the taxable year of disposition generally will be subject to a 30% tax imposed on the gain derived from the sale or disposition of our Class A common stock, which may be offset by U.S. source capital losses realized in the same taxable year.

We believe that we currently are not a USRPHC, and we do not anticipate becoming a USRPHC for U.S. federal income tax purposes. However, no assurances can be provided in this regard.

Information Reporting and Backup Withholding Consequences to Non-U.S. Holder

We must report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty.

The U.S. imposes a backup withholding tax on dividends and certain other types of payments to U.S. persons, as defined under the Code, (currently at a rate of 28%, but as of the date of this prospectus, scheduled to increase to 31% for payments made after December 31, 2012) of the gross amount. Dividends paid to a Non-U.S. Holder will not be subject to backup withholding if proper certification of non-U.S. status (usually on an IRS Form W-8BEN) is provided, and the payor does not have actual knowledge or reason to know that the beneficial owner is a U.S. person, as defined under the Code.

The payment of the proceeds from the disposition of our Class A common stock to or through the U.S. office of any broker (U.S. or non-U.S.) will be subject to information reporting and possible backup withholding unless the Non-U.S. Holder certifies as to such holder's non-U.S. status under penalties of perjury or otherwise establishes an exemption and the broker does not have actual knowledge or reason to know that the Non-U.S. Holder is a U.S. person, as defined under the Code, or that the conditions of another exemption are not, in fact, satisfied. The payment of proceeds from the disposition of our Class A common stock to or through a non-U.S. office of a non-U.S. broker will not be subject to information reporting or backup withholding unless the non-U.S. broker has certain types of relationships with the U.S. (a "U.S. related financial intermediary"). In the case of the payment of proceeds from the disposition of our Class A common stock to or through a non-U.S. office of a broker that is either a U.S. person (as defined under the Code) or a U.S. related financial intermediary, the U.S. Treasury regulations require information reporting (but not backup withholding) on the payment unless the broker has documentary evidence in its files that the beneficial owner is a Non-U.S. person, as defined under the Code and the broker has no knowledge to the contrary.

Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such Non-U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Recently Enacted Withholding and Information Reporting Legislation Applicable to U.S. and Non-U.S. Holders

Newly enacted legislation may impose withholding taxes on certain types of payments made to "foreign financial institutions," as defined under the Code, and certain other non-U.S. entities after December 31, 2012. The legislation imposes a 30% withholding tax on dividends on, or gross proceeds from the sale or other disposition of, our Class A common stock paid to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons, as defined under the Code (including certain equity and debt holders of such institutions), or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these reporting and other requirements. Foreign financial institutions for this purpose include non-U.S. entities that are financial institutions, mutual funds (or their foreign equivalent), funds of funds (and other similar investments), exchange-traded funds, hedge funds, private equity and venture capital funds, other managed funds, commodity pools, and other investment vehicles. In addition, the legislation imposes a 30% withholding tax on the same types of payments made to a "non-financial foreign entity," as defined under the Code, unless the entity certifies that it does not have any "substantial U.S. owners" (which generally includes any U.S. person that directly or indirectly owns more than 10%, by vote or by value) or furnishes identifying information regarding each substantial U.S. owner. Additionally, in taxable years beginning after March 18, 2010, certain U.S. Holders, which hold our Class A common stock through certain foreign financial institutions or foreign accounts maintained by such foreign financial institutions, may be required to file an information report (along with their tax returns) with respect to such assets, to the extent the U.S. Holder owns "specified foreign financial assets" with an aggregate value in excess of $50,000 in the relevant taxable year. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, including, but not limited to, any custodial account maintained by such financial institution. Prospective investors should consult their own tax advisors regarding this legislation.

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Shares Eligible for Future Sale

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for shares of our Class A common stock. Future sales of substantial amounts of shares of our Class A common stock, including shares issued upon the exercise of outstanding options, in the public market after this offering, or the possibility of these sales occurring, could adversely affect the prevailing market price for our Class A common stock from time to time or impair our ability to raise equity capital in the future.

Based on the number of shares outstanding as of , 2011, upon the completion of this offering, shares of common stock will be outstanding, assuming no exercise of the underwriters' overallotment option and no exercise of outstanding options or warrants. Of the outstanding shares, shares sold in this offering will be freely tradable, except that any shares acquired by our affiliates, as that term is defined in Rule 144 under the Securities Act, in this offering may only be sold in compliance with the limitations described below.

The remaining shares of Class A common stock outstanding after this offering will be restricted as a result of securities laws, the investor rights agreement or lock-up agreements as described below. Following the expiration of the lock-up period, all shares will be eligible for resale in compliance with Rule 144 or Rule 701 to the extent such shares have been released from any repurchase option that we may hold. "Restricted securities" as defined under Rule 144 were issued and sold by us in reliance on exemptions from the registration requirements of the Securities Act. These shares may be sold in the public market only if registered or pursuant to an exemption from registration, such as Rule 144 or Rule 701 under the Securities Act.

Lock-Up Agreements

Pursuant to the terms of an investor rights agreement between us and certain holders of our stock, including certain of our directors, officers and holders of 5% or greater of our outstanding capital stock, such holders have agreed that they will not, during the period ending 180 days after the date of this prospectus, sell, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic event as a sale, any shares of our common stock or other securities of the Company, provided, that all of our directors, officers and holders of 1% of our voting securities are bound by and have entered into similar agreements. This agreement is subject to certain exceptions, and is also subject to extension for up to an additional 18 days, as we and the underwriters may reasonably request. The stockholders who are party to the investor rights agreement will hold an aggregate of approximately shares, or approximately % of our Class A common stock, and shares, or 100% of our Class B common stock, outstanding upon completion of this offering (assuming no exercise of the underwriters' over-allotment option).

In connection with this offering, officers, directors, employees and stockholders, who together hold substantially all of our outstanding stock and stock options, have agreed, subject to limited exceptions, not to directly or indirectly sell or dispose of any shares of our common stock or any securities convertible into or exchangeable or exercisable for shares of our common stock for a period of 180 days after the date of this prospectus (or such earlier date or dates as agreed between us and Morgan Stanley & Co. LLC), and in specific circumstances, up to an additional 34 days, without the prior written consent of Morgan Stanley & Co. LLC on behalf of the underwriters. For additional information, see "Underwriting."

Rule 144

In general, under Rule 144 as currently in effect, once we have been subject to public company reporting requirements for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes of the Securities Act at any time during 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell such shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then such person is entitled to sell such shares without complying with any of the requirements of Rule 144.

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell upon expiration of the lock-up agreements described above, within any three-month period beginning 90 days after the date of this prospectus, a number of shares that does not exceed the greater of:

- 1% of the number of shares of common stock then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Rule 701

Rule 701 generally allows a stockholder who purchased shares of our common stock pursuant to a written compensatory plan or contract and who is not deemed to have been an affiliate of our company during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation, or notice provisions of Rule 144. Rule 701 also permits affiliates of our company to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required to wait until 90 days after the date of this prospectus before selling such shares pursuant to Rule 701.

Registration Rights

Upon completion of this offering, the holders of shares of our Class A common stock and shares of our Class B common stock or their transferees will be entitled to various rights with respect to the registration of these shares under the Securities Act. Registration of these shares under the Securities Act would result in these shares becoming fully tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for shares purchased by affiliates. See "Description of Capital Stock—Registration Rights" for additional information. Shares covered by a registration statement will be eligible for sales in the public market upon the expiration or release from the terms of the investor rights agreement or the lock-up agreement, as applicable.

Registration Statements

We intend to file a registration statement on Form S-8 under the Securities Act following this offering to register all of the shares of Class A common stock issued or reserved for issuance under our 2008 Stock Option Plan and our 2010 Stock Plan. We expect to file this registration statement as soon as practicable after this offering. Shares covered by this registration statement will be eligible for sale in the public market, upon the expiration or release from the terms of the lock-up agreements, and subject to vesting of such shares.

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Underwriting

UNDERWRITING

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and Credit Suisse Securities (USA) LLC are acting as representatives, have severally agreed to purchase, and we and the selling stockholders have agreed to sell to them, severally, the number of shares indicated below:

User-specified TAGGED TABLE

Name	Number of Shares
Morgan Stanley & Co. LLC	
Goldman, Sachs & Co.	
Credit Suisse Securities (USA) LLC	
Total	

end of user-specified TAGGED TABLE

The underwriters and the representatives are collectively referred to as the "underwriters" and the "representatives," respectively. The underwriters are offering the shares of Class A common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of Class A common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of Class A common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters' over-allotment option described below. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased, or, in the case of a default with respect to the shares covered by the underwriters' over-allotment described below, the underwriting agreement may be terminated.

The underwriters initially propose to offer part of the shares of Class A common stock directly to the public at the offering price listed on the cover page of this prospectus and part to certain dealers at a price that represents a concession not in excess of $ per share under the public offering price. Any underwriter may allow, and such dealers may reallow, a concession not in excess of $ per share to other underwriters or to certain dealers. After the initial offering of the shares of Class A common stock, the offering price and other selling terms may from time to time be varied by the representatives.

We and the selling stockholders have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares of Class A common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of Class A common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase the same percentage of the additional shares of Class A common stock as the number listed next to the underwriter's name in the preceding table bears to the total number of shares of Class A common stock listed next to the names of all underwriters in the preceding table.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us and the selling stockholders. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional shares of Class A common stock.

User-specified TAGGED TABLE

		Total	
	Share	No Exercise	Full Exercise
Public offering price		$$	$
Underwriting discounts and commissions to be paid by:			
Us		$$	$
The selling stockholders		$$	$
Proceeds, before expenses, to us		$$	$
Proceeds, before expenses, to selling stockholders		$$	$

end of user-specified TAGGED TABLE

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately $ million.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares of Class A common stock offered by them.

We have applied to list our Class A common stock on under the trading symbol "GRPN."

We and all directors and officers and the holders of substantially all of our outstanding stock and stock options have agreed that, without the prior written consent of Morgan Stanley & Co. LLC on behalf of the underwriters, and subject to certain exceptions, we and they will not, during the period ending 180 days after the date of this prospectus (or such earlier date or dates as agreed between us and Morgan Stanley & Co. LLC):

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of directly or indirectly, any shares of common stock beneficially owned or any other securities convertible into or exercisable or exchangeable for common stock;
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock, whether any such transaction described in the immediately preceding bullet or this bullet is to be settled by delivery of our common stock or such other securities, in cash or otherwise;
- engage in any short selling of our common stock or securities convertible into or exercisable or exchangeable for our common stock; or
- make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock.

In addition, we and all directors and officers and the holders of substantially all of our outstanding stock and stock options have agreed that, without the prior written consent of Morgan Stanley & Co. LLC on behalf of the underwriters, and subject to certain exceptions, we and they will not, during the period ending 180 days after the date of this prospectus (or such earlier date or dates as agreed between us and Morgan Stanley & Co. LLC), file any registration statement with the SEC relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock. The restrictions described in this paragraph do not apply to:

- sales of our common stock to the underwriters;
- transactions relating to shares of our common stock or other securities acquired in connection with this offering open market transactions after the completion of this offering, *provided* that no filing under Section 16(a) of the Exchange Act is required or is voluntarily made in connection with

  subsequent sales of shares of our common stock or other securities acquired in such open market transactions;
- transfers of shares of our common stock or any security convertible into shares of our common stock as a bona fide gift or gifts;
- distributions of shares of our common stock or any security convertible into our common stock to partners, members or stockholders of a security holder;
- distributions or transfers by a security holder of shares of our common stock or any security convertible into our common stock to any trust, partnership, limited liability company or other entity for the direct or indirect benefit of the security holder or its immediate family;
- transfers by a security holder of shares of our common stock to any beneficiary of the security holder pursuant to a will or other testamentary document or applicable laws of descent;
- transfers by a security holder of shares of our common stock to us (including, without limitation, any transfer in accordance with the terms of the recapitalization agreement to be entered into by us and all or certain of our stockholders in connection with this offering);
- exercises of any options to purchase our common stock that have been granted by us prior to the date hereof where the shares of our common stock received upon such exercise are held by a security holder, individually or as a fiduciary, in accordance with and subject to the terms of the lock-up letter signed by us and the holders of our outstanding stock and stock options; or
- the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of our common stock, *provided* that such plan does not provide for the transfer of our shares of common stock during the restricted period and no public announcement or filing under the Exchange Act regarding the establishment of such plan shall be required of or voluntarily made by or on behalf of us or the security holder.

In the case of any transfer or distribution pursuant to the third, fourth and fifth bullet immediately above, (i) each done, transferee or distributee must sign and deliver a lock-up letter substantially in the form of the lock-up letter signed by us and the holders of our outstanding stock and stock options, (ii) any such transfer must not involve a disposition for value, and (iii) no filing under Section 16(a) of the Exchange Act, reporting a reduction in beneficial ownership of shares of our common stock, is required or shall be voluntarily made during the 180-day restricted period.

The 180-day restricted period described in the preceding paragraph will be extended if:

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- during the last 17 days of the 180-day restricted period, we issue an earnings release or a material news event relating to us occurs, or
- prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period,

in which case the restrictions described in the preceding paragraph will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

In order to facilitate the offering of our Class A common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of our Class A common stock. Specifically, the underwriters may over-allot in connection with the offering, creating a short position in the Class A common stock for their own accounts. In addition, to cover over-allotments or to stabilize the price of the Class A common stock, the underwriters may bid for, and purchase, shares of Class A common stock in the open market to stabilize the price of the Class A common stock. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the Class A common stock in the offering, if the syndicate repurchases previously distributed Class A common stock in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Class A common stock above independent market levels or prevent or retard a decline in the market price of the Class A common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

We, the selling stockholders and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of these liabilities.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of Class A common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Pricing of the Offering

Prior to this offering, there has been no public market for our Class A common stock. The initial public offering price will be determined by negotiations between us and the representatives. Among the factors to be considered in determining the initial public offering price will be the future prospects and those of our industry in general, our revenue, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours. The estimated initial public offering price range set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors. We cannot assure you that the prices at which the shares will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in our Class A common stock will develop and continue after this offering.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each, a Relevant Member State, an offer to the public of any shares of our Class A common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of our Class A common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of our Class A common stock shall result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any shares of our Class A common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our Class A common stock to be offered so as to enable an investor to decide to purchase any shares of our Class A common stock, as the same may be varied in that Member

State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each underwriter has represented and agreed that:

> (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the shares of our Class A common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our Class A common stock in, from or otherwise involving the United Kingdom.

Hong Kong, Singapore and Japan

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) and each underwriter has agreed that it will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Legal Matters

LEGAL MATTERS

The validity of the shares of Class A common stock offered hereby will be passed upon for us by Winston & Strawn LLP, Chicago, Illinois. DLA Piper LLP (US), East Palo Alto, California, is acting as counsel to the underwriters. DLA Piper LLP (US) has in the past provided, and continues to provide, legal services to Groupon.

Experts

EXPERTS

The consolidated financial statements of Groupon, Inc. at December 31, 2009 and 2010, and for each of the three years in the period ended December 31, 2010, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of CityDeal Europe GmbH for the period from January 1, 2010 to May 15, 2010, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The financial statements of Qpod.inc for the period from June 4, 2010 to August 11, 2010, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young ShinNihon LLC, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

Where You Can Find Additional Information

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed therewith. For further information about us and the common stock offered hereby, we refer you to the registration statement and the exhibits and schedules filed thereto. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement. Following this offering, we will be required to file periodic reports, proxy statements, and other information with the SEC pursuant to the Securities Exchange Act of 1934. You may read and copy this information at the Public Reference Room of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that site is www.sec.gov.

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Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Groupon, Inc.

We have audited the accompanying consolidated balance sheets of Groupon, Inc. as of December 31, 2009 and 2010, and the related consolidated statements of operations, stockholders' (deficit) equity, and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Groupon, Inc. at December 31, 2009 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP
Chicago, Illinois June 2, 2011

Consolidated Balance Sheets

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GROUPON, INC. CONSOLIDATED BALANCE SHEETS (in thousands, except share data)

User-specified TAGGED TABLE

	December 31,	
	2009	**2010**
Assets		
Current assets:		
Cash and cash equivalents	$12,313	$118,833
Accounts receivable, net	601	42,407

Prepaid expenses and other current assets	1,293	12,615
Total current assets	14,207	173,855
Property and equipment, net	274	16,490
Goodwill	—	132,038
Intangible assets, net	239	40,775
Deferred income taxes, non-current	—	14,544
Other non-current assets	242	3,868
Total Assets	$14,962	$381,570
Liabilities and Stockholders' (Deficit) Equity		
Current liabilities:		
Accounts payable	$182	$57,543
Accrued merchant payable	4,324	162,409
Accrued expenses	4,836	98,323
Due to related parties	—	13,321
Deferred income taxes, current	—	17,210
Other current liabilities	877	21,613
Total current liabilities	10,219	370,419
Deferred income taxes, non-current	—	604
Other non-current liabilities	—	1,017
Total Liabilities	10,219	372,040
Commitments and contingencies (see Note 7)		
Series B, redeemable convertible preferred stock $.0001 par value, 199,998 shares authorized, issued and outstanding at December 31, 2009 and 0 shares authorized, issued and outstanding at December 31, 2010	20	—
Series D, redeemable convertible preferred stock $.0001 par value, 6,560,174 shares authorized, issued and outstanding at December 31, 2009 and 0 shares authorized, issued and outstanding at December 31, 2010	4,727	—
Series E, redeemable convertible preferred stock $.0001 par value, 4,406,160 shares authorized, issued and outstanding at December 31, 2009 and 0 shares authorized, issued and outstanding at December 31, 2010	29,965	—
Redeemable noncontrolling interests	—	2,983
Groupon, Inc. Stockholders' (Deficit) Equity		
Series B, convertible preferred stock $.0001 par value, 0 shares authorized, issued and outstanding at December 31, 2009 and 199,998 shares authorized, issued and outstanding at December 31, 2010	—	—
Series D, convertible preferred stock $.0001 par value, 0 shares authorized, issued and outstanding at December 31, 2009 and 6,560,174 shares authorized and issued, and 6,258,297 shares outstanding at December 31, 2010	—	1
Series E, convertible preferred stock $.0001 par value, 0 shares authorized, issued and outstanding at December 31, 2009 and 4,406,160 shares authorized and issued, and 4,127,653 shares outstanding at December 31, 2010	—	—
Series F, convertible preferred stock $.0001 par value, 0 shares authorized, issued and outstanding at December 31, 2009 and 4,202,658 shares authorized, issued and outstanding at December 31, 2010	—	1
Series G, convertible preferred stock $.0001 par value, 0 shares authorized, issued and outstanding at December 31, 2009 and 30,075,690 shares authorized and 14,245,018 shares issued and outstanding at December 31, 2010, liquidation preference of $450,000	—	1
Voting common stock, $.0001 par value, 500,000,000 shares authorized, 170,095,998 shares issued and outstanding at December 31, 2009, and 211,495,998 shares issued and 165,616,260 shares outstanding at December 31, 2010	3	4
Non-voting convertible common stock, $.0001 par value, 100,000,000 shares authorized, 2,850,498 shares issued and outstanding at December 31, 2009, and 5,864,486 shares issued and 5,079,896 shares outstanding at December 31, 2010	—	—
Treasury stock, at cost, 0 shares at December 31, 2009 and 46,664,328 shares at December 31, 2010	—	(503,173)
Additional paid-in capital	—	921,122
Stockholder receivable	(144)	(286)
Accumulated deficit	(29,828)	(419,468)
Accumulated other comprehensive income	—	9,875

Total Groupon, Inc. Stockholders' (Deficit) Equity	(29,969)	8,077
Noncontrolling interests	—	(1,530)
Total (Deficit) Equity	(29,969)	6,547
Total Liabilities and (Deficit) Equity	$14,962	$381,570

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See Notes to Consolidated Financial Statements.

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Consolidated Statements of Operations

GROUPON, INC. CONSOLIDATED STATEMENTS OF OPERATIONS (in thousands, except share and per share amounts)

User-specified TAGGED TABLE

	Year Ended December 31,		
	2008	**2009**	**2010**
Revenue	$94	$30,471	$713,365
Cost of revenue	89	19,542	433,411
Gross profit	5	10,929	279,954
Operating expenses:			
Marketing	163	4,548	263,202
Selling, general and administrative	1,474	7,458	233,913
Acquisition-related	—	—	203,183
Total operating expenses	1,637	12,006	700,298
Loss from operations	(1,632)	(1,077)	(420,344)
Interest and other income (expense), net	90	(16)	284
Loss before provision for income taxes	(1,542)	(1,093)	(420,060)
Provision (benefit) for income taxes	—	248	(6,674)
Net loss	(1,542)	(1,341)	(413,386)
Less: Net loss attributable to noncontrolling interests	—	—	23,746
Net loss attributable to Groupon, Inc.	(1,542)	(1,341)	(389,640)
Dividends on preferred stock	(277)	(5,575)	(1,362)
Redemption of preferred stock in excess of carrying value	—	—	(52,893)
Adjustment of redeemable noncontrolling interests to redemption value	—	—	(12,425)
Preferred stock distributions	(339)	—	—
Net loss attributable to common stockholders	$(2,158)	$(6,916)	$(456,320)
Net loss per share			
Basic	$(0.01)	$(0.04)	$(2.66)
Diluted	$(0.01)	$(0.04)	$(2.66)
Weighted average number of shares outstanding			
Basic	166,738,129	168,604,142	171,349,386
Diluted	166,738,129	168,604,142	171,349,386

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See Notes to Consolidated Financial Statements.

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Consolidated Statements of Stockholders' (Deficit) Equity

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GROUPON, INC. CONSOLIDATED STATEMENTS OF STOCKHOLDERS' (DEFICIT) EQUITY (in thousands, except share amounts)

User-specified TAGGED TABLE

	Groupon, Inc. Stockholders' (Deficit) Equity									
	Series B, C, D, E, F, and G Preferred Stock		Common Stock	Treasury Stock	Additional Paid-In Capital	Stockholder Receivable	Accumulated Deficit	Accumulated Other Comp. Income	Non-controlling Interests	Total Groupon Stockhol (Defic Equi
	Shares	Amount	Shares	Amount						
Balance at December 31, 2007	1,000,000	$1,000	160,895,998	$2	$—	$72	$—	$(1,032)	$—	$42
Net loss and comprehensive loss	—	—	—	—	—	—	—	(1,542)	—	(1,542
Conversion of preferred stock	(1,000,000)	(1,000)	6,000,000	1	—	999	—	—	—	—
Exercise of stock options	—	—	60,000	—	—	1	—	—	—	1
Vesting of restricted stock units	—	—	1,000,000	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	24	—	—	—	24
Preferred stock distributions	—	—	—	—	—	(339)	—	—	—	(339)
Preferred stock dividends	—	—	—	—	—	(277)	—	—	—	(277)
Balance at December 31, 2008	—	—	167,955,998	3	—	480	—	(2,574)	—	(2,091
Net loss and comprehensive loss	—	—	—	—	—	—	—	(1,341)	—	(1,341
Issuance of stock	—	—	1,800,000	—	—	144	(144)	—	—	—
Exercise of stock options, including tax benefits	—	—	2,010,498	—	—	216	—	—	—	216
Vesting of restricted stock units	—	—	1,180,000	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	115	—	—	—	115
Common stock dividends, $0.125 per share	—	—	—	—	—	(955)	—	(20,338)	—	(21,29
Preferred stock dividends	—	—	—	—	—	—	—	(5,575)	—	(5,575
Balance at December 31, 2009	—	—	172,946,496	3	—	—	(144)	(29,828)	—	(29,96
Net loss	—	—	—	—	—	—	—	(389,640)	—	(389,6

Foreign currency translation	—	—	—	—	—	—	—	—	9,875	9,875
Comprehensive loss	—	—	—	—	—	—	—	—	—	(379,7
Adjustment of redeemable noncontrolling interests to redemption value	—	—	—	—	—	(12,425)	—	—	—	(12,42
Stock issued in connection with business combinations	—	—	43,117,156	1	—	348,016	—	—	—	348,01
Proceeds from issuance of stock (net of issuance costs)	18,447,676	2	—	—	—	584,656	—	—	—	584,65
Exercise of stock options, including tax benefits	—	—	1,214,332	—	—	369	(142)	—	—	227
Vesting of restricted stock units	—	—	82,500	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	22,160	—	—	—	22,160
Redemption of preferred stock	(580,384)	—	—	—	—	(55,003)	—	—	—	(55,00
Repurchase of common stock	—	—	(46,664,328)	—	(503,173)	—	—	—	—	(503,1
Reclassification of redeemable preferred stock	11,166,332	1	—	—	—	34,711	—	—	—	34,712
Preferred stock dividends	—	—	—	—	—	(1,362)	—	—	—	(1,362
Balance at December 31, 2010	29,033,624	$3	170,696,156	$4	$(503,173)	$921,122	$(286)	$(419,468)	$9,875	$8,077

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See Notes to Consolidated Financial Statements.

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Consolidated Statements of Cash Flows

GROUPON, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (in thousands)

User-specified TAGGED TABLE

	Year Ended December 31,		
	2008	**2009**	**2010**
Operating activities			
Net loss	$(1,542)	$(1,341)	$(413,386)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	17	80	12,952
Stock-based compensation	24	115	36,168
Deferred income taxes	—	—	(7,349)
Excess tax benefit on stock-based compensation	—	(143)	(32)
Non-cash interest expense	—	—	106
Acquisition-related expense	—	—	203,183
Change in assets and liabilities, net of acquisitions:			

Accounts receivable	—	(601)	(34,905)
Prepaid expenses and other current assets	(4)	(67)	(2,467)
Accounts payable	—	182	50,835
Accrued merchant payable	(3)	4,305	149,044
Accrued expenses and other current liabilities	(18)	5,038	94,592
Due to related parties	—	(20)	(319)
Other	—	(38)	(1,537)
Net cash (used in) provided by operating activities	(1,526)	7,510	86,885
Investing activities			
Purchases of property and equipment	(19)	(290)	(14,681)
Acquisitions of businesses, net of acquired cash	—	—	3,816
Purchases of intangible assets	—	(271)	(922)
Changes in restricted cash	—	(1,400)	(92)
Net cash used in investing activities	(19)	(1,961)	(11,879)
Financing activities			
Issuance of stock, net of issuance costs	4,746	29,946	584,658
Excess tax benefit on stock-based compensation	—	143	32
Loans from related parties	—	—	5,035
Preferred stock distributions	(339)	—	—
Repurchase of common stock	—	—	(503,173)
Proceeds from exercise of stock options	1	72	195
Dividends paid on common and preferred stock	—	(26,363)	(1,299)
Redemption of preferred stock	—	—	(55,003)
Net cash provided by financing activities	4,408	3,798	30,445
Effect of exchange rate changes on cash and cash equivalents	—	—	1,069
Net increase in cash and cash equivalents	2,863	9,347	106,520
Cash and cash equivalents, beginning of year	103	2,966	12,313
Cash and cash equivalents, end of year	$2,966	$12,313	$118,833
Supplemental disclosure of cash flow information			
Income tax payments	—	—	$140
Cash interest payments	—	—	$287
Non-cash investing activity			
Capital expenditures incurred not yet paid	—	$34	$2,379
Contingent consideration given in connection with acquisitions	—	—	$63,180
Issuance of common stock in connection with acquisitions	—	—	$80,200
Non-cash financing activity			
Receivable for stock options exercised not yet paid	—	—	$142
Receivable for stock issuance proceeds not yet paid	—	$144	—
Dividends accrued	$277	$505	$278

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See Notes to Consolidated Financial Statements.

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Notes to Consolidated Financial Statements

Groupon, Inc. Notes to Consolidated Financial Statements

1. Description of Business

Groupon, Inc., together with the subsidiaries through which it conducts business (the "Company"), is a local e-commerce marketplace (www.groupon.com) that connects merchants to consumers by offering goods and services at a discount. The Company, which commenced operations in November 2008, creates a new way for local merchants to attract customers, while providing consumers with savings and helping them discover what to do, eat, see and buy in the places they live and work. Each day, the Company emails its subscribers with discounted offers for goods and services that are targeted by location and personal preferences. Consumers also access deals directly through the Company's website and mobile application.

The Company, based in Chicago, Illinois, was founded by Andrew D. Mason, the Company's CEO, and Eric P. Lefkofsky, the Company's Executive Chairman, and evolved from a business they founded called The Point (www.thepoint.com), which is a web platform that enables users to promote collective action in support of social, educational and other causes. The Point originally was established as a limited liability company ("ThePoint"). Effective January 15, 2008, The Point converted its legal form to a corporation organized and existing under the General Corporation Law of the State of Delaware, and merged with and into ThePoint.com, a newly-established corporation ("ThePoint.com"). ThePoint.com subsequently changed its legal name to Groupon, Inc.

The Company has organized its operations into two principal segments: North America and International. See Note 13 "*Segment Information.*"

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The Company's consolidated financial statements were prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") and include the assets, liabilities, revenues and expenses of all wholly-owned subsidiaries and majority-owned subsidiaries over which the Company exercises control. Outside stockholders' interests in subsidiaries are shown in the consolidated financial statements as "Noncontrolling interests." The consolidated statements of operations include the results of entities acquired from the date of the acquisition for accounting purposes.

Stock Splits

In May 2010, the Company's Board of Directors (the "Board") approved a resolution to effect a three-for-one stock split of the Company's common stock with no corresponding change to the par value. The stock split became effective in August 2010. The Board also approved a two-for-one stock split of the Company's common stock in December 2010 with no corresponding change in par value, which became effective in January 2011. All common share numbers and per share amounts for all periods presented have been adjusted retroactively to reflect both the three-for-one and the two-for-one stock splits.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires estimates and assumptions that affect the reported amounts and classifications of assets and liabilities, revenues and expenses, and the related disclosures of contingent liabilities in the consolidated financial statements and accompanying notes. Estimates are utilized for, but not limited to, stock-based compensation, income

taxes, valuation of acquired goodwill and intangible assets, customer refunds, contingent liabilities and the depreciable lives of fixed assets. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

The Company considers all highly-liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents.

Restricted Cash

The Company had $1.2 and $0.2 million of restricted cash recorded in prepaid expenses and other current assets and other non-currents assets, respectively, at December 31, 2009. The Company had $0.3 million and $0.2 million of restricted cash recorded in prepaid expenses and other current assets and other non-currents assets, respectively, at December 31, 2010. The carrying value of restricted cash approximates fair value.

Accounts Receivable, net

Accounts receivable primarily represent the net cash due from the Company's credit card and other payment processors for cleared transactions. The carrying amount of the Company's receivables is reduced by an allowance for doubtful accounts that reflects management's best estimate of amounts that will not be collected. The allowance is based on historical loss experience and any specific risks identified in collection matters. Accounts receivable are charged off against the allowance for doubtful accounts when it is determined that the receivable is uncollectible. The Company's allowance for doubtful accounts at December 31, 2009 and 2010 was $0 and less than $0.1 million, respectively. The corresponding bad debt expense for the years ended December 31, 2008, 2009 and 2010 was $0, $0 and less than $0.1 million, respectively.

Property and Equipment, net

Property and equipment includes assets such as furniture and fixtures, leasehold improvements, computer hardware, and office and telephone equipment. The Company accounts for property and equipment at cost less accumulated depreciation and amortization. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets (generally three years for computer hardware and office and telephone equipment, five years for furniture and fixtures, and the shorter of the life of the lease or five years for leasehold improvements) and is classified within selling, general and administrative expenses in the consolidated statements of operations. See Note 5 "*Property and Equipment, net*."

Lease Obligations

The Company categorizes leases at their inception as either operating or capital leases, and may receive renewal or expansion options, rent holidays, and leasehold improvement and other incentives on certain lease agreements. The Company recognizes lease costs on a straight-line basis taking into account adjustments for market provisions, such as free or escalating base monthly rental payments, or deferred payment terms such as rent holidays that defer the commencement date of required payments. Additionally, the Company treats any incentives received as a reduction of costs over the term of the agreement. The Company records rent expense associated with lease obligations in selling, general and administrative expenses in the consolidated statements of operations. See Note 7 *"Commitments and Contingencies."*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill and Other Intangible Assets

The Company evaluates goodwill for impairment annually or more frequently when an event occurs or circumstances change that indicates the carrying value may not be recoverable. The Company evaluates the recoverability of goodwill using a two-step impairment test. In the first step, the fair value for the reporting unit is compared to its book value including goodwill. In the case that the fair value is less than the book value, a second step is performed that compares the implied fair value of goodwill to the book value of the goodwill. The fair value for the implied goodwill is determined based on the difference between the fair value of the reporting unit, which is generally based on the discounted future cash flows, and the net fair values of the identifiable assets and liabilities excluding goodwill. If the implied fair value of the goodwill is less than the book value, the difference is recognized as an impairment charge in the consolidated statements of operations. Absent any special circumstances that could require an interim test, the Company has elected to test for goodwill impairment during the fourth quarter of each year.

Accounting guidance for the impairment or disposal of long-lived assets, other than goodwill, also requires that intangible assets with finite lives be amortized over their respective estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. Amortization is computed using the straight-line method over the estimated useful lives of the respective intangible assets, generally from one to five years. See Note 4 "*Goodwill and Other Intangible Assets*."

Loyalty and Rewards Programs

The Company uses various customer loyalty and reward programs to build brand loyalty and provide customers with incentives to buy Groupons. When customers perform qualifying acts, such as providing a referral to a new subscriber or participating in promotional offers, the Company grants the customer credits that can be redeemed for Groupons in the future. The Company accrues the costs related to the associated obligation to redeem the award credits granted at issuance in accrued expenses on the consolidated balance sheets (see Note 6 "*Accrued Expenses*") and records the corresponding offset to revenue on the consolidated statements of operations.

Income Taxes

The provision for income taxes is determined using the asset and liability method. Under this method, deferred tax assets and liabilities are calculated based upon the temporary differences between the financial statement and income tax bases of assets and liabilities using the enacted tax rates that are applicable in a given year. The deferred tax assets are recorded net of a valuation allowance when, based on the weight of available evidence, the Company believes it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. The Company considers many factors when assessing the likelihood of future realization of its deferred tax assets, including recent cumulative earnings experience, expectations of future taxable

income and capital gains by taxing jurisdiction, the carry-forward periods available for tax reporting purposes, and other relevant factors. The Company allocates its valuation allowance to current and long-term deferred tax assets on a pro-rata basis. A change in the estimate of future taxable income may require an increase or decrease to the valuation allowance.

The Company utilizes a two-step approach to recognizing and measuring uncertain tax positions ("tax contingencies"). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. The Company includes interest and penalties related to tax contingencies in the provision for income taxes on the statements of operations. See Note 12 "*Income Taxes*."

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued merchant payable, accrued expenses and loans from related parties, approximate fair value due to their generally short-term maturities. The Company records money market funds and contingent consideration at fair value. See Note 11 "*Fair Value Measurements*."

Revenue Recognition

The Company recognizes revenue from Groupons when the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred; the selling price is fixed or determinable; and collectability is reasonably assured. These criteria generally are met when the number of customers who purchase the daily deal exceeds the predetermined threshold, based on the executed contract between the Company and its merchants. The Company records the gross amount it receives from Groupons, excluding taxes where applicable, as the Company is the primary obligor in the transaction, and records an allowance for estimated customer refunds on total revenue primarily based on historical experience. As noted above, the Company also records costs related to the associated obligation to redeem the award credits granted at issuance as an offset to revenue.

Cost of Revenue

Cost of revenue consists of direct costs incurred to generate the Company's revenue, primarily the agreed-upon payments to the merchants. Cost of revenue components are recorded with the associated revenue and payments are made to merchants based on either negotiated payment schedules or the redemption of Groupons by customers.

Marketing

Marketing expense consists primarily of online marketing costs, such as sponsored search, advertising on social networking sites, email marketing campaigns, affiliate programs, and to a lesser extent, offline marketing costs such as television, radio and print advertising. The Company records these costs in marketing expense on the consolidated statements of operations when incurred.

Stock-Based Compensation

The Company measures stock-based compensation cost at fair value, net of estimated forfeitures, and generally recognizes the corresponding compensation expense on a straight-line basis over the service period during which awards are expected to vest. The Company includes stock-based compensation expense in the selling, general and administrative expenses in the consolidated statements of operations. The fair value of restricted stock units and restricted stock is estimated based on valuations of the Company's (or subsidiaries') stock on the grant date or reporting date if required to be remeasured under

accounting guidance. The fair value of stock options is determined on the date of grant using the Black-Scholes-Merton valuation model. See Note 9 *"Stock-Based Compensation."*

Foreign Currency

Balance sheet accounts of the Company's operations outside of the U.S. are translated from foreign currencies into U.S. dollars at the exchange rates as of the consolidated balance sheet dates. Revenues and expenses are translated at average exchange rates during the period. Foreign currency translation gains or losses are included in accumulated other comprehensive income on the consolidated balance sheet. Gains and losses resulting from foreign currency transactions, which are denominated in currencies other than the entity's functional currency, are included in other income (expense) in the consolidated statements of operations. For the year ended December 31, 2010, the Company had $0.5 million of foreign currency transaction gains.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued accounting guidance, which, among other requirements, defines fair value, establishes a framework for measuring fair value, and expands disclosures about the use of fair value measurements. Such guidance prescribes a single definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial instruments and certain nonfinancial assets and liabilities that are recognized or disclosed at fair value on a recurring basis at least annually, the guidance was effective beginning the first fiscal year that begins after November 15, 2007. This portion of the guidance, which was adopted as of the beginning of fiscal 2008, had no impact on the consolidated financial statements. For all other nonfinancial assets and liabilities, the guidance was effective for fiscal years beginning after November 15, 2008. The Company adopted this guidance effective as of the beginning of fiscal 2009, and its application had no impact on the consolidated financial statements. In January 2010, the FASB issued additional guidance that improves disclosures about fair value measures that were originally required. The new guidance was effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those years. The adoption of this guidance did not impact the Company's financial position or results of operations.

In December 2007, the FASB issued guidance that establishes principles and requirements for determining how a company recognizes and measures the fair value of identifiable assets acquired, liabilities assumed, noncontrolling interests and certain contingent considerations acquired in a business combination. The guidance on business combinations also requires acquisition-related transaction expenses and restructuring costs be expensed as incurred rather than capitalized. This guidance became effective for fiscal years beginning after December 15, 2008 and the Company adopted the provisions of this guidance prospectively beginning in 2009. In December 2010, the FASB issued an update to this guidance, which specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period. The amendments also expand the supplemental pro forma disclosures that are required. The new guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The Company plans to adopt the provisions of this business combinations guidance at the beginning of 2011.

In April 2008, the FASB issued a staff position that amends the list of factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets. This new guidance applies to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. Under this guidance, entities estimating the useful life of a recognized intangible asset must consider their historical experience in renewing or extending similar arrangements or, in the absence of historical experience, must consider assumptions that market participants would use about renewal or extension. This staff position became effective for fiscal years beginning after December 15, 2008. The Company adopted the provisions of this guidance prospectively beginning in 2009, and its application had no impact on the consolidated financial statements.

In June 2009, the FASB issued guidance that establishes the FASB Accounting Standards Codification as the sole source of authoritative U.S. GAAP. Pursuant to these provisions, the Company has incorporated the applicable guidance in its consolidated financial statements. The adoption of this guidance did not impact the consolidated financial statements.

In June 2009, the FASB issued guidance that eliminates the qualifying special purpose entity concept, changes the requirements for derecognizing financial assets and requires enhanced disclosures about transfers of financial assets. The guidance also revises earlier guidance for determining whether an entity is a variable interest entity, requires a new approach for determining who should consolidate a variable interest entity, changes when it is necessary to reassess who should consolidate a variable interest entity, and requires enhanced disclosures related to an enterprise's involvement in variable interest entities. The guidance is effective for the first annual reporting period that begins after November 15, 2009. The Company adopted the provisions of this guidance prospectively beginning in 2010, and its application had no impact on the consolidated financial statements.

In September 2009, the FASB issued guidance that allows companies to allocate arrangement consideration in a multiple element arrangement in a way that better reflects the transaction economics. It provides another alternative for establishing fair value for a deliverable when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined. When this evidence cannot be determined, companies will be required to develop a best estimate of the selling price to separate deliverables and allocate arrangement consideration using the relative selling price method. The guidance also expands the disclosure requirements to require that an entity provide both qualitative and quantitative information about the significant judgments made in applying this guidance. This guidance was effective on a prospective basis for revenue arrangements entered into or materially modified on or after January 1, 2011. The adoption of this guidance did not have a material impact on the consolidated financial statements.

In February 2010, the FASB issued guidance, effective immediately, which removes the requirement to disclose the date through which subsequent events were evaluated in both originally issued and reissued financial statements for Securities and Exchange Commission ("SEC") filers. The adoption of this guidance did not have a material impact on the consolidated financial statements.

In December 2010, the FASB issued guidance about when to perform Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts. According to the new guidance, entities must consider whether it is more likely than not that goodwill impairment exists by assessing if there are any adverse qualitative factors indicating impairment. The qualitative factors are consistent with the existing guidance. The new guidance is

effective for fiscal years, and interim periods within those years,

beginning after December 15, 2010. The adoption of this guidance did not have a material impact on the consolidated financial statements.

3. Acquisitions

CityDeal Europe GmbH Acquisition

In May 2010, the Company entered into a Share Exchange and Transfer Agreement (the "CityDeal Agreement") to acquire CityDeal Europe GmbH ("CityDeal"), a collective buying power business launched in January 2010 that provides daily deals and online marketing services substantially similar to the Company. Headquartered in Berlin, Germany, CityDeal (which, prior to the acquisition, was doing business as CityDeal but now operates under the Groupon MyCityDeal and Groupon CityDeal names) operated in more than 80 European cities and 16 countries including France, Germany, Italy, the Netherlands, Poland, Spain, Turkey and the United Kingdom. As a result of the acquisition, the Company believes it has established a significant presence in the European market by strategically expanding into new geographies and increasing its subscriber base, gained CityDeal management's local expertise in maintaining existing vendor relationships and establishing new relationships, and obtained an assembled workforce that has significant experience and knowledge of the industry.

Under the terms of the CityDeal Agreement, by and among the Company, CityDeal, CD-Rocket Holding UG ("Rocket Holding"), CityDeal Management UG ("CityDeal Management") and Groupon Germany Gbr ("Groupon Germany"), Rocket Holding and CityDeal Management transferred all of the outstanding shares of CityDeal to Groupon Germany, in exchange for $0.6 million in cash and 41,400,000 shares of the Company's voting common stock (valued at $125.4 million as of the acquisition date), and CityDeal merged with and into Groupon Germany with CityDeal as the surviving entity and a wholly-owned subsidiary of the Company. The Company delivered 19,800,000 of such shares of voting common stock in May 2010, with the remaining 21,600,000 shares delivered as of December 31, 2010, due to the achievement of financial and performance earn-out targets discussed below.

In connection with the acquisition, Rocket Holding and CityDeal Management entered into a Shareholders Agreement with the Company. Pursuant to the Shareholders Agreement, the shares of the Company's common stock owned by Rocket Holding, CityDeal Management and their affiliates must be voted in the same manner as the majority-in-interest of the shares of voting common stock held by the Company's founders related to certain material transactions, including an initial public offering of the Company's voting common stock, the authorization, designation or issuance of any new class or series of the Company's capital stock or a material acquisition or asset transfer. In addition, the Company and the former CityDeal shareholders entered into a loan agreement to provide CityDeal with a $25.0 million term loan facility. See Note 14 "*Related Parties.*" The acquisition was accounted for using the purchase method of accounting and the operations of CityDeal were included in the consolidated financial statements from the date of the acquisition. The purchase price was allocated to the tangible assets and intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date, with the remaining unallocated purchase price recorded as goodwill. The fair value assigned to identifiable intangible assets acquired was determined using an income approach for subscriber relationships and trade names, and a cost approach for vendor relationships and developed technology. Purchased identifiable intangible assets are amortized on a straight-line basis over their respective useful lives, which range from one to five years.

The Company had an obligation, as part of the CityDeal Agreement, to transfer additional common stock of the Company to the former shareholders of CityDeal as part of the share exchange, if specified

financial and performance earn-outs targets were achieved. The Company determined that the acquisition-date fair value of this consideration was $62.9 million based on the likelihood of contingent earn-out payments. The Company subsequently remeasured the fair value of the contingent consideration on a recurring basis due to the earnout target not meeting the criteria for equity treatment and recorded a total charge of $204.2 million in acquisition-related expenses for the year ended December 31, 2010, which is reported separately in the consolidated statement of operations with other acquisition-related expenses. The charge resulted primarily due to the significant increase in the value of the Company's common stock from the original valuation date until the date the contingency was settled.

The following table summarizes the purchase price allocations (in thousands). Goodwill of $95.0 million represents the premium the Company paid over the fair value of the net tangible and intangible assets it acquired. None of the goodwill is deductible for tax purposes.

User-specified TAGGED TABLE

Description	Fair Value
Net working capital (including cash of $6.4 million)	$7,331
Property and equipment, net	746
Goodwill	94,992

Intangible assets[(1)]:	
Vendor relationships	5,786
Developed technology	985
Trade names	5,048
Subscriber relationships	28,438
Deferred tax liability	(9,344)
Due to related party	(7,962)
	$126,020

end of user-specified TAGGED TABLE

(1)
Acquired intangible assets have estimated useful lives of between 1 and 5 years.

The following unaudited pro forma information presents a summary of the operating results of the Company for the year ended December 31, 2010, as if the Company had acquired CityDeal as of January 1, 2010 (in thousands).

User-specified TAGGED TABLE

	Groupon, Inc.
	Pro Forma Combined 2010
Revenue	$721,784
Loss from operations	(440,954)
Net loss	(434,239)
Less: Net loss attributable to noncontrolling interests	27,986
Net loss attributable to Groupon, Inc.	$(406,253)

end of user-specified TAGGED TABLE
Revenue and net loss for CityDeal for the period from May 16, 2010 to December 31, 2010 was $222.1 million and $126.6 million, respectively.

Qpod.inc Acquisition

In August 2010, the Company acquired Qpod.inc ("Qpod"), a Japanese corporation established in June 2010, which operates a collective buying power business that provides daily deals and online marketing services substantially similar to the Company. Headquartered in Tokyo, Japan, Qpod launched

its daily deals services in July 2010. As a result of the acquisition, the Company believes it has established a significant presence in the Japanese market by increasing its subscriber base, gained Qpod management's local expertise in establishing new vendor relationships, and obtained an assembled workforce that has knowledge of the industry.

Under the terms of the purchase agreement, the Company acquired approximately 55.1% of the total issued and outstanding capital stock of Qpod in exchange for $10.2 million in cash. In conjunction with the acquisition, the Company entered into an agreement with certain founding members and other shareholders of Qpod, which provided the Company with call rights that allow it to buy a percentage of the remaining shares of Qpod. Exercising all of the call rights would entitle the Company to an aggregate of up to 90% of the outstanding capital stock of Qpod. Additionally, the remaining Qpod shareholders have put rights to sell their outstanding capital stock to the Company in the event of an initial public offering of the Company, subject to certain conditions, which if exercised in full, would give the Company up to an aggregate of 90% of the outstanding capital stock of Qpod. Management determined that Qpod is not a variable interest entity and therefore consolidated Qpod under the traditional voting interest model since the Company has a controlling financial interest in Qpod and the non-controlling interest holders do not have the right to vote on any ordinary course of business decisions.

The acquisition was accounted for using the purchase method of accounting and the operations of Qpod were included in the consolidated financial statements from the date of the acquisition. The purchase price and fair value of the noncontrolling interest were allocated to the tangible assets and intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date, with the remaining unallocated amount recorded as goodwill. The fair value assigned to identifiable intangible assets acquired and the noncontrolling interest was determined using an income approach for subscriber relationships and trade names, a cost approach for vendor relationships and developed technology and assuming a discount for lack of control to value the noncontrolling interest. Purchased identifiable intangible assets are amortized on a straight-line basis over their respective useful lives, which range from one to five years.

THIS IS THE END OF A COMPOSITION COMPONENT

3. ACQUISITIONS (Continued)

The following table summarizes the allocation of the purchase price of $10.2 million and the fair value of noncontrolling interest of $8.5 million as of the acquisition date (in thousands). Goodwill of $7.0 million represents the premium the Company paid over the fair value of the net tangible and intangible assets it acquired. None of the goodwill is deductible for tax purposes.

User-specified TAGGED TABLE

Description	Fair Value
Net working capital (including cash of $11.0 million)	$10,384
Property and equipment, net	31
Goodwill	7,031
Intangible assets[(1)]:	
Vendor relationships	200
Developed technology	60
Trade names	20
Subscriber relationships	1,000
	$18,726

end of user-specified TAGGED TABLE

(1) Acquired intangible assets have estimated useful lives of between 1 and 5 years.

The following unaudited pro forma information presents the operating results of the Company for the year ended December 31, 2010, as if the Company had acquired Qpod as of January 1, 2010 (in thousands).

User-specified TAGGED TABLE

	Groupon, Inc. Pro Forma Combined 2010
Revenue	$713,630
Loss from operations	(421,977)
Net loss	(415,052)
Less: Net loss attributable to noncontrolling interests	23,746
Net loss attributable to Groupon, Inc.	$(391,306)

end of user-specified TAGGED TABLE

The noncontrolling interest is redeemable at the option of the holder as of December 31, 2010. The Company recorded $11.6 million in "Additional paid-in capital" to adjust the noncontrolling interest to its redemption value as of December 31, 2010. For the year ended December 31, 2010, there was $20.3 million of the net loss and $0.2 million of other comprehensive income related to foreign currency translation attributed to Qpod.

The revenue and net loss for Qpod for the period from August 12 to December 31, 2010 was $27.8 million and $45.0 million, respectively.

Other Acquisitions

In 2010, the Company acquired certain other entities (excluding CityDeal and Qpod) for an aggregate purchase price of $34.8 million, consisting of $16.8 million in cash and the issuance of shares of the Company's voting common stock (valued at $18.0 million). The primary reasons for these acquisitions were to establish the Company's presence in selected Asia Pacific and Latin American markets, by strategically expanding into new geographies and increasing the Company's subscriber base, to obtain an assembled

3. ACQUISITIONS (Continued)

workforce that has experience and knowledge of the industry, and to gain local expertise in establishing new vendor relationships. In addition, the Company acquired two U.S.-based businesses that specialize in local marketing services and developing mobile technology to help expand and advance the Company's product offerings.

The acquisitions were accounted for using the purchase method of accounting and the operations of these acquired companies were included in the consolidated financial statements from the date of the acquisition. The purchase price and fair value of the noncontrolling interests were allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on their corresponding acquisition date, with the remaining unallocated amount recorded as goodwill. The fair value assigned to identifiable intangible assets acquired and noncontrolling interest was determined using an income approach for subscriber relationships and trade names, a cost approach for vendor relationships and developed technology and assuming a discount for lack of control to value the noncontrolling interest. Purchased identifiable intangible assets are amortized on a straight-line basis over their respective useful lives, which range from one to five years.

The following table summarizes the allocation of the combined purchase price of $34.8 million and the fair value of noncontrolling interest of $4.2 million as of the acquisition date (in thousands). Goodwill of $21.5 million represents the premium the Company paid over the fair value of the net tangible and intangible assets it acquired. None of the goodwill is deductible for tax purposes.

User-specified TAGGED TABLE

Description	Fair Value
Net working capital (including cash of $14.1 million)	$11,544
Property and equipment, net	266
Goodwill	21,464
Intangible assets[(1)]:	
Vendor relationships	290
Developed technology	920
Trade names	110
Subscriber relationships	4,390
	$38,984

end of user-specified TAGGED TABLE

(1) Acquired intangible assets have estimated useful lives of between 1 and 5 years.

The financial effect of these acquisitions, individually and in the aggregate, was not material to the consolidated financial statements. Pro forma results of operations have not been presented because the effects of these business combinations, individually and in the aggregate, were not material to the consolidated results of operations as most of the acquisitions were start-up businesses.

Certain of the noncontrolling interests are redeemable at the option of the holders as of December 31, 2010. The Company attributed $2.0 million of the net loss to the noncontrolling interests and recorded $0.9 million in "Additional paid-in capital" to adjust the noncontrolling interests to their redemption value as of December 31, 2010.

4. Goodwill and Other Intangible Assets

The following summarizes the Company's goodwill activity in 2010 (in thousands):

User-specified TAGGED TABLE

	North America	International	Consolidated
Balance as of December 31, 2009	$—	$—	$—
Goodwill related to the CityDeal acquisition	—	94,992	94,992
Goodwill related to the Qpod.inc acquisition	—	7,031	7,031
Goodwill related to other acquisitions	19,605	1,859	21,464
Other adjustments[(1)]	—	8,551	8,551
Balance as of December 31, 2010	$19,605	$112,433	$132,038

end of user-specified TAGGED TABLE

(1) Includes changes in foreign exchange rates for goodwill.

The following summarizes the Company's other intangible assets (in thousands):

User-specified TAGGED TABLE

	As of December 31, 2009			
Asset Category	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted-Average Remaining Useful Life (in years)
Subscriber relationships	$—	$—	$—	$—
Merchant relationships	—	—	—	—
Trade names	—	—	—	—
Developed technology	—	—	—	—
Other intangible assets	270	31	239	4.4
	$270	$31	$239	4.4

end of user-specified TAGGED TABLE User-specified TAGGED TABLE

	As of December 31, 2010			
Asset Category	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted-Average Remaining Useful Life (in years)
Subscriber relationships	$36,389	$3,760	$32,629	4.5
Merchant relationships	6,789	3,801	2,988	0.5
Trade names	5,619	3,230	2,389	0.4
Developed technology	2,054	395	1,659	1.6
Other intangible assets	1,263	153	1,110	3.8
	$52,114	$11,339	$40,775	3.8

end of user-specified TAGGED TABLE

Amortization expense for these intangible assets was less than $0.1 million and $11.0 million for the years ended December 31, 2009 and 2010, respectively. There was no amortization expense recorded in

2008 since all intangible assets were acquired in 2009 and 2010. The following summarizes the Company's estimated future amortization expense of these intangible assets as of December 31, 2010 (in thousands):

User-specified TAGGED TABLE

Year Ended December 31,	
2011	$14,106
2012	8,110
2013	7,481
2014	7,449
2015	3,629
	$40,775

end of user-specified TAGGED TABLE

5. Property and Equipment, Net

The following summarizes the Company's property and equipment, net as of December 31 (in thousands):

User-specified TAGGED TABLE

	2009	2010
Furniture and fixtures	$258	$6,691
Leasehold improvements	—	5,233
Computer hardware and other	—	3,396
External software	33	1,767

Office and telephone equipment	57	1,408
Property and equipment	348	18,495
Less: accumulated depreciation and amortization	(74)	(2,005)
Property and equipment, net	$274	$16,490

end of user-specified TAGGED TABLE

Depreciation expense on property and equipment was less than $0.1 million for the years ended December 31, 2008 and 2009 and $1.9 million for the year ended December 31, 2010.

6. Accrued Expenses

The following summarizes the Company's accrued expenses as of December 31(in thousands):

User-specified TAGGED TABLE

	2009	2010
Marketing	$572	$48,244
Refunds reserve	2,932	13,938
Payroll and benefits	337	12,187
Customer rewards	199	8,333
Rent	26	3,169
Credit card fees	301	2,500
Professional fees	—	2,341
Other	469	7,611
	$4,836	$98,323

end of user-specified TAGGED TABLE

7. Commitments and Contingencies

Operating Leases

The Company has entered into various non-cancelable operating lease agreements, primarily covering certain of its offices throughout the world, with original lease periods expiring between 2011 and 2017. Rent expense under these operating leases was less than $0.1 million, $0.2 million and $3.7 million for the years ended December 31, 2008, 2009 and 2010, respectively.

Certain of these arrangements have renewal or expansion options and adjustments for market provisions, such as free or escalating base monthly rental payments. The Company recognizes rent expense under such arrangements on the straight-line basis over the initial term of the lease. The difference between the straight-line expense and the cash paid for rent has been recorded as deferred rent.

The Company is responsible for paying its proportionate share of the actual operating expenses and real estate taxes under certain of these lease agreements. These operating expenses are not included in the table below. At December 31, 2010, future payments under operating leases (including rent escalation clauses) were as follows (in thousands):

User-specified TAGGED TABLE

Year Ended December 31,	
2011	$10,780
2012	6,054
2013	3,964
2014	3,200
2015	3,067
Thereafter	3,625
	$30,690

end of user-specified TAGGED TABLE

Purchase Obligations

The Company entered into a non-cancelable service contract, primarily covering marketing services, which expires in 2012. At December 31, 2010, future payments under this contractual obligation were as follows (in thousands):

User-specified TAGGED TABLE

Year Ended December 31,	
2011	$906
2012	227
2013	–
2014	–
2015	–
Thereafter	–
	$1,133

end of user-specified TAGGED TABLE

Letter of Credit

The Company is contingently liable under an irrevocable letter of credit. The letter of credit is in lieu of a security deposit and is required under a sublease agreement, which began in April 2010. The letter of credit, which is included in other non-current assets and prepaid expenses and other current assets on the

consolidated balance sheet at December 31, 2009 and December 31, 2010, respectively, is for $0.2 million and expired on June 1, 2011.

Legal Matters

The Company currently is involved in several disputes or regulatory inquiries, including suits by its customers (individually or as class actions) alleging, among other things, violation of the Credit Card Accountability, Responsibility and Disclosure Act and state laws governing gift cards, stored value cards and coupons, violations of unclaimed and abandoned property laws and violations of privacy laws. The number of these disputes and inquiries is increasing. Any claims or regulatory actions against the Company, whether meritorious or not, could be time consuming, result in costly litigation, damage awards, injunctive relief or increased costs of doing business through adverse judgment or settlement, require the Company to change its business practices in expensive ways, require significant amounts of management time, result in the diversion of significant operational resources or otherwise harm the Company's business.

In addition, third parties have from time to time claimed, and others may claim in the future, that the Company has infringed their intellectual property rights. The Company is subject to intellectual property disputes, and expects that it will increasingly be subject to intellectual property infringement claims as its services expand in scope and complexity. The Company has in the past been forced to litigate such claims. The Company may also become more vulnerable to third-party claims as laws such as the Digital Millennium Copyright Act are interpreted by the courts, and as the Company becomes subject to laws in jurisdictions where the underlying laws with respect to the potential liability of online intermediaries are either unclear or less favorable. The Company believes that additional lawsuits alleging that it has violated patent, copyright or trademark laws will be filed against it. Intellectual property claims, whether meritorious or not, are time consuming and costly to resolve, could require expensive changes in the Company's methods of doing business, or could require it to enter into costly royalty or licensing agreements.

From time to time, the Company may become party to additional litigation incident to the ordinary course of business. The Company assesses the likelihood of any adverse judgments or outcomes with respect to these matters and determines loss contingency assessments on a gross basis after assessing the probability of incurrence of a loss and whether a loss is reasonably estimable. In addition, the Company considers other relevant factors that could impact its ability to reasonably estimate a loss. A determination of the amount of reserves required, if any, for these contingencies is made after analyzing each matter. The Company's reserves may change in the future due to new developments or changes in strategy in handling these matters. Although the results of litigation and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these matters will not have a material adverse effect on its business, consolidated financial position, results of operations, or cash flows. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors.

Indemnifications

In the normal course of business to facilitate transactions related to its operations, the Company indemnifies certain parties, including lessors and from time to time merchants with respect to certain matters. The Company has agreed to hold certain parties harmless against losses arising from a breach of representations or covenants, or other claims made against certain parties. These agreements may limit the

7. COMMITMENTS AND CONTINGENCIES (Continued)

time within which an indemnification claim can be made and the amount of the claim. In addition, the Company has entered into indemnification agreements with its officers and directors, and the bylaws contain similar indemnification obligations to agents.

It is not possible to determine the maximum potential amount under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Historically, the payments that the Company has made under these agreements have not had a material impact on the operating results, financial position, or cash flows of the Company.

8. Stockholders' Equity (Deficit)

ThePoint.com, a Delaware LLC, sold an aggregate amount of 159,895,998 common units in 2006 and 2007 to certain equity holders including members of management and the Board for $1.0 million, and used the proceeds from the sale for working capital and general corporate purposes. On January 15, 2008, these equity holders contributed to the Company all of the outstanding membership interests in ThePoint.com in exchange for equity interests in the Company, and ThePoint.com merged with and into the Company with the Company surviving as the surviving corporation.

Common Stock

The Board has authorized two classes of common stock, voting and non-voting. At December 31, 2010, there were 500,000,000 and 100,000,000 shares authorized and there were 165,616,260 and 5,079,896 shares outstanding of voting and non-voting common stock, respectively. The rights of the holders of voting and non-voting common stock are identical, except with respect to voting. Each share of voting common stock is entitled to one vote per share while the non-voting common stock has no voting rights, except as required by law. Shares of non-voting common stock automatically convert into shares of voting common stock immediately upon the closing of a firmly underwritten public offering covering the offer and sale of common stock for the Company's account (an "initial public offering"). Voting and non-voting common stock are collectively referred to as common stock throughout the notes to these financial statements unless otherwise noted.

In May 2010, the Board approved a resolution to effect a three-for-one stock split of the Company's common stock with no corresponding change to the par value. The stock split became effective in August 2010. The Board also approved a two-for-one stock split of the Company's common stock in December 2010 with no corresponding change in par value, which became effective in January 2011. All common share numbers and per share amounts for all periods presented have been adjusted retroactively to reflect both the three-for-one and the two-for-one stock split.

The Company issues stock-based awards to its employees in the form of stock options, restricted stock units and restricted stock, all of which have the potential to increase the outstanding shares of common stock in the future. See Note 9 *"Stock-Based Compensation."*

Upon any liquidation, dissolution or winding up of the Company (a "liquidation event"), the remaining assets of the Company will be distributed ratably among all preferred and common stockholders only after the payment of the full Series G Convertible Preferred Stock ("Series G Preferred") liquidation preference of $450.0 million has been satisfied.

THIS IS THE END OF A COMPOSITION COMPONENT

GROUPON, INC.

8. STOCKHOLDERS' EQUITY (DEFICIT) (Continued)

Convertible Preferred Stock

The Company authorized 199,998 shares of Series B Convertible Preferred Stock ("Series B Preferred"), 6,560,174 shares of Series D Convertible Preferred Stock ("Series D Preferred"), 4,406,160 shares of Series E Convertible Preferred Stock ("Series E Preferred"), 4,202,658 shares of Series F Convertible Preferred Stock ("Series F Preferred") and up to 30,075,690 shares of Series G Preferred. The Series B Preferred, Series D Preferred, Series E Preferred, Series F Preferred and Series G Preferred, collectively, are referenced below as the "Series Preferred." The rights, preferences, privileges, restrictions and other matters relating to the Series Preferred are as follows:

Series B Preferred

In 2007, the Company authorized the sale and issuance of 199,998 shares of Series B Preferred for less than $0.1 million, and used the proceeds from the sale for working capital and general corporate purposes. There were 199,998 shares outstanding at December 31, 2009 and 2010, respectively. The holders of Series B Preferred were entitled to annual dividends payable at a rate of 6% of the Series B Preferred original issue price. The dividends were cumulative and accrued from the date of issue while the shares were redeemable at the option of the holders. These dividend rights were subsequently rescinded by the Board in December 2010. As of December 31, 2009 and 2010, there was less than $0.1 million of accrued preferred dividends due to Series B Preferred holders. The Company recorded the accrued dividends as a reduction to "Additional paid-in capital" or "Accumulated deficit." The holders of Series B Preferred also are entitled to receive, on an as-converted to voting common stock basis, any other dividend or distribution when, as and if declared by the Board, participating equally with the holders of common stock and the holders of Series Preferred.

Holders of Series B Preferred are entitled to the number of votes equal to the product obtained by multiplying (i) the number of shares of voting common stock into which their shares of Series B Preferred could be converted and (ii) 150. In addition, the Series B Preferred holders are entitled to receive, upon a liquidation event, the amount that would have been received if all shares of Series Preferred had been converted into voting common stock immediately

prior to such liquidation event, only after the payment of the full Series G Preferred liquidation preference has been satisfied. If, upon the liquidating event, the assets of the Company are insufficient to fully pay the amounts owed to Series B Preferred holders, all distributions would be made ratably in proportion to the full amounts to which preferred and common stockholders would have otherwise been entitled. In the event that the Company is a party to an acquisition or asset transfer, each holder of Series B Preferred is entitled to receive the amount of cash, securities, or other property to which such holder would be entitled to receive in a liquidation event.

Each share of Series B Preferred shall automatically be converted into shares of voting common stock upon the earliest of the following events to occur: (i) holders of at least 50% of the outstanding shares of Series B Preferred consent to a conversion, or (ii) upon any sale, assignment, transfer, conveyence, hypothecation or other disposition of any legal or beneficial interest in such shares, whether or not for value and whether voluntary or involuntary or by operation of law, subject to certain exceptions. The number of shares of voting common stock to which a Series B Preferred stockholder is entitled upon conversion is calculated by multiplying the applicable conversion rate then in effect (currently 6.0) by the number of Series B Preferred shares to be converted. The conversion rate for the Series B Preferred shares is subject to change in accordance with anti-dilution provisions contained in the agreement with those holders. More specifically, the conversion price is subject to adjustment to prevent dilution on a weighted-average basis in the event that the Company issues additional shares of common stock or securities

convertible or exercisable for common stock at a purchase price less than the then effective conversion price. As of December 31, 2009 and 2010, 1,199,988 shares of voting common stock would have been required to be issued assuming conversion of all of the issued and outstanding shares of Series B Preferred.

The Company evaluated various components of the Series B Preferred, including redemption features, dividend and voting rights, protective covenants and conversion rights. The Company concluded that the Series B Preferred was redeemable at the option of the holder at December 31, 2009 and classified the Series B Preferred in mezzanine equity. The Series B Preferred was not adjusted to its redemption value because it was not probable the holders would redeem at December 31, 2009. The Company subsequently reevaluated its conclusion due to the elimination of the holders' redemption rights in December 2010, and determined that the Series B Preferred should be classified as an equity instrument as of December 31, 2010.

Series D Preferred

In January 2008, the Company authorized the sale and issuance of 6,560,174 shares of Series D Preferred for $4.8 million in gross proceeds (or $4.7 million, net of issuance costs), and used the proceeds from the sale for working capital and general corporate purposes. There were 6,560,174 shares and 6,258,297 shares outstanding at December 31, 2009 and 2010, respectively. The holders of Series D Preferred were entitled to annual dividends payable at a rate of 6% of the Series D Preferred original issue price. The dividends were cumulative and accrued from the date of issue while the shares were redeemable at the option of the holder. These dividend rights were subsequently rescinded by the Board in December 2010. As of December 31, 2009 and 2010, the accrued preferred dividends due to Series D Preferred holders were $0.6 million and $0.8 million, respectively. The Company recorded the accrued dividends as a reduction to "Additional paid-in capital" or "Accumulated deficit." The holders of Series D Preferred also are entitled to receive, on an as-converted to voting common stock basis, any other dividend or distribution when, as and if declared by the Board, participating equally with the holders of common stock and the holders of Series Preferred.

Holders of Series D Preferred are entitled to the number of votes equal to the number of shares of voting common stock into which their shares of Series D Preferred could be converted. In addition, the Series D Preferred holders are entitled to receive, upon a liquidation event, the amount that would have been received if all shares of Series Preferred had been converted into voting common stock immediately prior to such liquidation event, only after the payment of the full Series G Preferred liquidation preference has been satisfied. If, upon the liquidating event, the assets of the Company are insufficient to fully pay the amounts owed to Series D Preferred holders, all distributions would be made ratably in proportion to the full amounts to which preferred and common stockholders would have otherwise been entitled. In the event that the Company is a party to an acquisition or asset transfer, each holder of Series D Preferred is entitled to receive the amount of cash, securities, or other property to which such holder would be entitled to receive in a liquidation event.

Each share of Series D Preferred shall automatically be converted into shares of voting common stock upon the earliest of the following events to occur: (i) holders of at least 50% of the outstanding shares of Series D Preferred consent to a conversion, or (ii) immediately upon the closing of an initial public offering. The number of shares of voting common stock to which a Series D Preferred stockholder is entitled upon conversion is calculated by multiplying the applicable conversion rate then in effect (currently 6.0) by the number of Series D Preferred shares to be converted. The conversion rate for the

Series D Preferred shares is subject to change in accordance with anti-dilution provisions contained in the agreement with those holders. More specifically, the conversion price is subject to adjustment to prevent dilution on a weighted-average basis in the event that the Company issues additional shares of common stock or securities convertible or exercisable for common stock at a purchase price less than the then effective conversion price. As of December 31, 2009 and 2010, the number of shares of voting common stock that would have been required to be issued assuming conversion of all of the issued and outstanding shares of Series D Preferred was 39,361,044 and 37,549,782 respectively.

The Company evaluated various components of the Series D Preferred, including redemption features, dividend and voting rights, protective covenants and conversion rights. The Company concluded that the Series D Preferred was redeemable at the option of the holder at December 31, 2009 and classified the Series D Preferred in mezzanine equity. The Series D Preferred was not adjusted to its redemption value because it was not probable the holders would

redeem at December 31, 2009. The Company subsequently reevaluated its conclusion due to the elimination of the holders' redemption rights in December 2010, and determined that the Series D Preferred should be classified as an equity instrument as of December 31, 2010.

Series E Preferred

In November 2009, the Company authorized the sale and issuance of 4,406,160 shares of Series E Preferred for $30.0 million in gross proceeds (or $29.9 million, net of issuance costs), and used $26.4 million of the proceeds from the sale to fund a dividend paid to holders of the Company's capital stock on a pro-rata basis and the remainder for working capital and general corporate purposes. The Company recorded the dividend payments as a reduction to "Accumulated deficit," and to a lesser extent, "Additional paid-in capital." There were 4,406,160 shares and 4,127,653 shares outstanding at December 31, 2009 and 2010, respectively. The holders of Series E Preferred were entitled to annual dividends payable at a rate of 6% of the Series E Preferred original issue price. The dividends were cumulative and accrued from the date of issue. These dividend rights were subsequently rescinded by the Board in December 2010. As of December 31, 2009 and 2010, the accrued preferred dividends due to Series E Preferred holders were $0.2 million and $0, respectively. The holders of Series E Preferred also are entitled to receive, on an as-converted to voting common stock basis, any other dividend or distribution when, as and if declared by the Board, participating equally with the holders of common stock and the holders of Series Preferred.

Holders of Series E Preferred are entitled to the number of votes equal to the number of shares of voting common stock into which their shares of Series E Preferred could be converted. In addition, the Series E Preferred holders are entitled to receive, upon a liquidation event, the amount that would have been received if all shares of Series Preferred had been converted into voting common stock immediately prior to such liquidation event, only after the payment of the full Series G Preferred liquidation preference has been satisfied. If, upon the liquidating event, the assets of the Company are insufficient to fully pay the amounts owed to Series E Preferred holders, all distributions would be made ratably in proportion to the full amounts to which preferred and common stockholders would have otherwise been entitled. In the event that the Company is a party to an acquisition or asset transfer, each holder of Series E Preferred is entitled to receive the amount of cash, securities, or other property to which such holder would be entitled to receive in a liquidation event.

Each share of Series E Preferred shall automatically be converted into shares of voting common stock upon the earliest of the following events to occur: (i) holders of at least 50% of the outstanding shares of Series E Preferred consent to a conversion, or (ii) immediately upon the closing of an initial public offering. The number of shares of voting common stock to which a Series E Preferred stockholder is entitled upon conversion is calculated by multiplying the applicable conversion rate then in effect (currently 6.0) by the number of Series E Preferred shares to be converted. The conversion rate for the Series E Preferred shares is subject to change in accordance with anti-dilution provisions contained in the agreement with those holders. More specifically, the conversion price is subject to adjustment to prevent dilution on a weighted-average basis in the event that the Company issues additional shares of common stock or securities convertible or exercisable for common stock at a purchase price less than the then effective conversion price. As of December 31, 2009 and 2010, the number of shares of voting common stock that would have been required to be issued assuming conversion of all of the issued and outstanding shares of Series E Preferred was 26,436,960 and 24,765,918, respectively.

The Company evaluated various components of the Series E Preferred, including redemption features, dividend and voting rights, protective covenants and conversion rights. The Company concluded that the Series E Preferred was redeemable at the option of the holders at December 31, 2009 and classified the Series E Preferred in mezzanine equity. The Series E Preferred was not adjusted to its redemption value because it was not probable the holder would redeem at December 31, 2009. The Company subsequently reevaluated its conclusion due to the elimination of the holders' redemption rights in December 2010, and determined that the Series E Preferred should be classified as an equity instrument as of December 31, 2010.

Series F Preferred

In April 2010, the Company authorized the sale and issuance of 4,202,658 shares of Series F Preferred for $135.0 million in gross proceeds (or $134.9 million, net of issuance costs), and used $119.9 million of the proceeds from the sale to redeem shares of its outstanding common stock held by certain shareholders and the remainder for working capital and general corporate purposes. All shares of Series F Preferred were outstanding at December 31, 2010. The holders of Series F Preferred were not entitled to annual preferred dividends, but are entitled to receive, on an as-converted to voting common stock basis, any other dividend or distribution when, as and if declared by the Board, participating equally with the holders of common stock and the holders of Series Preferred.

Holders of Series F Preferred are entitled to the number of votes equal to the number of shares of voting common stock into which their shares of Series F Preferred could be converted. In addition, the Series F Preferred holders are entitled to receive, upon a liquidation event, the amount that would have been received if all shares of Series Preferred had been converted into voting common stock immediately prior to such liquidation event, only after the payment of the full Series G Preferred liquidation preference has been satisfied. If, upon the liquidating event, the assets of the Company are insufficient to fully pay the amounts owed to Series F Preferred holders, all distributions would be made ratably in proportion to the full amounts to which preferred and common stockholders would have otherwise been entitled. In the event that the Company is a party to an acquisition or asset transfer, each holder of Series F Preferred is entitled to receive the amount of cash, securities, or other property to which such holder would be entitled to receive in a liquidation event.

8. STOCKHOLDERS' EQUITY (DEFICIT) (Continued)

Each share of Series F Preferred shall automatically be converted into shares of voting common stock upon the earliest of the following events to occur: (i) holders of at least 50% of the outstanding shares of Series F Preferred consent to a conversion, or (ii) immediately upon the closing of an initial public offering. The number of shares of voting common stock to which a Series F Preferred stockholder is entitled upon conversion is calculated by multiplying the applicable conversion rate then in effect (currently 6.0) by the number of Series F Preferred shares to be converted. The conversion rate for the Series F Preferred shares is subject to change in accordance with anti-dilution provisions contained in the agreement with those holders. More specifically, the conversion price is subject to adjustment to prevent dilution on a weighted-average basis in the event that the Company issues additional shares of common stock or securities convertible or exercisable for common stock at a purchase price less than the then effective conversion price. As of December 31, 2009 and 2010, 25,215,948 shares of voting common stock would have been required to be issued assuming conversion of all of the issued and outstanding shares of Series F Preferred.

Series G Preferred

In December 2010, the Company authorized the sale of 30,075,690 shares of Series G Preferred and the initial issuance of 14,245,018 shares of Series G Preferred for $450.0 million in gross proceeds (or $449.7 million, net of issuance costs), and used $438.3 million of the proceeds from the sale to redeem shares of its outstanding common stock and preferred stock held by certain shareholders and the remainder for working capital and general corporate purposes. All issued shares of Series G Preferred were outstanding at December 31, 2010. The holders of Series G Preferred are not entitled to annual preferred dividends, but are entitled to receive, on an as-converted to voting common stock basis, any other dividend or distribution when, as and if declared by the Board, participating equally with the holders of common stock and the holders of Series Preferred.

Holders of Series G Preferred are entitled to the number of votes equal to the number of shares of voting common stock into which their shares of Series G Preferred could be converted. In addition, the Series G Preferred holders are entitled, before any distribution or payment is made upon any Series B Preferred, Series D Preferred, Series E Preferred, Series F Preferred or common stock, to be paid an amount per share equal to 100% of the Series G Preferred original price, plus all declared but unpaid dividends on the Series G Preferred. If, upon the liquidating event, the assets of the Company are insufficient to fully pay the amounts owed to Series G Preferred holders, all distributions would be made ratably in proportion to the full amounts to which Series G Preferred holders would have otherwise been entitled. In the event that the Company is a party to an acquisition or asset transfer, each holder of Series G Preferred is entitled to receive the amount of cash, securities, or other property to which such holder would be entitled to receive in a liquidation event.

Each share of Series G Preferred shall automatically be converted into shares of voting common stock upon the earliest of the following events to occur: (i) holders of at least 50% of the outstanding shares of Series G Preferred consent to a conversion, or (ii) immediately upon the closing of an initial public offering. The number of shares of voting common stock to which a Series G Preferred stockholder is entitled upon conversion is calculated by multiplying the applicable conversion rate then in effect (currently 2.0) by the number of Series G Preferred shares to be converted. The conversion rate for the Series G Preferred shares is subject to change in accordance with anti-dilution provisions contained in the agreement with those holders. More specifically, the conversion price is subject to adjustment to prevent dilution on a weighted-average basis in the event that the Company issues additional shares of common

8. STOCKHOLDERS' EQUITY (DEFICIT) (Continued)

stock or securities convertible or exercisable for common stock at a purchase price less than the then effective conversion price. As of December 31, 2010, 28,490,036 shares of voting common stock would have been required to be issued assuming conversion of all of the issued and outstanding shares of Series G Preferred.

Stock Repurchase Activity

In April 2010 and December 2010, the Board authorized the Company to repurchase shares of its capital stock held by certain holders, using a portion of the proceeds from the sale of Series F Preferred and the sale of Series G Preferred, respectively. The Company repurchased 46,664,328 shares of common stock for $503.2 million, which was recorded as "Treasury stock," and 580,384 shares of preferred stock for $55.0 million, which was recorded as a reduction to "Additional paid-in capital," on the consolidated balance sheet at December 31, 2010.

9. Stock-based Compensation

Groupon, Inc. Stock Plans

In January 2008, the Company adopted the ThePoint.com 2008 Stock Option Plan, as amended (the "2008 Plan"), under which options for up to 32,309,250 shares of common stock were authorized to be issued to employees, consultants, and directors of ThePoint.com, which is now the Company. In April 2010, the Company established the Groupon, Inc. 2010 Stock Plan, as amended (the "2010 Plan"), under which stock options and restricted stock units ("RSUs") for up to 7,000,000 shares of non-voting common stock were authorized for future issuance to employees, consultants and directors of the Company. The 2008 Plan and the 2010 Plan (the "Plans") are administered by the Board, who determine the number of awards to be issued, the corresponding vesting schedule and the exercise price for options. As of December 31, 2010, 1,997,700 shares were available for future issuance under the Plans. In addition to the Plans, the Company has issued stock options, restricted stock and RSUs that are governed by employment agreements, some of which are still unvested and outstanding.

Stock Options

The exercise price of stock options granted is equal to the fair market value of the underlying stock on the date of grant. The contractual term for stock options expires ten years from the grant date. Stock options generally vest over a three or four-year period, with 25% of the awards vesting after one year and the remainder of the awards vesting on a monthly basis thereafter. The fair value of stock options on the date of grant is amortized on a straight-line basis over the requisite service period.

9. STOCK-BASED COMPENSATION (Continued)

The table below summarizes the stock option activity during the years ended December 31, 2008, 2009 and 2010:

User-specified TAGGED TABLE

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)[a]
Outstanding at December 31, 2007	1,656,000	$0.02	9.40	$—
Granted	1,110,000	$0.03	9.72	
Exercised	(60,000)	$0.02	8.50	
Forfeited	—	—	—	
Outstanding at December 31, 2008	2,706,000	$0.02	8.94	$66
Granted	7,245,000	$0.17	9.54	
Exercised	(2,010,498)	$0.04	8.16	
Forfeited	(942,000)	$0.10	9.31	
Outstanding at December 31, 2009	6,998,502	$0.16	9.35	$6,274
Granted	8,765,200	$3.05	9.32	
Exercised	(1,214,332)	$0.16	7.79	
Forfeited	(816,518)	$0.27	8.58	
Outstanding at December 31, 2010	13,732,852	$2.00	9.00	$189,406
Exercisable at December 31, 2010	1,733,574	$0.29	8.43	$26,872

end of user-specified TAGGED TABLE

(a) The aggregate intrinsic value of options outstanding and exercisable represents the total pretax intrinsic value (the difference between the fair value of the Company's stock on the last day of each fiscal year and the exercise price, multiplied by the number of options where the exercise price exceeds the fair value) that would have been received by the option holders had all option holders exercised their options as of December 31, 2008, 2009 and 2010, respectively.

The fair value of stock options granted is estimated on the date of grant using the Black-Scholes-Merton option-pricing model. Expected volatility is based on historical volatilities for publicly-traded options of comparable companies over the estimated expected life of the stock options. The expected term represents the period of time the stock options are expected to be outstanding and is based on the "simplified method." The Company used the "simplified method" due to the lack of sufficient historical exercise data to provide a reasonable basis upon which to otherwise estimate the expected life of the stock options. The risk-free interest rate is based on yields on U.S. Treasury STRIPS with a maturity similar to the estimated expected life of the stock options. The weighted-average assumptions for stock options granted during the years ended December 31, 2008, 2009 and 2010 are outlined in the following table.

User-specified TAGGED TABLE

	2008	2009	2010
Dividend yield	—	—	—
Risk-free interest rate	3.10%	2.82%	2.58%
Expected term (in years)	5.98	6.84	6.13
Expected volatility	46%	46%	46%

end of user-specified TAGGED TABLE

Based on the above assumptions, the weighted-average grant date fair value of stock options granted during the years ended December 31, 2008, 2009 and 2010 was $0.01, $0.09 and $1.45, respectively. The

9. STOCK-BASED COMPENSATION (Continued)

total fair value of options that vested during the years ended December 31, 2008, 2009 and 2010 was less than $0.1 million, less than $0.1 million and $0.3 million, respectively.

Restricted Stock Units

The restricted stock units granted under the Plans vest over a four-year period, with 25% of the awards vesting after one year and the remaining awards vesting on a monthly basis thereafter. The fair value of restricted stock units on the date of grant is amortized on a straight-line basis over the requisite service period. The fair value of restricted stock units that vested during each of the years ended December 31, 2008, 2009 and 2010 was less than $0.1 million.

The table below summarizes activity regarding unvested restricted stock units under the Plans during the years ended December 31, 2008, 2009 and 2010:

User-specified TAGGED TABLE

	Restricted Stock Units	Weighted-Average Grant Date Fair Value (per share)
Unvested at December 31, 2007	2,345,000	$0.02
Granted	—	$—
Vested	(1,000,000)	$0.03
Forfeited	—	$—
Unvested at December 31, 2008	1,345,000	$0.02
Granted	—	$—
Vested	(1,180,000)	$0.02
Forfeited	(82,500)	$0.02
Unvested at December 31, 2009	82,500	$0.02
Granted	1,788,300	$14.32
Vested	(82,500)	$0.02
Forfeited	—	$—
Unvested at December 31, 2010	1,788,300	$14.32

end of user-specified TAGGED TABLE

Performance Stock Units

In May 2010, the Company issued performance stock units ("PSUs") under the terms of the agreement to acquire Mobly, Inc., a mobile technology company. The Company agreed to issue up to 720,000 PSUs to the previous Mobly shareholders contingent on meeting certain performance-based operational objectives over the next three years. Upon being granted, the PSUs immediately vest as common stock. During 2010, a total 120,000 shares were granted, and 600,000 shares are still eligible to be granted in the future based on the performance criteria and discretion of the Board. The Company started recording stock compensation expense at the service inception date, which began at the date of acquisition and precedes the grant date. Due to the subjective nature of the performance evaluation, the fair value of the PSUs is remeasured each period until the grant date, when stock compensation expense is adjusted to the grant date fair value. The total fair value of PSUs that vested during the year ended December 31, 2010 was $1.1 million.

9. STOCK-BASED COMPENSATION (Continued)

The Company recognized stock compensation expense of less than $0.1 million, $0.1 million and $7.1 million during the years ended December 31, 2008, 2009 and 2010, respectively, related to awards issued under the Plans and employment agreements. The corresponding tax benefit provided by stock compensation was $0, $0.1 million and less than $0.1 million for the years ended December 31, 2008, 2009 and 2010, respectively.

As of December 31, 2010, a total of $42.0 million of unrecognized compensation costs related to unvested stock options and unvested restricted stock units issued under the Plans are expected to be recognized over the remaining weighted-average period of four years.

Acquisition-Related Stock Awards

During 2010, the Company made several acquisitions of subsidiaries that resulted in the issuance of additional equity-based awards to employees of the acquired companies.

CityDeal Acquisition

In May 2010, the Company acquired CityDeal (see Note 3 "*Acquisitions*"), which resulted in the issuance of 3,180,115 shares of the Company's restricted stock to a trust for current CityDeal employees. The restricted stock vests quarterly generally over a period of three years. There were 1,520,925 shares of restricted stock granted on the acquisition date at a fair market value of $3.46 per share, which is amortized on a straight-line basis over the requisite service period. These shares are classified in the additional paid-in capital on the consolidated balance sheet.

Additional restricted stock was granted in two separate tranches as part of a contingent earn-out payment related to the achievement of financial performance targets. Tranche A consists of 1,607,341 shares of restricted stock and was initially classified as a liability on the consolidated balance sheet due to performance characteristics that resulted in a variable number of shares. Changes in the fair market values associated with Tranche A restricted stock were recorded as stock-based compensation expense within selling, general and administrative expenses on the statement of operations. Upon settlement and issuance of the restricted stock in December 2010, the restricted stock was reclassified from a liability to additional paid-in capital within stockholders' equity (deficit) based on the fair market value on the settlement date. The adjusted fair value of $13.48 per share at settlement is amortized on an accelerated basis over the requisite service period.

Tranche B consists of 51,849 shares of restricted stock and is classified in additional paid-in capital on the consolidated balance sheet. The fair value of $3.46 per share for Tranche B restricted stock on the date of grant is amortized on an accelerated basis over the requisite service period.

9. STOCK-BASED COMPENSATION (Continued)

The table below summarizes activity regarding unvested restricted stock issued as part of the CityDeal acquisition during the year ended December 31, 2010:

User-specified TAGGED TABLE

	Restricted Stock	Weighted-Average Grant Date Fair Value (per share)
Unvested at December 31, 2009	—	$—
Granted	3,180,115	$8.52
Vested	(960,510)	$8.52
Unvested at December 31, 2010	2,219,605	$8.52

end of user-specified TAGGED TABLE

The fair value of restricted stock that vested during the year ended December 31, 2010 was $8.2 million.

The Company recognized stock compensation expense of $15.6 million during 2010 related to restricted stock granted as part of the CityDeal acquisition, none of which provided the Company with a tax benefit. As of December 31, 2010, a total of $11.6 million of unrecognized compensation costs related to unvested restricted stock are expected to be recognized over the remaining weighted-average period of two years.

Subsidiary Awards

The Company made several other acquisitions during the year ended December 31, 2010 in which the selling shareholders of the acquired companies were granted RSUs and stock options ("subsidiary awards") in the Company's subsidiaries. These subsidiary awards were issued in conjunction with the acquisitions as a way to retain and incentivize key employees. They generally vest on a quarterly basis for a period of three or four years, and dilute the Company's ownership percentage of the corresponding subsidiaries as they vest over time. The fair market value of the subsidiary shares granted was determined on a contemporaneous basis. A significant portion of the subsidiary awards are classified as liabilities on the consolidated balance sheet due to the existence of put rights that allow the selling shareholders to put their stock back to the Company. The liabilities for the subsidiary shares were remeasured on a quarterly basis, with the offset to stock-based compensation expense in selling, general and administrative expenses on the consolidated statement of operations. Additionally, the Company has call rights on most of the subsidiary awards, which allow it to purchase the remaining outstanding shares based on contractual agreements.

The Company recognized stock compensation expense of $13.5 million during 2010 related to subsidiary awards, none of which provided the Company with a tax benefit. As of December 31, 2010, a total of $71.8 million of unrecognized compensation costs related to unvested subsidiary awards are expected to be recognized over the remaining weighted-average period of three years. The amount of unrecognized compensation costs is management's best estimate based on the current fair market values of each of the subsidiaries and could change significantly based on future valuations.

Common Stock Valuations

The Company determined the fair value per share of the common stock underlying the stock-based awards through the contemporaneous application of a discounted future earnings model initially and then

9. STOCK-BASED COMPENSATION (Continued)

a discounted cash flow methodology going forward, which was approved by the Board. Stock-based awards were granted to employees in the form of stock options, restricted stock units and restricted stock. All such awards granted were exercisable at a price per share equal to the per share fair value of the Company's common stock on the date of grant. Determining the fair value of the Company's common stock required making complex and subjective judgments. The assumptions used in the valuation models were based on future expectations combined with management estimates.

The discounted future earnings method calculates the present value of future economic benefits using a discount rate based on the nature of the business, the level of overall risk and the expected stability of the estimated future economic benefits. The future economic benefits are estimated over a period of years sufficient to reach stability of the business, and management expects the Company to grow substantially for several years before revenue stabilizes. The discounted cash flow method valued the business by discounting future available cash flows to present value at an approximate rate of return. The cash flows were determined using forecasts of revenue, net income and debt-free future cash flow. The discount rate was derived using a Capital Asset Pricing Model for companies in the "expansion" stage of development. The Company also applied a lack of marketability discount to its enterprise value, which took into account that investments in private companies are less liquid than similar investments in public companies. There is inherent uncertainty in all of these estimates.

Summarized below are the significant factors the Board considered in determining the fair value of the common stock underlying the Company's stock-based awards granted to its employees:

Fiscal Year 2008

The Company raised $4.7 million in net proceeds from the issuance convertible preferred stock in January 2008 and began operations with the launch of its first market in Chicago in November 2008.

Fiscal Year 2009

First Quarter 2009

In the first quarter, the Company continued to grow the Chicago market and increase its subscriber base.

Second Quarter 2009

In the second quarter, the Company launched its services in four additional markets (New York, Washington D.C., San Francisco, and Boston) and the total number of subscribers rose to approximately 0.2 million at June 30, 2009.

Third Quarter 2009

In the third quarter, the Company launched its services in 12 new markets across the United States and the total number of subscribers increased to approximately 0.6 million at September 30, 2009.

Fourth Quarter 2009

In the fourth quarter, the Company raised $29.9 million in net proceeds from the issuance of convertible preferred stock in November 2009 and the total number of subscribers increased to

9. STOCK-BASED COMPENSATION (Continued)

approximately 1.8 million at December 31, 2009 as the Company launched its services in 13 additional markets across the United States.

Fiscal Year 2010

First Quarter 2010

In the first quarter, the total number of subscribers increased to approximately 3.4 million as of March 31, 2010 as the Company launched its services in 13 new markets across the United States. In addition, the Company launched its official Groupon application for the Apple iPhone and iPod touch, which provides a more convenient buying and redemption process for both consumers and merchants.

Second Quarter 2010

In the second quarter, the Company raised $134.9 million in net proceeds from the issuance of convertible preferred stock in April 2010. The Company also expanded its global presence to 80 markets and 16 countries in Europe and in Latin America with acquisitions. In addition, the Company acquired a mobile technology company in May 2010. The Company also launched its services in 20 additional markets across North America, including Toronto and Vancouver, increasing the total number of subscribers to approximately 10.4 million as of June 30, 2010.

Third Quarter 2010

In the third quarter, the total number of subscribers increased to approximately 21.4 million as of September 30, 2010 as the Company launched its services in 22 new markets across North America, including Calgary, Edmonton and Ottawa. The Company also expanded its global presence into the Russian Federation and Japan in August 2010. In addition, the Company began targeting deals to subscribers based upon their personal preferences and buying history.

Fourth Quarter 2010

In the fourth quarter, the Company raised $449.7 million in net proceeds from the issuance of preferred stock in December 2010. In November 2010, the Company expanded its presence in the Asia-Pacific region and also acquired Ludic Labs, Inc., a company that designs and develops local marketing services. The total number of subscribers increased to approximately 50.6 million as of December 31, 2010 as the Company launched its services in 69 additional markets across North America, including 12 markets in Canada.

THIS IS THE END OF A COMPOSITION COMPONENT

GROUPON, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Loss Per Share

The table below summarizes the calculation of basic and diluted net loss per share for the years ended December 31, 2008, 2009 and 2010 (in thousands, except share and per share amounts):

User-specified TAGGED TABLE

	Year Ended December 31,		
	2008	**2009**	**2010**
Net loss	$(1,542)	$(1,341)	$(413,386)
Dividends on preferred stock	(277)	(5,575)	(1,362)
Redemption of preferred stock in excess of carrying value	—	—	(52,893)
Adjustment of redeemable noncontrolling interests to redemption value	—	—	(12,425)
Preferred stock distributions	(339)	—	—
Less: Net loss attributable to noncontrolling interests	—	—	23,746
Net loss attributable to common stockholders	$(2,158)	$(6,916)	$(456,320)
Net loss per share:			
Weighted-average shares outstanding for basic and diluted net loss per share[(a)]	166,738,129	168,604,142	171,349,386
Basic and diluted net loss per share	$(0.01)	$(0.04)	$(2.66)

end of user-specified TAGGED TABLE

(a)

Stock options, restricted stock units, performance stock units and convertible preferred shares are not included in the calculation of diluted net loss per share for the years ended December 31, 2008, 2009 and 2010 because the Company had a net loss for each year. Accordingly, the inclusion of these equity awards would have had an antidilutive effect on the calculation of diluted loss per share.

The following outstanding equity awards are not included in the diluted net loss per share calculation above because they would have had an antidilutive effect:

User-specified TAGGED TABLE

	Year Ended December 31,		
Antidilutive equity awards	**2008**	**2009**	**2010**
Stock options	2,706,000	6,998,502	13,732,852
Restricted stock units	1,345,000	82,500	1,788,300
Convertible preferred shares	40,561,032	66,997,992	117,221,672
Performance stock units	—	—	600,000
Total	44,612,032	74,078,994	133,342,824

end of user-specified TAGGED TABLE

11. Fair Value Measurements

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

11. FAIR VALUE MEASUREMENTS (Continued)

To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Include other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs that are supported by little or no market activities. Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

In determining fair value, the Company uses various valuation approaches within the fair value measurement framework. The valuation methodologies used for the Company's instruments measured at fair value and their classification in the valuation hierarchy are summarized below:

Cash equivalents—Cash equivalents primarily consisted of highly-rated commercial paper and money market funds. The Company classified cash equivalents as Level 1, due to their short-term maturity, and measured the fair value based on quoted prices in active markets for identical assets.

Contingent consideration—During the year ended December 31, 2010, the Company had obligations to transfer additional common stock to the former owners of certain acquirees as part of the exchange for control of these acquirees, if specified future operational objectives were met. The Company determined the acquisition-date fair value of these contingent liabilities, based on the likelihood of contingent earn-out payments, as part of the consideration transferred, and subsequently remeasured the fair value using either a cost or income approach that are primarily determined based on the present value of future cash flows using internal models. The Company classified this financial liability as Level 3, due to the lack of relevant observable inputs and market activity.

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis (in thousands):

User-specified TAGGED TABLE

		Fair Value Measurement at Reporting Date Using		
Description	As of December 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$10,500	$10,500	$—	$—

end of user-specified TAGGED TABLE

11. FAIR VALUE MEASUREMENTS (Continued)

User-specified TAGGED TABLE

		Fair Value Measurement at Reporting Date Using		
Description	As of December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$23,028	$23,028	$—	$—

end of user-specified TAGGED TABLE

There were no changes to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis during 2009 and 2010.

During the year ended December 31, 2010, the Company recorded contingent consideration as part of the CityDeal acquisition, which was subsequently remeasured on a recurring basis until settlement occurred in December 2010. As a result, the Company recorded a corresponding charge of $204.2 million associated with this obligation, which was reported separately as acquisition-related expenses in the consolidated statement of operations with other

acquisition-related expenses. The charge resulted primarily due to the significant increase in the value of the Company's common stock from the original valuation date until the date the contingency was settled. As the contingent consideration was settled during 2010, no amounts were included in the table above.

The Company's other financial instruments consist primarily of accounts receivable, accounts payable, accrued merchant payable, accrued expenses and loans from related parties. The carrying value of these assets and liabilities approximate their respective fair values as of December 31, 2009 and 2010, due to their short maturity. At December 31, 2009 and 2010 no material fair value adjustments were required for non-financial assets and liabilities.

12. Income Taxes

On January 15, 2008, the Company completed a conversion pursuant to which The Point, LLC, converted to The Point, Inc., a corporation. As a limited liability company, the Company was recognized as a partnership for federal income tax purposes. All items of income, expense, gain and loss generally were reportable on the tax returns of members of The Point, LLC. Accordingly, the Company did not provide for income taxes at the company level prior to conversion to a corporation.

The components of pretax loss for the years ended December 31, 2008, 2009 and 2010 were as follows (in thousands):

User-specified TAGGED TABLE

	Year Ended December 31,		
	2008	2009	2010
United States	$(1,542)	$(1,093)	$(222,594)
International	—	—	(197,466)
Loss before income taxes	$(1,542)	$(1,093)	$(420,060)

end of user-specified TAGGED TABLE

The provision (benefit) for income taxes at December 31, 2008, 2009 and 2010 consisted of the following components (in thousands):

User-specified TAGGED TABLE

	Year Ended December 31,		
	2008	2009	2010
Current taxes:			
U.S. federal	$—	$226	$—
State	—	22	57
International	—	—	618
Total current taxes	—	248	675
Deferred taxes:			
U.S. federal and state	—	—	—
International	—	—	(7,349)
Total deferred taxes	—	—	(7,349)
Provision (benefit) for income taxes	$—	$248	$(6,674)

end of user-specified TAGGED TABLE

The items accounting for differences between income taxes computed at the federal statutory rate and the provision for income taxes were as follows:

User-specified TAGGED TABLE

	Year Ended December 31,		
	2008	2009	2010
U.S. federal income tax rate	34.0%	34.0%	35.0%
Impact of foreign differential	—	—	(1.7)
State income taxes, net of federal benefits	4.8	2.4	0.6
Valuation allowance	(38.4)	(57.5)	(12.0)
Revaluation of shares and other	(0.4)	(0.7)	(20.2)

Effect of state rate change on deferred items	—	(0.9)	(0.1)
	—%	(22.7)%	1.6%

end of user-specified TAGGED TABLE

Supplemental Disclosure for Tax Impact of Noncontrolling Interest

User-specified TAGGED TABLE

	2008	2009	2010
Less: amount attributable to noncontrolling interest	—%	—%	(1.6)%
Effective tax rate for noncontrolling interest	—%	—%	—%

end of user-specified TAGGED TABLE

12. INCOME TAXES (Continued)

The deferred income tax assets and liabilities consisted of the following components (in thousands):

User-specified TAGGED TABLE

	December 31,	
	2009	2010
Deferred tax assets:		
Reserves and allowances	$1,275	$5,691
Intangible assets	8	—
Foreign exchange loss	—	226
Charitable contributions	52	153
Deferred rent	—	349
Tax credits	164	327
Stock-based compensation	33	2,138
Net operating loss carryforward	44	73,803
Total deferred tax assets	1,576	82,687
Less valuation allowance	(1,528)	(55,956)
Deferred tax assets, net of valuation allowance	48	26,731
Deferred tax liabilities:		
Unearned revenue for tax	(12)	(17,525)
Intangible assets	—	(11,249)
Fixed assets	(36)	(1,227)
Net deferred tax liability	$—	$(3,270)

end of user-specified TAGGED TABLE

The deferred tax amounts have been classified on the consolidated balance sheets as follows:

User-specified TAGGED TABLE

	December 31,	
	2009	2010
Assets:		
Deferred income taxes, non-current	$—	$14,544
Liabilities:		
Deferred income taxes, current	—	(17,210)
Deferred income taxes, non-current	—	(604)

end of user-specified TAGGED TABLE

In determining the need for a valuation allowance, the Company weighs both positive and negative evidence in the various taxing jurisdictions in which it operates to determine whether it is more likely than not that its deferred tax assets are recoverable. In assessing the ultimate realizability of its net deferred tax assets, the Company considers its past performance, available tax strategies, and expected future taxable income. At December 31, 2009 and 2010, the Company recorded a valuation allowance of $1.5 million and $56.0 million, respectively, against its domestic and foreign net deferred tax assets, as it believes it is more likely than not that these benefits will not be realized.

At December 31, 2009 and 2010, the Company had $0 and $6.3 million of federal net operating loss carryforwards, respectively, which will expire beginning in 2026. In addition, at December 31, 2009 and 2010, the Company has $0.2 million and $0.3 million of federal research tax credit carryforwards, respectively, which will expire beginning in 2026. At December 31, 2010 the Company also has

$223.1 million of foreign net operating loss carryforwards, a significant portion of which carryforward for an indefinite period.

The Company is subject to taxation in the United States federal and various state and foreign jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes and recording the related income tax assets and liabilities. The Company's practice for accounting for uncertainty in income taxes is to recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not criteria, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. All of the Company's tax years are currently open to examination by the U.S. federal, state and foreign tax authorities. At December 31, 2009 and 2010, the Company did not have any material unrecognized tax benefits recorded on its consolidated balance sheets.

The Company's practice is to recognize interest and penalties related to income tax matters in income tax expense. The Company did not recognize any interest or penalties in its consolidated statement of operations for the years ended December 31, 2008, 2009 and 2010.

At December 31, 2010, no provision has been made for U.S. federal and state taxes related to undistributed earnings of the Company's foreign subsidiaries, as the Company currently does not expect to remit those earnings in the foreseeable future. Determination of the amount of unrecognized U.S. deferred tax liability related to undistributed earnings of the Company's foreign subsidiaries is not practical due to the complexities associated with the related calculation.

13. Segment Information

The Company has organized its operations into two principal segments: North America, which represents the United States and Canada; and International, which represents the rest of the Company's global operations. Segment operating results reflect earnings before stock-based compensation, acquisition-related expenses, interest and other income (expense), net, and provision (benefit) for income taxes. Segment information reported below represents the operating segments of the Company for which separate information is available and for which segment results are evaluated regularly by the Company's chief operating decision-maker (i.e., chief executive officer) in assessing performance and allocating resources.

Revenues for each segment are based on the geographic market that sells the Groupons. There are no internal revenue transactions or allocations of costs between reporting segments. Revenue and profit or

loss information by reportable segment reconciled to consolidated net income (loss) was as follows (in thousands):

User-specified TAGGED TABLE

	Year Ended December 31,		
	2008	2009	2010
North America			
Revenue[1]	$94	$30,471	$448,317
Segment operating expenses[2]	1,702	31,433	458,753
Segment operating loss	(1,608)	(962)	(10,436)
International			
Revenue	$—	$—	$265,048
Segment operating expenses[2]	—	—	435,605
Segment operating loss	—	—	(170,557)

Consolidated			
Revenue	$94	$30,471	$713,365
Segment operating expenses[2]	1,702	31,433	894,358
Segment operating loss	(1,608)	(962)	(180,993)
Stock-based compensation	(24)	(115)	(36,168)
Acquisition-related	—	—	(203,183)
Interest and other income (expense), net	90	(16)	284
Loss before income taxes	(1,542)	(1,093)	(420,060)
Provision (benefit) for income taxes	—	248	(6,674)
Net loss	$(1,542)	$(1,341)	$(413,386)

end of user-specified TAGGED TABLE

(1) North America contains revenue from the United States of $0.1 million, $30.5 million and $427.3 million for the years ended December 31, 2008, 2009 and 2010, respectively.

(2) Represents operating expenses, excluding stock-based compensation, acquisition-related expense and interest and other income (expense), net, which are not allocated to segments.

No single customer or individual foreign country accounted for more than 10% of net revenue during the last three years.

Total assets by reportable segment reconciled to consolidated assets were as follows (in thousands):

User-specified TAGGED TABLE

	December 31,	
	2009	2010
North America	$14,962	$104,606
International	—	276,964
Consolidated total	$14,962	$381,570

end of user-specified TAGGED TABLE

13. SEGMENT INFORMATION (Continued)

Property and equipment, net, by reportable segment was as follows (in thousands):

User-specified TAGGED TABLE

	December 31,	
	2009	2010
North America[1]	$274	$9,880
International	—	6,610
Consolidated total	$274	$16,490

end of user-specified TAGGED TABLE

(1) All property and equipment included in North America are located in the United States.

Property and equipment located in Japan represented approximately 20% of consolidated property and equipment, net. There were no other individual countries located outside of the United States that represented more than 10% of consolidated property and equipment, net.

14. Related Parties

CityDeal Loan Agreement

In May 2010, the Company and the former CityDeal shareholders (including Oliver Samwer, Marc Samwer and Alexander Samwer, collectively, the "Samwers") entered into a loan agreement to provide CityDeal with a $20.0 million term loan facility (the "facility"). The facility subsequently was amended in July 2010 increasing the total commitment to $25.0 million. Both the Company and the former CityDeal shareholders each were obligated to make available $12.5 million under the terms of the facility, both of which were fully disbursed to CityDeal during the year ended December 31, 2010. Proceeds from the facility were used to fund operational and working capital needs. The outstanding balance accrues interest at a rate of 5% per year and is payable upon termination of the facility, which is the earlier of any prepayments or December 2012. The outstanding balance payable to the former CityDeal shareholders at December 31, 2010 of $13.0 million, along with corresponding accrued interest of $0.1 million, is included in "Due to related parties" on the consolidated balance sheet. The amount due to the former CityDeal shareholders exceeds the amount of the facility in US dollars as a result of changes in foreign currency exchange rates throughout the year ended December 31, 2010. The amounts due to the Company from CityDeal under the facility were not included in the consolidated balance sheet due to the elimination of intercompany transactions.

Management Services

The Company has entered into agreements with Rocket Internet GmbH ("Rocket") and various other companies in which the Samwers have direct or indirect ownership interests, to provide information technology, marketing and other services to the Company. The Company paid $1.4 million to Rocket and a total of $0.2 million to these other companies for services rendered for the year ended December 31, 2010, which are classified within selling, general and administrative expenses in the consolidated statement of operations. As of December 31, 2010, $0.2 million was due to Rocket, which was recorded in "Due to related parties" on the consolidated balance sheet.

Merchant Contracts

The Company entered into several agreements with merchant companies in which the Samwers have direct or indirect ownership interests, and, in some cases, who are also directors of these companies, pursuant to which the Company conducts its business by offering goods and services at a discount with these merchants. The Company paid $1.1 million to these companies under the merchant agreements for the year ended December 31 2010, which was recorded in cost of revenue in the consolidated statements of operations. The Company did not have any amounts due to these companies as of December 31, 2010.

Consulting Agreements

In May 2010, the Company entered into consulting agreements with the Samwers, pursuant to which they advise CityDeal, the Company's European subsidiary, with respect to its goals and spend at least fifty-percent of their work hours consulting for CityDeal. The Company reimburses the Samwers for travel and other expenses incurred in connection with their service to the Company. They do not receive any additional compensation from the Company in connection with their consulting roles. The terms of their consulting agreements expire in October 2011. The Company paid $0.1 million to reimburse the Samwers for travel and other expenses incurred for the year ended December 31, 2010, which are classified within selling, general and administrative expenses in the consolidated statement of operations. The Company had no amounts due to the Samwers as of December 31, 2010.

Sublease Agreements

The Company has entered into agreements with various companies in which certain of the Company's current and former Board members have direct or indirect ownership interests and, in some cases, who are also directors of these companies, pursuant to which the Company subleased a portion of office space in Chicago from these companies. The Company paid $0.1 million and $0.3 million to these companies under the sublease agreements for the years ended December 31, 2009 and 2010, respectively, which was classified within selling, general and administrative expenses in the consolidated statements of operations. The Company did not have any amounts due to these companies as of December 31, 2009 and 2010.

Legal Services

The Company has engaged the law firm of Lefkofsky & Gorosh, P.C. ("L&G"), whose founder (Steven P. Lefkofsky) is the brother of the Company's co-founder and Executive Chairman of the Board, to provide certain legal services to the Company. The Company paid less than $0.1 million and $0.3 million, respectively to L&G for legal services rendered for the years ended December 31, 2009 and 2010. The Company had $0 and approximately $0.1 million due to L&G as of December 31, 2009 and 2010.

15. Subsequent Events

Preferred Stock Issuance

In January 2011, the Company authorized the sale and additional issuance of 15,827,796 shares of Series G Preferred for $496.0 million in gross proceeds (or $492.5 million, net of issuance costs), and used $371.5 million of the proceeds from the sale to redeem shares of its outstanding common stock and preferred stock held by certain shareholders and the remainder for working capital and general corporate purposes. Included in the additional stock issuance was 126,622 shares of Series G Preferred (or the

equivalent of $4.0 million) the Company transferred to its placement agent in exchange for financial advisory services provided. Holders of Series G Preferred have similar rights and preferences as other Series Preferred stockholders, with the exception of the following: (1) Series G Preferred holders are not entitled to any annual preferred dividends, but are entitled to receive, on an as-converted to voting common stock basis, any other dividend or distribution when, as and if declared by the Board, participating equally with the holders of common stock and the holders of Series Preferred; and (2) in the event of liquidation, the Series G Preferred holders are entitled, before any distribution or payment is made upon any Series B Preferred, Series D Preferred, Series E Preferred, Series F Preferred or common stock, to be paid an amount per share equal to 100% of the Series G Preferred original price plus all accrued and unpaid dividends on the Series G Preferred.

Qpod Stock Purchase

In January 2011, the Company entered into a Stock Purchase Agreement with other shareholders and certain founding members of Qpod (collectively, the "other shareholders"), whereby the Company purchased an additional percentage of the shares of Qpod from the other shareholders of Qpod, increasing the Company's ownership in Qpod to 90%. Under the terms of the agreement, the Company acquired 21,812 shares of the total issued and outstanding capital stock of Qpod, on a fully-diluted basis, in exchange for $25.0 million in cash.

Other Acquisitions

In January 2011, the Company acquired certain other entities that provide daily deals and online marketing services substantially similar to the Company for an aggregate purchase price of $20.9 million. The primary reasons for these acquisitions were to utilize the collective buying power websites to further grow the Company's subscribers and provide strategic entries into new and expanding markets in India, Malaysia, South Africa and the Middle East.

The acquisitions will be accounted for using the purchase method of accounting and the operations of these acquired companies will be included in the consolidated financial statements from their respective date of the acquisition. The financial effect of these acquisitions, individually and in the aggregate, was not material to the Company's consolidated financial statements. Pro forma results of operations have not been presented because the effects of these business combinations, individually and in the aggregate, were not material to the Company's consolidated results of operations as they were start-up businesses.

Investments in Equity Interests

In January 2011, the Company acquired 50 percent of the ordinary shares of Restaurantdiary.com Limited ("Restaurantdiary") in exchange for $1.3 million. Restaurantdiary is a private limited company organized under the laws of the United Kingdom that owns the internet media property called restaurantdiary.com. The Company also acquired 40 percent of the ordinary shares of E-Commerce King Limited ("E-Commerce"), a company organized under the laws of the British Virgin Islands, in exchange for $4.0 million. The Company entered into the joint venture along with Rocket Asia GmbH & Co. KG ("Rocket Asia"), an entity controlled by the Samwers. Rocket Asia acquired 10 percent of the ordinary shares in E-Commerce. E-Commerce subsequently established a wholly foreign owned enterprise, which created a domestic operating company headquartered in Beijing, China ("GaoPeng.com"), to operate a business offering localized group-buying discounts for products and services to individual consumers and

businesses via internet websites and social and interactive media in various markets throughout China. GaoPeng.com began offering daily deals in March in Beijing and Shanghai with expansion to other major cities in China to follow.

The investments in equity interests will be accounted for using the equity method and the Company will record its share of the operating results from the respective date of the investment. Pro forma results of operations have not been presented because the financial effect of these investments in equity interests, individually and in the aggregate, were not material to the Company's consolidated results of operations.

Newly Elected Director

In February 2011, the Company appointed Howard Schultz to the Company's Board of Directors. Mr. Schultz is chairman, president and chief executive officer of Starbucks Corporation.

Non-voting Common Stock Issuance

In February 2011, the Board authorized the issuance and sale, by way of a private placement, of 1,090,830 shares of non-voting common stock for $17.2 million in gross proceeds, and used $17.0 million of the proceeds from the sale to redeem shares of its outstanding common stock held by certain shareholders and the remainder for working capital and general corporate purposes. Included in the stock issuance of non-voting common stock were 949,668 shares sold to Mr. Schultz and to several partnerships of Maveron LLC, a venture capital firm co-founded by Mr. Schultz, for an aggregate purchase price of $15.0 million.

Facility Repayment

In March 2011, the CityDeal repaid all amounts outstanding to the former CityDeal shareholders related to the facility described in Note 14 *"Related Parties."*

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Condensed Consolidated Balance Sheets (Unaudited)

GROUPON, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED) (in thousands, except share data)

User-specified TAGGED TABLE

	December 31, 2010	March 31, 2011	March 31, 2011 Pro forma for distribution and recapitalization (Note 2)
		(Unaudited)	(Unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$118,833	$208,688	
Accounts receivable, net	42,407	60,717	
Prepaid expenses and other current assets	12,615	21,324	
Total current assets	173,855	290,729	—
Property and equipment, net	16,490	26,928	
Goodwill	132,038	154,438	
Intangible assets, net	40,775	43,052	
Investments in equity interests	—	4,486	
Deferred income taxes, non-current	14,544	15,021	
Other non-current assets	3,868	6,756	
Total Assets	$381,570	$541,410	$—
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	$57,543	$37,907	
Accrued merchant payable	162,409	290,680	
Accrued expenses	98,323	130,181	
Due to related parties	13,321	918	
Deferred income taxes, current	17,210	14,957	
Other current liabilities	21,613	44,834	
Total current liabilities	370,419	519,477	—
Deferred income taxes, non-current	604	1,437	
Other non-current liabilities	1,017	13,353	
Total Liabilities	372,040	534,267	—
Commitments and contingencies (see Note 8)			
Redeemable noncontrolling interests	2,983	2,744	

Groupon, Inc. Stockholders' Equity			
Series B, convertible preferred stock, $.0001 par value, 199,998 shares authorized, issued and outstanding at December 31, 2010 and March 31, 2011	—	—	
Series D, convertible preferred stock, $.0001 par value, 6,560,174 shares authorized and issued, 6,258,297 shares outstanding at December 31, 2010 and 5,956,420 shares outstanding at March 31, 2011	1	—	
Series E, convertible preferred stock, $.0001 par value, 4,406,160 shares authorized and issued, 4,127,653 shares outstanding at December 31, 2010 and 4,060,183 shares outstanding at March 31, 2011	—	—	
Series F, convertible preferred stock, $.0001 par value, 4,202,658 shares authorized, issued and outstanding at December 31, 2010 and March 31, 2011	1	1	
Series G, convertible preferred stock, $.0001 par value, 30,075,690 shares authorized, 14,245,018 shares issued and outstanding at December 31, 2010 and 30,072,814 shares issued and outstanding at March 31, 2011, liquidation preference of $450,000 and $950,000 at December 31, 2010 and March 31, 2011, respectively	1	3	
Voting common stock, $.0001 par value, 500,000,000 shares authorized, 211,495,998 shares issued and 165,616,260 shares outstanding at December 31, 2010 and 211,495,998 shares issued and 144,681,311 shares outstanding at March 31, 2011	4	4	
Non-voting convertible common stock, $.0001 par value, 100,000,000 shares authorized, 5,864,486 shares issued and 5,079,896 shares outstanding at December 31, 2010 and 8,230,928 shares issued and 5,997,640 shares outstanding at March 31, 2011	—	—	
Treasury stock, at cost, 46,664,328 shares at December 31, 2010 and 69,047,975 shares at March 31, 2011	(503,173)	(856,723)	
Additional paid-in capital	921,122	1,373,173	
Stockholder receivable	(286)	(144)	
Accumulated deficit	(419,468)	(522,136)	
Accumulated other comprehensive income	9,875	12,908	
Total Groupon, Inc. Stockholders' Equity	8,077	7,086	—
Noncontrolling interests	(1,530)	(2,687)	
Total Equity	6,547	4,399	—
Total Liabilities and Equity	$381,570	$541,410	$—

end of user-specified TAGGED TABLE

See Notes to Condensed Consolidated Financial Statements.

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Condensed Consolidated Statements of Operations (Unaudited)

GROUPON, INC. CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) (in thousands, except per share amounts)

User-specified TAGGED TABLE

	Three Months Ended March 31,	
	2010	**2011**
Revenue	$44,236	$644,728
Cost of revenue	24,251	374,728
Gross profit	19,985	270,000
Operating expenses:		
Marketing	3,988	208,209
Selling, general and administrative	7,426	178,939
Total operating expenses	11,414	387,148
Income (loss) from operations	8,571	(117,148)
Interest and other income, net	3	1,060

Equity-method investment activity, net of tax	—	(882)
Income (loss) before provision for income taxes	8,574	(116,970)
Provision (benefit) for income taxes	23	(3,079)
Net income (loss)	8,551	(113,891)
Less: net loss attributable to noncontrolling interests	—	11,223
Net income (loss) attributable to Groupon, Inc.	8,551	(102,668)
Dividends on preferred stock	(523)	—
Redemption of preferred stock in excess of carrying value	—	(34,327)
Adjustment of redeemable noncontrolling interests to redemption value	—	(9,485)
Net income (loss) attributable to common stockholders	$8,028	$(146,480)
Net income (loss) per share:		
Basic	$0.03	$(0.95)
Diluted	$0.03	$(0.95)
Weighted average number of shares outstanding:		
Basic	172,966,829	153,924,706
Diluted	245,962,571	153,924,706

end of user-specified TAGGED TABLE
See Notes to Condensed Consolidated Financial Statements.

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Condensed Consolidated Statement of Stockholders' Equity (Unaudited)

GROUPON, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED) (in thousands, except share amounts)

COMMAND=ROTATED_TABLE WIDTH="150%" User-specified TAGGED TABLE

	Groupon, Inc. Stockholders' Equity									
	Series B, D, E, F, and G Preferred Stock		Common Stock							
	Shares	Amount	Shares	Treasury Stock Amount	Additional Paid-In Capital	Stockholder Receivable	Accumulated Deficit	Accumulated Other Comp. Income		Total Groupon Inc. Stockholders' Equity
Balance at December 31, 2010	29,033,624	$3	170,696,156	$4	$(503,173)	$921,122	$(286)	$(419,468)	$9,875	$8
Net loss	—	—	—	—	—	—	—	(102,668)	—	(1
Foreign currency translation	—	—	—	—	—	—	—	—	3,033	3,
Comprehensive loss	—	—	—	—	—	—	—	—	—	(9
Adjustment of redeemable noncontrolling interests to redemption value	—	—	—	—	—	(9,485)	—	—	—	(9
Proceeds from issuance of shares (net of issuance costs)	15,827,796	2	1,090,830	—	—	509,690	—	—	—	50
Exercise of stock options	—	—	1,229,944	—	—	1,001	—	—	—	1,

Repayment of receivable	–	–	–	–	–	–	142	–	–	14
Vesting of restricted stock units	–	–	45,668	–	–	–	–	–	–	–
Stock-based compensation expense	–	–	–	–	–	10,847	–	–	–	10
Redemption of preferred stock	(369,347)	(1)	–	–	–	(35,002)	–	–	–	(3
Repurchase of common stock	–	–	(22,383,647)	–	(353,550)	–	–	–	–	(3
Purchase of addditional shares in majority-owned subsidiary	–	–	–	–	–	(25,000)	–	–	–	(2
Balance at March 31, 2011	44,492,073	$4	150,678,951	$4	$(856,723)	$1,373,173	$(144)	$(522,136)	$12,908	$7

end of user-specified TAGGED TABLE
See Notes to Condensed Consolidated Financial Statements.

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Condensed Consolidated Statements of Cash Flows (Unaudited)

GROUPON, INC. CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (in thousands)

User-specified TAGGED TABLE

	Three Months Ended March 31,	
	2010	**2011**
Operating activities		
Net income (loss)	$8,551	$(113,891)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	131	7,598
Stock-based compensation	116	18,864
Deferred income taxes	–	(3,384)
Losses in equity interests	–	882
Change in assets and liabilities, net of acquisitions:		
Accounts receivable	(1,139)	(16,049)
Prepaid expenses and other current assets	1,148	(8,288)
Accounts payable	556	(22,465)
Accrued merchant payable	5,045	121,173
Accrued expenses and other current liabilities	(1,375)	36,248
Due to related parties	–	1,157
Other	(136)	(3,905)
Net cash provided by operating activities	12,897	17,940
Investing activities		
Purchases of property and equipment	(863)	(10,962)
Acquisitions of businesses, net of acquired cash	–	(2,818)
Purchases of intangible assets	–	(214)

Changes in restricted cash	200	—
Purchases of investments in subsidiaries	—	(25,000)
Purchases of equity investments	—	(5,300)
Net cash used in investing activities	(663)	(44,294)
Financing activities		
Issuance of shares, net of issuance costs	—	509,692
Repayment of loans from related parties	—	(14,358)
Repurchase of common stock	—	(348,550)
Proceeds from exercise of stock options	2	325
Redemption of preferred stock	—	(35,003)
Net cash provided by financing activities	2	112,106
Effect of exchange rate changes on cash and cash equivalents	—	4,103
Net increase in cash and cash equivalents	12,236	89,855
Cash and cash equivalents, beginning of period	12,313	118,833
Cash and cash equivalents, end of period	$24,549	$208,688
Supplemental disclosure of cash flow information		
Income tax payments	$—	$186
Cash interest payments	$—	$236
Non-cash investing activity		
Capital expenditures incurred not yet paid	$583	$1,232
Contingent consideration given in connection with acquisitions	$—	$15,920
Non-cash financing activity		
Dividends accrued	$523	$—

end of user-specified TAGGED TABLE
See Notes to Condensed Consolidated Financial Statements.

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Notes to Condensed Consolidated Financial Statements (Unaudited)

Groupon, Inc. Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Description of Business

Groupon, Inc., together with its consolidated subsidiaries (the "Company"), operates a local e-commerce marketplace (www.Groupon.com) that connects merchants to consumers by offering goods and services at a discount. The Company, which commenced operations in November 2008, creates a new way for local merchants to attract new customers, while providing consumers with savings and helping them discover what to do, eat, see and buy in the places they live and work.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. Intercompany balances and transactions have been eliminated. Investments in entities in which the Company can exercise significant influence, but does not own a majority equity interest or otherwise control, are accounted for using the equity method and are included as investments in equity interests on the condensed consolidated balance sheet. See Note 6 "*Investments in Equity Interests*." The Company has included the results of operations of acquired companies from the date of the acquisition.

Basis of Presentation

The accompanying condensed consolidated financial statements of the Company were prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Accordingly, these condensed consolidated financial statements should be read in conjunction with the Company's historical consolidated financial statements and accompanying notes included in this Form S-1 Registration Statement. In the opinion of management, all adjustments, consisting of a normal recurring nature, considered necessary for a fair presentation have been included in the condensed consolidated financial statements. The operating results for the three months ended March 31, 2011 are not necessarily indicative of the results expected for the full year ending December 31, 2011.

Pro Forma for Distribution and Recapitalization

The pro forma balance sheet gives effect to the one-time mandatory payment of $0.8 million for the accrued dividends payable to the Company's preferred shareholders and the conversion of Series D Convertible Preferred Stock ("Series D Preferred"), Series E Convertible Preferred Stock ("Series E Preferred"), Series F Convertible Preferred Stock ("Series F Preferred") and Series G Convertible Preferred Stock ("Series G Preferred") into 145,461,194 shares of newly-issued common stock of the Company.

Stock Splits

In May 2010, the Company's Board of Directors (the "Board") approved a resolution to effect a three-for-one stock split of the Company's common stock with no corresponding change to the par value. The stock split became effective in August 2010. The Board also approved a two-for-one stock split of the Company's common stock in December 2010 with no corresponding change to the par value, which became effective in January 2011. All common share numbers and per share amounts for all periods presented have been adjusted retroactively to reflect both the three-for-one and the two-for-one stock splits.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and classifications of assets and liabilities, revenues and expenses, and the related disclosures of contingent liabilities in the condensed consolidated financial statements and accompanying notes. Estimates are utilized for, but not limited to, stock-based compensation, income taxes, valuation of acquired goodwill and intangible assets, customer refunds, contingent liabilities and the depreciable lives of fixed assets. Actual results could differ materially from those estimates and assumptions.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued merchant payable, accrued expenses and amounts due to related parties, approximate fair value due to their generally short-term maturities. The Company records money market funds and contingent consideration at fair value. See Note 12 "*Fair Value Measurements*."

Investments in Equity Interests

Investments in the common stock of entities in which the Company can exercise significant influence but does not own a majority equity interest or otherwise control are accounted for using the equity method and are included as investments in equity interests on the condensed consolidated balance sheet. The Company records its share of the results of these companies within "Equity-method investment activity, net of tax" on the condensed consolidated statement of operations. The Company reviews its investments for other-than-temporary impairment whenever events or changes in business circumstances indicate that the carrying value of the investment may not be fully recoverable. Investments identified as having an indication of impairment are subject to further analysis to determine if the impairment is other-than-temporary and this analysis requires estimating the fair value of the investment. The determination of fair value of the investment involves considering factors such as current economic and market conditions, the operating performance of the companies including current earnings trends and forecasted cash flows, and other company and industry specific information. See Note 6 "*Investments in Equity Interests*."

Foreign Currency

Balance sheet accounts of the Company's operations outside of the U.S. are translated from foreign currencies into U.S. dollars at the exchange rates as of the condensed consolidated balance sheet dates. Revenues and expenses are translated at average exchange rates during the period. Foreign currency translation gains or losses are included in accumulated other comprehensive income on the condensed consolidated balance sheets. Gains and losses resulting from foreign currency transactions, which are denominated in currencies other than the entity's functional currency, are included in other income in the condensed consolidated statements of operations. For the three months ended March 31, 2010 and 2011, the Company had $0 and $1.1 million of foreign currency gains, respectively.

Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued additional guidance that improves disclosures about fair value measures that were originally required. The new guidance is effective

for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those years. The adoption of this guidance did not impact the Company's financial position or results of operations. See Note 12 "*Fair Value Measurements*."

3. Acquisitions

CityDeal Europe GmbH Acquisition

On May 15, 2010, the Company acquired 100% of CityDeal Europe GmbH ("CityDeal"), a collective buying power business launched in January 2010 that provides daily deals and online marketing services substantially similar to the Company, primarily in European markets. The acquisition was accounted for using the purchase method of accounting and the operations of CityDeal were included in the Company's condensed consolidated financial statements from the date of the acquisition. In connection with the acquisition, the Company and the former CityDeal shareholders entered into a loan agreement. See Note 15 "*Related Parties.*"

Qpod.inc Acquisition

On August 11, 2010, the Company acquired approximately 55.1% of the total issued and outstanding capital stock of Qpod.inc ("Qpod"), a collective buying power business launched in July 2010 that provides daily deals and online marketing services in Japan substantially similar to the Company. The acquisition was accounted for using the purchase method of accounting and the operations of Qpod were included in the condensed consolidated financial statements from the date of the acquisition.

In conjunction with the acquisition, the Company entered into an agreement with certain founding members and other shareholders of Qpod, which provided the Company with call rights that allow it to buy a percentage of the remaining shares of Qpod. Exercising all of the call rights would entitle the Company to an aggregate of up to 90% of the outstanding capital stock of Qpod. Additionally, the remaining Qpod shareholders have put rights to sell their outstanding capital stock to the Company in the event of an initial public offering of the Company, subject to certain conditions, which if exercised in full, would give the Company up to an aggregate of 90% of the outstanding capital stock of Qpod.

In January 2011, the Company entered into a Stock Purchase Agreement (the "SPA") with the other shareholders, whereby the Company purchased an additional percentage of the shares of Qpod from the other shareholders, increasing the Company's ownership in Qpod to 90%. Under the terms of the SPA, the Company acquired 21,812 shares of the total issued and outstanding capital stock of Qpod, on a fully-diluted basis, in exchange for $25.0 million in cash. In conjunction with the SPA, the Company has call rights that allow it to buy all of the remaining shares of Qpod. Exercising the call rights would give the Company 100% ownership of the outstanding capital stock of Qpod. Additionally, the remaining Qpod shareholders have put rights to sell their outstanding capital stock to the Company, including any shares of capital stock issuable upon exercise of options, which would give the Company 100% of the outstanding capital stock of Qpod.

Other Acquisitions

During the three months ended March 31, 2011, the Company acquired certain entities for an aggregate purchase price of $20.9 million, consisting of $5.0 million in cash and contingent consideration

valued at $15.9 million. See Note 12 "*Fair Value Measurements.*" The primary reasons for these acquisitions were to utilize these entities' collective buying power businesses to further grow the Company's subscribers and provide strategic entries into new and expanding markets in India, Malaysia, South Africa and the Middle East.

The acquisitions were accounted for using the purchase method of accounting and the operations of these acquired companies were included in the condensed consolidated financial statements from the date of the acquisition. The purchase price and fair value of the noncontrolling interest was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on their corresponding acquisition date, with the remaining unallocated amount recorded as goodwill. The fair value assigned to identifiable intangible assets acquired was determined using an income approach.

The financial effect of these acquisitions, individually and in the aggregate, was not material to the condensed consolidated financial statements. Pro forma results of operations have not been presented because the effects of these business combinations, individually and in the aggregate, were not material to the Company's consolidated results of operations as all of the acquisitions were start-up businesses. The following table summarizes the allocation of the combined purchase price of $20.9 million and the fair value of noncontrolling interest of $0.4 million as of the acquisition date (in thousands). Goodwill of $14.9 million represents the premium the Company paid over the fair value of the net tangible and intangible assets it acquired. None of the goodwill is deductible for tax purposes.

User-specified TAGGED TABLE

Description	Fair Value
Net working capital (including cash of $2.2 million)	$2,049
Property and equipment, net	31
Goodwill	14,908
Intangible assets[(1)]:	
Subscriber relationships	5,390
Trade names	370
Deferred tax liability	(1,484)
	$21,264

end of user-specified TAGGED TABLE

(1) Acquired intangible assets have estimated useful lives of between 1 and 5 years.

4. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the three months ended March 31, 2011 were as follows (in thousands):

User-specified TAGGED TABLE

	North America	International	Consolidated
Balance as of December 31, 2010	$19,605	$112,433	$132,038
Goodwill related to acquisitions	—	14,908	14,908
Other adjustments[(1)]	—	7,492	7,492
Balance as of March 31, 2011	$19,605	$134,833	$154,438

end of user-specified TAGGED TABLE

(1) Includes adjustments primarily due to changes in foreign exchange rates.

4. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

The following summarizes the Company's other intangible assets (in thousands):

User-specified TAGGED TABLE

	As of December 31, 2010			
Asset Category	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted-Average Remaining Useful Life (in years)
Subscriber relationships	$36,389	$3,760	$32,629	4.5

Vendor relationships	6,789	3,801	2,988	0.5
Trade names	5,619	3,230	2,389	0.4
Developed technology	2,054	395	1,659	1.6
Other intangible assets	1,263	153	1,110	3.8
	$52,114	$11,339	$40,775	3.8

end of user-specified TAGGED TABLE User-specified TAGGED TABLE

	As of March 31, 2011			
Asset Category	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted-Average Remaining Useful Life (in years)
Subscriber relationships	$43,931	$6,168	$37,763	4.3
Vendor relationships	7,146	5,797	1,349	0.2
Trade names	6,370	4,996	1,374	0.3
Developed technology	2,114	677	1,437	1.4
Other intangible assets	1,318	189	1,129	3.9
	$60,879	$17,827	$43,052	3.9

end of user-specified TAGGED TABLE

Amortization expense for intangible assets was less than $0.1 million and $5.7 million for the three months ended March 31, 2010 and 2011, respectively. As of March 31, 2011, the estimated future amortization expense of intangible assets for each of the next five years and thereafter is as follows (in thousands):

User-specified TAGGED TABLE

Year Ended December 31,	
2011 (remaining 9 months)	$10,385
2012	9,669
2013	9,027
2014	8,995
2015	4,968
Thereafter	8
	$43,052

end of user-specified TAGGED TABLE

5. Property and Equipment, Net

The following summarizes the Company's property and equipment, net (in thousands):

User-specified TAGGED TABLE

	December 31, 2010	March 31, 2011
Furniture and fixtures	$6,691	$8,277
Leasehold improvements	5,233	8,025
Computer hardware and other	3,396	7,650
External software	1,767	4,795
Office and telephone equipment	1,408	2,112
Property and equipment	18,495	30,859
Less: accumulated depreciation and amortization	(2,005)	(3,931)
Property and equipment, net	$16,490	$26,928

end of user-specified TAGGED TABLE

Depreciation expense on property and equipment was $0.1 million and $1.9 million for the three months ended March 31, 2010 and 2011, respectively.

6. Investments in Equity Interests

The following summarizes the Company's investments in equity interests (in thousands):

User-specified TAGGED TABLE

	December 31, 2010	March 31, 2011	Percent Ownership of Common Stock
Restaurantdiary.com	$—	$1,266	50.0%
GaoPeng.com	—	3,220	40.0%
Total	$—	$4,486	

end of user-specified TAGGED TABLE

Equity Investment in Restaurantdiary.com Limited

In January 2011, the Company acquired 50.0% of the ordinary shares of Restaurantdiary.com Limited ("Restaurantdiary") in exchange for $1.3 million. The investment in Restaurantdiary is being accounted for using the equity method, and the total investment is classified as part of investments in equity interests on the condensed consolidated balance sheet as of March 31, 2011. The Company recorded its share of the results of Restaurantdiary within "Equity-method investment activity, net of tax" in the condensed consolidated statement of operations for the three months ended March 31, 2011.

Equity Investment in E-Commerce King Limited

In January 2011, the Company acquired 40.0% of the ordinary shares of E-Commerce King Limited ("E-Commerce"), a company organized under the laws of the British Virgin Islands, in exchange for $4.0 million. The Company entered into the joint venture along with Rocket Asia GmbH & Co. KG ("Rocket Asia"), an entity controlled by the Samwers. Rocket Asia acquired 10 percent of the ordinary shares in E-Commerce. E-Commerce subsequently established a wholly foreign owned enterprise that created a domestic operating company headquartered in Beijing, China ("GaoPeng.com"), which operates a group-buying site offering discounts for products and services to individual consumers and businesses via internet websites and social and interactive media. GaoPeng.com began offering daily deals in March in

Beijing and Shanghai with expansion to other major cities in China to follow. The investment in E-Commerce is being accounted for using the equity method, and the total investment is classified as part of investments in equity interests on the condensed consolidated balance sheet as of March 31, 2011. The Company recorded its share of the results of E-Commerce within "Equity-method investment activity, net of tax" in the condensed consolidated statement of operations for the three months ended March 31, 2011.

7. Accrued Expenses

The following summarizes the Company's accrued expenses (in thousands):

User-specified TAGGED TABLE

	December 31, 2010	March 31, 2011
Marketing	$48,244	$56,707
Refunds reserve	13,938	26,003
Payroll and benefits	12,187	20,150
Customer rewards	8,333	12,391
Rent	3,169	1,304
Credit card fees	2,500	3,349
Professional fees	2,341	941
Other	7,611	9,336
	$98,323	$130,181

end of user-specified TAGGED TABLE

8. Commitments and Contingencies

Operating Leases

The Company has entered into various non-cancelable operating lease agreements, primarily covering certain of its offices throughout the world, with original lease periods expiring between 2011 and 2017. Rent expense under these operating leases was $0.1 million and $3.7 million for the three months ended March 31, 2010 and 2011, respectively.

Certain of these arrangements have renewal or expansion options and adjustments for market provisions, such as free or escalating base monthly rental payments. The Company recognizes rent expense under such arrangements on a straight-line basis over the initial term of the lease. The difference between the straight-line expense and the cash paid for rent has been recorded as deferred rent.

The Company is responsible for paying its proportionate share of the actual operating expenses and real estate taxes under certain of these lease agreements. These operating expenses are not included in the

table below. As of March 31, 2011, the estimated future payments under operating leases (including rent escalation clauses) for each of the next five years and thereafter is as follows (in thousands):

User-specified TAGGED TABLE

Year Ended December 31,	
2011 (remaining 9 months)	$12,667
2012	11,438
2013	5,630
2014	3,739
2015	3,271
Thereafter	3,630
	$40,375

end of user-specified TAGGED TABLE

Purchase Obligations

The Company entered into a non-cancelable service contract, primarily covering marketing services, which expires in 2012. At March 31, 2011, future payments under this contractual obligation were as follows (in thousands):

User-specified TAGGED TABLE

Year Ended December 31,	
2011 (remaining 9 months)	$680
2012	227
2013	–
2014	–
2015	–
Thereafter	–
	$907

end of user-specified TAGGED TABLE

Legal Matters

The Company currently is involved in several disputes or regulatory inquiries, including suits by its customers (individually or as class actions) alleging, among other things, violation of the Credit Card Accountability, Responsibility and Disclosure Act and state laws governing gift cards, stored value cards and coupons, violations of unclaimed and abandoned property laws and violations of privacy laws. The number of these disputes and inquiries is increasing. Any claims or regulatory actions against the Company, whether meritorious or not, could be time consuming, result in costly litigation, damage awards, injunctive relief or increased costs of doing business through adverse judgment or settlement, require the Company to change its business practices in expensive ways, require significant amounts of management time, result in the diversion of significant operational resources or otherwise harm the Company's business.

In addition, third parties from time to time have claimed, and others may claim in the future, that the Company has infringed their intellectual property rights. The Company is subject to intellectual property disputes, and expects that it will increasingly be subject to intellectual property infringement claims as its services expand in scope and complexity. The Company has in the past been forced to litigate such claims. The Company may also become more vulnerable to third-party claims as laws such as the Digital Millennium Copyright Act are interpreted by the courts, and as the Company becomes subject to laws in jurisdictions where the underlying laws with respect to the potential liability of online intermediaries are

either unclear or less favorable. Management believes that additional lawsuits alleging that it has violated patent, copyright or trademark laws will be filed against the Company. Intellectual property claims, whether meritorious or not, are time consuming and costly to resolve, could require expensive changes in the Company's methods of doing business, or could require it to enter into costly royalty or licensing agreements.

From time to time, the Company may become party to additional litigation incident to the ordinary course of business. The Company assesses the likelihood of any adverse judgments or outcomes with respect to these matters and determines loss contingency assessments on a gross basis after assessing the probability of incurrence of a loss and whether a loss is reasonably estimable. In addition, the Company considers other relevant factors that could impact its ability to reasonably estimate a loss. A determination of the amount of reserves required, if any, for these contingencies is made after analyzing each matter. The Company's reserves may change in the future due to new developments or changes in strategy in handling these matters. Although the results of litigation and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these matters will not have a material adverse effect on its business, consolidated financial position, results of operations, or cash flows. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors.

9. Stockholders' Equity

Common Stock

The Board has authorized two classes of common stock, voting and non-voting. At March 31, 2011, there were 500,000,000 and 100,000,000 shares authorized and there were 144,681,311 and 5,997,640 shares outstanding of voting and non-voting common stock, respectively. Voting and non-voting common stock are referred to as common stock throughout the notes to these financial statements, unless otherwise noted.

In May 2010, the Board approved a resolution to effect a three-for-one stock split of the Company's common stock with no corresponding change to the par value. The stock split became effective in August 2010. The Board also approved a two-for-one stock split of the Company's common stock in December 2010 with no corresponding change to the par value, which became effective in January 2011. All common share numbers and per share amounts for all periods presented have been adjusted retroactively to reflect both the three-for-one and the two-for-one stock split.

In February 2011, the Board authorized the issuance and sale, by way of a private placement, of 1,090,830 shares of non-voting common stock for $17.2 million in gross proceeds, and used $17.0 million of the proceeds from the sale to redeem shares of its outstanding common stock held by certain shareholders and the remainder for working capital and general corporate purposes. See Note 15 *"Related Parties."*

Upon any liquidation, dissolution or winding up of the Company (a "liquidation event"), the remaining assets of the Company will be distributed ratably among all preferred and common stockholders only after the payment of the full Series G Preferred liquidation preference of $950.0 million has been satisfied.

The Company issues stock-based awards to its employees in the form of stock options, restricted stock units and restricted stock, all of which have the potential to increase the outstanding shares of common stock in the future. See Note 10 *"Stock-Based Compensation."*

Convertible Preferred Stock

The Company has authorized 199,998 shares of Series B Preferred, 6,560,174 shares of Series D Preferred, 4,406,160 shares of Series E Preferred, 4,202,658 shares of Series F Preferred and 30,075,690 shares of Series G Preferred. The Series B Preferred, Series D Preferred, Series E Preferred, Series F Preferred and Series G Preferred, collectively, are referenced below as the "Series Preferred." The rights, preferences, privileges, restrictions and other matters relating to the Series Preferred are summarized below.

Series B Preferred

There were 199,998 shares of Series B Preferred outstanding at March 31, 2011, and less than $0.1 million of accrued preferred dividends due to Series B Preferred holders. The Series B Preferred holders are entitled to receive, upon a liquidation event, the amount that would have been received if all shares of Series Preferred had been converted into voting common stock immediately prior to such liquidation event, only after the payment of the full Series G Preferred liquidation preference has been satisfied. As of March 31, 2011, 1,199,988 shares of voting common stock would have been required to be issued assuming conversion of all of the issued and outstanding shares of Series B Preferred.

Series D Preferred

There were 5,956,420 shares of Series D Preferred outstanding at March 31, 2011, and $0.8 million of accrued preferred dividends due to Series D Preferred holders. The Series D Preferred holders are entitled to receive, upon a liquidation event, the amount that would have been received if all shares of Series Preferred had been converted into voting common stock immediately prior to such liquidation event, only after the payment of the full Series G Preferred liquidation preference has been satisfied. As of March 31, 2011, 35,738,520 shares of voting common stock would have been required to be issued assuming conversion of all of the issued and outstanding shares of Series D Preferred.

Series E Preferred

There were 4,060,183 shares of Series E Preferred outstanding at March 31, 2011. The Series E Preferred holders are entitled to receive, upon a liquidation event, the amount that would have been received if all shares of Series Preferred had been converted into voting common stock immediately prior to such liquidation event, only after the payment of the full Series G Preferred liquidation preference has been satisfied. As of March 31, 2011, 24,361,098 shares of voting common stock would have been required to be issued assuming conversion of all of the issued and outstanding shares of Series E Preferred.

THIS IS THE END OF A COMPOSITION COMPONENT

Series F Preferred

There were 4,202,658 shares of Series F Preferred outstanding at March 31, 2011. The Series F Preferred holders are entitled to receive, upon a liquidation event, the amount that would have been received if all shares of Series Preferred had been converted into voting common stock immediately prior to such liquidation event, only after the payment of the full Series G Preferred liquidation preference has been satisfied. As of March 31, 2011, 25,215,948 shares of voting common stock would have been required to be issued assuming conversion of all of the issued and outstanding shares of Series F Preferred.

Series G Preferred

In January 2011, the Company authorized the sale and additional issuance of 15,827,796 shares of Series G Preferred for $496.0 million in gross proceeds (or $492.5 million, net of issuance costs), and used $371.5 million of the proceeds from the sale to redeem shares of its outstanding common stock and preferred stock held by certain shareholders and the remainder for working capital and general corporate purposes. Included in the additional stock issuance was 126,622 shares of Series G Preferred (or the equivalent of $4.0 million) the Company transferred to its underwriter in exchange for financial advisory services provided. There were 30,075,690 shares authorized and 30,072,814 shares outstanding at March 31, 2011.

Holders of Series G Preferred are entitled to the number of votes equal to the number of shares of voting common stock into which their shares of Series G Preferred could be converted. In addition, the Series G Preferred holders are entitled, before any distribution or payment is made upon any Series B Preferred, Series D Preferred, Series E Preferred, Series F Preferred or common stock, to be paid an amount per share equal to 100% of the Series G Preferred original price, plus all declared but unpaid dividends on the Series G Preferred. If, upon the liquidating event, the assets of the Company are insufficient to fully pay the amounts owed to Series G Preferred holders, all distributions would be made ratably in proportion to the full amounts to which holders would have otherwise been entitled. In the event that the Company is a party to an acquisition or asset transfer, each holder of Series G Preferred is entitled to receive the amount of cash, securities, or other property to which such holder would be entitled to receive in a liquidation event.

Each share of Series G Preferred shall automatically be converted into shares of voting common stock upon the earliest of the following events to occur: (i) holders of at least 50% of the outstanding shares of Series G Preferred consent to a conversion, or (ii) immediately upon the closing of an initial public offering. The number of shares of voting common stock to which a Series G Preferred stockholder is entitled upon conversion is calculated by multiplying the applicable conversion rate then in effect (currently 2.0) by the number of Series G Preferred shares to be converted. The conversion rate for the Series G Preferred shares is subject to change in accordance with anti-dilution provisions contained in the agreement with those holders. More specifically, the conversion price is subject to adjustment to prevent dilution on a weighted-average basis in the event that the Company issues additional shares of common stock or securities convertible or exercisable for common stock at a purchase price less than the then effective conversion price. As of March 31, 2011, 60,145,628 shares of voting common stock would have been required to be issued assuming conversion of all of the issued and outstanding shares of Series G Preferred.

Stock Repurchase Activity

In December 2010, the Board authorized the Company to repurchase shares of its capital stock held by certain holders, using a portion of the proceeds from the sale of Series G Preferred. In conjunction with the sale and additional issuance of Series G Preferred shares in January 2011, the Company repurchased 21,307,276 shares of common stock for $336.5 million, which is reflected as "Treasury stock," and 369,347 shares of preferred stock for $35.0 million, which was recorded as a reduction to "Additional paid-in capital," on the condensed consolidated balance sheet at March 31, 2011. The Board also

authorized the Company to repurchase additional shares using a portion of the proceeds from the sale of non-voting common stock in February 2011. As a result, the Company repurchased 1,076,371 shares of common stock for $17.0 million, which is reflected as "Treasury stock" on the condensed consolidated balance sheet at March 31, 2011.

10. Stock-based Compensation

Groupon, Inc. Stock Plans

In January 2008, the Company adopted the ThePoint.com 2008 Stock Option Plan, as amended (the "2008 Plan"), under which options for up to 32,309,250 shares of common stock were authorized to be issued to employees, consultants, and directors of ThePoint.com, which is now the Company. In April 2010, the Company established the Groupon, Inc. 2010 Stock Plan, as amended (the "2010 Plan"), under which options and restricted stock units ("RSUs") for up to 7,000,000 shares of non-voting common stock were authorized for future issuance to employees, consultants and directors of the Company. The 2008 Plan and the 2010 Plan (the "Plans") are administered by the Board, who determine the number of awards to be issued, the corresponding vesting schedule and the exercise price for options. As of March 31, 2011, 1,288,376 shares were available for future issuance under the Plans. Prior to January 2008, the Company issued stock options and RSUs that are governed by employment agreements, some of which are still unvested and outstanding.

Stock Options

The exercise price of stock options granted is equal to the fair market value of the underlying stock on the date of grant. The contractual term for stock options expires ten years from the grant date. Stock options generally vest over a three or four-year period, with 25% of the awards vesting after one year and the remainder of the awards vesting on a monthly basis thereafter. The fair value of stock options on the date of grant is amortized on a straight-line basis over the requisite service period.

The table below summarizes the stock option activity during the three months ended March 31, 2011:

User-specified TAGGED TABLE

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)[a]
Outstanding at December 31, 2010	13,732,852	$2.00	9.00	$189,406
Granted	60,000	$15.80	9.85	
Exercised	(1,229,944)	$0.82	8.30	
Forfeited	(257,900)	$0.24	8.28	
Outstanding at March 31, 2011	12,305,008	$2.23	8.82	$259,796
Exercisable at March 31, 2011	3,461,597	$1.60	8.65	$75,106

end of user-specified TAGGED TABLE

(a) The aggregate intrinsic value of options outstanding and exercisable represents the total pretax intrinsic value (the difference between the fair value of the Company's stock on the last day of each fiscal year or quarter and the exercise price, multiplied by the number of options where the exercise price exceeds the fair value) that would have been received by the option holders had all option holders exercised their options as of December 31, 2010 and March 31, 2011, respectively.

The total fair value of options that vested during the three months ended March 31, 2010 and 2011 was less than $0.1 million and $2.8 million, respectively.

Restricted Stock Units

The restricted stock units granted under the Plans vest over a four-year period, with 25% of the awards vesting after one year and the remaining awards vesting on a monthly basis thereafter. The fair value of restricted stock units on the date of grant is amortized on a straight-line basis over the requisite service period.

The table below summarizes activity regarding unvested restricted stock units under the Plans during the three months ended March 31, 2011:

User-specified TAGGED TABLE

	Restricted Stock Units	Weighted-Average Grant Date Fair Value (per share)

Unvested at December 31, 2010	1,788,300	$14.32
Granted	907,224	$17.98
Vested	(45,668)	$13.48
Forfeited	—	$—
Unvested at March 31, 2011	2,649,856	$15.59

end of user-specified TAGGED TABLE

Performance Stock Units

In May 2010, the Company issued performance stock units ("PSUs") under the terms of the agreement to acquire Mobly, Inc., a mobile technology company. The Company agreed to issue up to 720,000 PSUs to the previous Mobly shareholders contingent on meeting certain performance-based

operational objectives over the next three years. Upon being granted, the PSUs immediately vest as Company stock. During the three months ended March 31, 2011, there was no activity related to the PSUs.

The Company recognized stock compensation expense of $0.1 million and $7.6 million during the three months ended March 31, 2010 and 2011, respectively, related to awards issued under the Plans and employment agreements. The corresponding tax benefit provided by stock compensation was less than $0.1 million and $0 for the three months ended March 31, 2010 and 2011, respectively.

As of March 31, 2011, a total of $53.0 million of unrecognized compensation costs related to unvested stock options and unvested restricted stock units issued are expected to be recognized over the remaining weighted-average period of three years.

Acquisition-Related Stock Awards

During 2010, the Company made several acquisitions of subsidiaries that resulted in the issuance of additional equity-based awards to employees of the acquired companies.

CityDeal Acquisition

In May 2010, the Company acquired CityDeal, which resulted in the issuance of shares of the Company's restricted stock to a trust for current CityDeal employees. The restricted stock vests quarterly generally over a period of three years and is amortized on a straight-line basis over the requisite service period.

The table below summarizes activity regarding unvested restricted stock issued as part of the CityDeal acquisition during the three months ended March 31, 2011:

User-specified TAGGED TABLE

	Restricted Stock	Weighted-Average Grant Date Fair Value (per share)
Unvested at December 31, 2010	2,219,605	$8.52
Granted	108,788	$15.80
Vested	(219,641)	$8.82
Forfeitures	(206,144)	$8.52
Unvested at March 31, 2011	1,902,608	$8.90

end of user-specified TAGGED TABLE

The fair value of restricted stock that vested during the three months ended March 31, 2011 was $1.9 million.

The Company recognized stock compensation expense of $1.5 million during the three months ended March 31, 2011 related to restricted stock granted as part of the CityDeal acquisition, none of which provided the Company with a tax benefit. As of March 31, 2011, a total of $10.1 million of unrecognized compensation costs related to unvested restricted stock are expected to be recognized over the remaining weighted-average period of two years.

Subsidiary Awards

The Company made several other acquisitions during the year ended December 31, 2010 in which the selling shareholders of the acquired companies were granted RSUs and stock options ("subsidiary awards") in the Company's subsidiaries. These subsidiary awards were issued in conjunction with the acquisitions as a way to retain and incentivize key employees. They generally vest on a quarterly basis for a period of three or four years, and dilute the Company's ownership percentage of the corresponding subsidiaries as they vest over time. The fair market value of the subsidiary shares granted was determined on a contemporaneous basis. A significant portion of the subsidiary awards are classified as liabilities on the condensed consolidated balance sheet due to the existence of put rights that allow the selling shareholders to put their stock back to the Company. The liabilities for the subsidiary shares are remeasured on a quarterly basis, with the offset to stock-based compensation expense within selling, general and administrative expenses on the condensed consolidated statement of operations. Additionally, the Company has call rights on most of the subsidiary awards, which allow it to purchase the remaining outstanding shares based on contractual agreements.

The Company recognized stock compensation expense of $9.8 million during the three months ended March 31, 2011 related to subsidiary awards, none of which provided the Company with a tax benefit. As of March 31, 2011, a total of $58.2 million of unrecognized compensation costs related to unvested subsidiary awards are expected to be recognized over the remaining weighted-average period of two years. The amount of unrecognized compensation costs is management's best estimate based on the current fair market values of each of the subsidiaries and could change significantly based on future valuations.

Common Stock Valuations

The Company determined the fair value per share of the common stock underlying the stock-based awards through the contemporaneous application of a discounted future earnings model initially and then a discounted cash flow methodology going forward, which was approved by the Board. Stock-based awards were granted to employees in the form of stock options, restricted stock units and restricted stock. All such awards granted were exercisable at a price per share equal to the per share fair value of the Company's common stock on the date of grant. Determining the fair value of the Company's common stock required making complex and subjective judgments. The assumptions used in the valuation models were based on future expectations combined with management estimates.

The discounted future earnings method calculates the present value of future economic benefits using a discount rate based on the nature of the business, the level of overall risk and the expected stability of the estimated future economic benefits. The future economic benefits are estimated over a period of years sufficient to reach stability of the business, and management expects the Company to grow substantially for several years before revenue stabilizes. The discounted cash flow method valued the business by discounting future available cash flows to present value at an approximate rate of return. The cash flows were determined using forecasts of revenue, net income and debt-free future cash flow. The discount rate was derived using a Capital Asset Pricing Model for companies in the "expansion" stage of development. The Company also applied a lack of marketability discount to its enterprise value, which took into account that investments in private companies are less liquid than similar investments in public companies. There is inherent uncertainty in all of these estimates.

Summarized below are the significant factors the Board considered in determining the fair value of the common stock underlying the Company's stock-based awards granted to its employees during the three months ended March 31, 2011:

First Quarter 2011

In the first quarter of 2011, the following significant events occurred: (1) the Company raised $492.5 million in net proceeds from the issuance of Series G Preferred in January 2011; (2) the Company expanded its presence into new and expanding markets in India, Malaysia, South Africa and the Middle East through a series of acquisitions; and (3) the number of subscribers increased to approximately 83.1 million as of March 31, 2011 and the Company launched its services in 21 additional markets across North America.

11. Income (Loss) Per Share

Basic and diluted net income (loss) per common share is presented in conformity with the two-class method required for participating securities. The two-class method includes an earnings allocation formula that determines earnings for each class of common stock according to dividends declared and undistributed earnings for the period.

Holders of Series B, D, and E convertible preferred stock were each entitled to receive dividends at the annual rate of 6% of their respective original issue price per annum. These dividend rights were subsequently rescinded by the Board in December 2010. In the event a dividend is paid on common stock, the holders of Series B, D, E, F, and G convertible preferred stock are entitled to a proportionate share of any such dividend as if they were holders of common stock (on an as-if converted basis). The Company considers its preferred stock to be participating securities and, in accordance with the two-class method, earnings are allocated between common and preferred stock.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

11. INCOME (LOSS) PER SHARE (Continued)

The following table sets forth the computation of basic and diluted income (loss) per share:

User-specified TAGGED TABLE

	Three Months ended March 31	
	2010	2011[a]
Net income (loss) as reported	$8,551	(113,891)
Less: Distributed earnings available to participating securities	(523)	—
Less: Undistributed earnings available to participating securities	(2,241)	—
Redemption of preferred stock in excess of carrying value	—	(34,327)
Adjustment of redeemable noncontrolling interests to redemption value	—	(9,485)
Less: Net loss attributable to noncontrolling interest		11,223
Numerator for basic earnings per share—Undistributed and distributed income (loss) available to common shareholders	5,787	(146,480)
Add: Undistributed income allocated to participating securities	2,241	—
Less: Undistributed income reallocated to participating securities	(1,719)	—
Numerator for diluted earnings per share—Undistributed and distributed earnings available to common shareholders	$6,309	(146,480)
Denominator for basic earnings per share—weighted average shares	172,966,829	153,924,706
Effect of dilutive securities	72,995,741	0
Denominator for diluted earnings per share— weighted average shares adjusted for dilutive securities	245,962,571	153,924,706
Earnings per share two-class method		
Basic	$0.03	$0.95
Diluted	$0.03	$0.95

end of user-specified TAGGED TABLE

(a) Stock options, restricted stock units, performance stock units and convertible preferred shares are not included in the calculation of diluted net loss per share for the three months ended March 31 2011 because the Company had a net loss. Accordingly, the inclusion of these equity awards would have had an antidilutive effect on the calculation of diluted loss per share.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

11. INCOME (LOSS) PER SHARE (Continued)

The following outstanding equity awards are not included in the diluted net loss per share calculation above because they would have had an antidilutive effect:

User-specified TAGGED TABLE

	Three Months Ended March 31,	
Antidilutive equity awards	2010	2011
Stock options	5,625,000	12,305,008
Restricted stock units	—	2,649,856
Convertible preferred shares	—	146,661,182
Performance stock units	—	600,000
Total	5,625,000	162,216,046

end of user-specified TAGGED TABLE

12. Fair Value Measurements

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Include other inputs that are directly or indirectly observable in the marketplace.

Level 3—Unobservable inputs that are supported by little or no market activities. Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

In determining fair value, the Company uses various valuation approaches within the fair value measurement framework. The valuation methodologies used for the Company's instruments measured at fair value and their classification in the valuation hierarchy are summarized below:

Cash equivalents—Cash equivalents primarily consisted of highly-rated commercial paper and money market funds. The Company classified cash equivalents as Level 1, due to their short-term maturity, and measured the fair value based on quoted prices in active markets for identical assets.

Contingent consideration—During the three months ended March 31, 2011, the Company had obligations to transfer $16.6 million in contingent payment considerations to the former owners of certain acquirees as part of the exchange for control of these acquirees, if specified future operational objectives and financial results are met over the next three years. The Company determined the acquisition-date fair value of these contingent liabilities, based on the likelihood of contingent earn-out payments, as part of the consideration transferred, and subsequently remeasured the fair value using an income approach that is primarily determined based on the present value of future cash flows using internal models. The Company classified this financial liability as Level 3, due to the lack of relevant observable inputs and market activity.

12. FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis (in thousands):

User-specified TAGGED TABLE

		Fair Value Measurement at Reporting Date Using		
Description	As of December 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$23,028	$23,028	$—	$—

end of user-specified TAGGED TABLE User-specified TAGGED TABLE

		Fair Value Measurement at Reporting Date Using		
Description	As of March 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$23,061	$23,061	$—	$—
Liabilities:				
Contingent consideration	$16,568	$—	$—	$16,568

end of user-specified TAGGED TABLE

The following table provides a roll-forward of the fair value of the contingent consideration categorized as Level 3 for the three months ended March 31, 2011:

User-specified TAGGED TABLE

	Fair Value
Balance as of December 31, 2010	$—
Issuance of contingent consideration in connection with acquisitions	15,920

Other adjustments[1]	648
Balance as of March 31, 2011	$16,568

end of user-specified TAGGED TABLE

(1) Includes adjustments due to changes in foreign exchange rates.

There were no changes to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis during the three months ended March 31, 2011.

The Company's other financial instruments consist primarily of accounts receivable, accounts payable, accrued merchant payable, accrued expenses and amounts due to related parties. The carrying value of these assets and liabilities approximate their respective fair values as of March 31, 2011, due to their short maturity. At March 31, 2011 there were no material fair value adjustments required for non-financial assets and liabilities.

13. Income Taxes

The Company is subject to taxation in the United States federal, various state and foreign jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes and recording the related income tax assets and liabilities. At March 31, 2011, the Company did not have any material unrecognized tax benefits recorded on its balance sheets.

The Company's effective tax rate could fluctuate significantly on a quarterly basis and could be adversely affected to the extent earnings are lower than anticipated in countries where the Company has lower statutory rates and higher than anticipated in countries where the Company has higher statutory rates. The effective tax rate could also fluctuate due to changes in the valuation of deferred tax assets or liabilities, or by changes in tax laws, regulations, accounting principles, or interpretations thereof. In addition, the Company is subject to the continuous examination of its income tax returns by the Internal Revenue Service and other tax authorities. The Company regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for income taxes.

14. Segment Information

The Company has organized its operations into two principal segments: North America, which represents the United States and Canada; and International, which represents the rest of the Company's global operations. Segment operating results reflect earnings before stock-based compensation, interest and other income, net, equity-method investment activity, net, and provision (benefit) for income taxes. Segment information reported below represents the operating segments of the Company for which separate information is available and for which segment results are evaluated regularly by the Company's chief operating decision-maker (i.e., our chief executive officer) in assessing performance and allocating resources.

Revenues for each segment are based on the geographic market that sells the Groupons. There are no internal revenue transactions or allocations of costs between reporting segments. Revenue and profit or

14. SEGMENT INFORMATION (Continued)

loss information by reportable segment reconciled to consolidated net income (loss) was as follows (in thousands):

User-specified TAGGED TABLE

	Three Months Ended March 31,	
	2010	2011
North America		
Revenue[1]	$44,236	$297,897
Segment operating expenses[2]	35,549	319,675
Segment operating income (loss)	8,687	(21,778)
International		
Revenue	$—	$346,831
Segment operating expenses[2]	—	423,337

Segment operating (loss)	—	(76,506)

Consolidated

Revenue	$44,236	$644,728
Segment operating expenses[(2)]	35,549	743,012
Segment operating income (loss)	8,687	(98,284)
Stock-based compensation	(116)	(18,864)
Interest and other income, net	3	1,060
Equity-method investment activity, net	—	(882)
Income (loss) before income taxes	8,574	(116,970)
Provision (benefit) for income taxes	23	(3,079)
Net income (loss)	$8,551	$(113,891)

end of user-specified TAGGED TABLE

(1) North America contains revenue from the United States of $44.2 million and $274.7 million for the three months ended March 31, 2010 and 2011, respectively.

(2) Represents operating expenses, excluding stock-based compensation, acquisition-related expense, interest and other income, net, and equity-method investment activity, net, which are not allocated to segments.

No single customer or individual foreign country accounted for more than 10% of net revenue during the three months ended March 31, 2010 and 2011.

Total assets by reportable segment reconciled to consolidated assets were as follows (in thousands):

User-specified TAGGED TABLE

	December 31, 2010	March 31, 2011
North America	$104,606	$203,518
International	276,964	337,892
Consolidated total	$381,570	$541,410

end of user-specified TAGGED TABLE

15. Related Parties

Non-voting Common Stock Issuance

In February 2011, the Board authorized the issuance and sale, by way of a private placement, of 1,090,830 shares of non-voting common stock for $17.2 million in gross proceeds. Included in the stock issuance of non-voting common stock were a total of 949,668 shares sold to Howard Schultz and to several partnerships of Maveron LLC, a venture capital firm co-founded by Mr. Schultz, for an aggregate purchase price of $15.0 million. Mr. Schultz is a member of the Company's Board of Directors.

CityDeal Loan Agreement

In connection with the CityDeal acquisition, the Company and the former CityDeal shareholders (including Oliver Samwer, Marc Samwer and Alexander Samwer) entered into a loan agreement, as amended, to provide CityDeal with an aggregate $25.0 million term loan facility (the "facility"). Both the Company and the former CityDeal shareholders each were obligated to make available $12.5 million under the terms of the facility, both of which were fully disbursed to CityDeal during the year ended December 31, 2010. The outstanding balance accrued interest at a rate of 5% per year and was payable upon termination of the facility, which was the earlier of any prepayments or December 2012. The outstanding balance payable to the former CityDeal shareholders at December 31, 2010 of $13.0 million, along with corresponding accrued interest of $0.1 million, is included in "Due to related parties" on the consolidated balance sheet. The amount due to the former CityDeal shareholders exceeds the amount of the facility in US dollars as a result of changes in foreign currency exchange rates throughout the year ended December 31, 2010. In March 2011, CityDeal repaid all amounts outstanding to the former CityDeal shareholders, including all accrued interest. There were no outstanding commitments remaining on the loan agreement with the former CityDeal shareholders at March 31, 2011 and CityDeal may not reborrow any part of the facility which was repaid.

Internet Technology Services

The Company has entered into agreements with Rocket Internet GmbH ("Rocket") and various other companies in which Oliver Samwer, Marc Samwer and Alexander Samwer (the "Samwers") have direct or indirect ownership interests, to provide information technology, marketing and other services to the Company. The Company paid $0.9 million to Rocket and a total of $0.1 million to these other companies for services rendered for the three months ended March 31, 2011, which are classified within selling, general and administrative expenses in the condensed consolidated statements of operations. As of March 31, 2011, less than $0.1 million was due to Rocket, which was classified in "Due to related parties" on the condensed consolidated balance sheet.

Merchant Contracts

The Company entered into several agreements with merchant companies in which the Samwers have direct or indirect ownership interests, and, in some cases, are also directors of these companies, pursuant to which the Company conducts its business by offering goods and services at a discount with these merchants. The Company paid in total $1.2 million to these companies under the merchant agreements for the three months ended March 31, 2011, which was recorded in cost of revenue in the condensed consolidated statements of operations. The Company had $0.8 million due to these companies as of March 31, 2011, which was classified in "Due to related parties" on the condensed consolidated balance sheet.

15. RELATED PARTIES (Continued)

Consulting Agreements

In May 2010, the Company entered into consulting agreements with the Samwers, pursuant to which they advise CityDeal, the Company's European subsidiary, with respect to its goals and spend at least fifty-percent of their work hours consulting for CityDeal. The Company reimburses the Samwers for travel and other expenses incurred in connection with their service to the Company. They do not receive any additional compensation from the Company in connection with their consulting roles. The terms of their consulting agreements expire in October 2011. The Company paid $0.1 million to reimburse the Samwers for travel and other expenses incurred for the three months ended March 31, 2011, which is classified within selling, general and administrative expenses in the condensed consolidated statements of operations. The Company did not have any amounts due to the Samwers as of March 31, 2011.

Legal Services

The Company has engaged the law firm of Lefkofsky & Gorosh, P.C. ("L&G"), whose founder (Steven P. Lefkofsky) is the brother of the Company's co-founder and Executive Chairman of the Board, to provide certain legal services to the Company. The Company paid $0.2 million to L&G for legal services rendered for three months ended March 31, 2011. The Company did not have any amounts due to L&G as of March 31, 2011.

Sublease Agreements

The Company has entered into agreements with various companies in which certain of the Company's current and former Board members have direct or indirect ownership interests and, in some cases, who are also directors of these companies, pursuant to which the Company subleased a portion of office space in Chicago from these companies. The Company paid in total $0.1 million to these companies under the sublease agreements for the three months ended March 31, 2011. The Company had no amounts due to these companies as of March 31, 2011.

E-Commerce King Limited Joint Venture

In January 2011, Groupon B.V. entered into a joint venture along with Rocket Asia GmbH & Co. KG ("Rocket Asia"), an entity controlled by the Samwers. See Note 6 "*Investments in Equity Interests*."

16. Subsequent Events

In the second quarter of 2011, the Company acquired two businesses for an aggregate purchase price of $6.4 million. The acquisitions were for a mobile application technology company and a collective buying power business. The primary reasons for these acquisitions were to expand upon the capabilities of our mobile technology and to further grow the Company's users and merchants and provide strategic entries into new and expanding markets.

The acquisitions will be accounted for using the purchase method of accounting and the operations of these acquired companies will be included in the Company's consolidated financial statements from their respective date of the acquisition. The financial effect of these acquisitions, individually and in the aggregate, was not material to the Company's consolidated financial statements. Pro forma results of operations have not been presented because the effects of these business combinations, individually and in the aggregate, were not material to the Company's consolidated results of operations.

16. SUBSEQUENT EVENTS (Continued)

In April 2011, the Company also entered into an agreement to purchase additional interests in one of its subsidiaries for an aggregate purchase price of $21.1 million, increasing its total ownership in the subsidiary to 100%. The purchase price consisted of $10.0 million of cash and $11.1 million in stock, a portion of which will be paid out at a future date.

THIS IS THE END OF A COMPOSITION COMPONENT

Report of Independent Auditors

CityDeal Europe GmbH

Report of Independent Auditors

The Management Board of Groupon Europe GmbH (formerly named CityDeal Europe GmbH)

We have audited the accompanying consolidated statements of operations, comprehensive loss and cash flows of CityDeal Europe GmbH for the period from January 1, 2010 to May 15, 2010. The statements of operations, comprehensive loss and cash flows are the responsibility of the Company's management. Our responsibility is to express an opinion on the statements of operations, comprehensive loss and cash flows based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statements of operations, comprehensive loss and cash flows referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of CityDeal Europe GmbH for the period January 1, 2010 to May 15, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft Berlin, Germany May 31, 2011

User-specified TAGGED TABLE

/s/ Jantz (Jantz) Certified Public Accountant	/s/ Stander (Stander) Wirtschaftsprüfer

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Consolidated Statement of Operations and Consolidated Statement of Comprehensive Loss

CITYDEAL EUROPE GMBH CONSOLIDATED STATEMENT OF OPERATIONS AND CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS (in thousands of US dollars)

User-specified TAGGED TABLE

	Period from January 1, 2010 to May 15, 2010
Consolidated Statement of Operations	
Revenue	$8,419
Cost of revenue	9,211
Gross profit	(792)
Operating expenses:	
Marketing	6,784
Selling, general and administrative	13,034
Total operating expenses	19,818

Loss from operations	(20,610)
Interest and other expense, net	243
Loss before provision for income taxes	(20,853)
Income taxes	—
Net loss	$(20,853)
Attributable to CityDeal Europe GmbH	(16,613)
Attributable to noncontrolling interest	(4,240)
	$(20,853)
Consolidated Statement of Comprehensive Loss	
Net loss	(20,853)
Currency translation adjustment (net of $0 tax)	512
Comprehensive loss	$(20,341)
Attributable to CityDeal Europe GmbH—	
Currency translation adjustment	512
Comprehensive loss	(16,101)
Attributable to noncontrolling interest—	
Currency translation adjustment	—
Comprehensive loss	(4,240)

end of user-specified TAGGED TABLE
See Notes to Consolidated Statements of Operations, Comprehensive Loss and Cash Flows

Consolidated Statement of Cash Flows

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

CITYDEAL EUROPE GMBH CONSOLIDATED STATEMENT OF CASH FLOWS (in thousands of US dollars)

User-specified TAGGED TABLE

	Period from January 1, 2010 to May 15, 2010
Operating activities	
Net loss	$(20,853)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	25
Stock-based compensation	612
Accrued interest	61
Change in assets and liabilities:	
Accounts receivable	(3,538)
Prepaid expenses and other current assets	(4,979)
Accounts payable	1,952
Accrued merchant payable	6,935
Accrued expenses and other current liabilities	4,341

Net cash used in operating activities	(15,444)
Investing activities	
Purchases of property and equipment	(736)
Purchases of intangible assets	(71)
Net cash used in investing activities	(807)
Financing activities	
Proceeds from issuance of shares	12,605
Cost of issuance of shares	(64)
Cash received from loans from related parties	17,113
Repayments of loans from related parties	(8,579)
Net cash provided by financing activities	21,075
Effect of exchange rate changes on cash and cash equivalents	(266)
Net increase in cash and cash equivalents	4,558
Cash and cash equivalents, beginning of year	183
Cash and cash equivalents, end of year	$4,741
Interest paid	$—
Income taxes paid	$—

end of user-specified TAGGED TABLE
See Notes to Consolided Statements of Operations, Comprehensive Loss and Cash Flows

Notes to Consolidated Financial Statements

THIS IS THE END OF A COMPOSITION COMPONENT

CityDeal Europe GmbH

Notes to Consolidated Statements of Operations, Comprehensive Loss and Cash Flows

1. Description of Business

CityDeal Europe GmbH ("CityDeal"), together with its subsidiaries through which it conducts business, is a collective buying power business that launched operations in January 2010. CityDeal uses collective buying power to offer significant discounts to consumers on a wide variety of local goods, services and events throughout Europe.

CityDeal was founded in December 2009 and was a development-stage enterprise prior to commencing operations at the start of 2010.

CityDeal is a limited liability company under German law and is based in Berlin, Germany. CityDeal operates in various European countries including France, Germany, Italy and the United Kingdom.

On May 15, 2010 CityDeal was purchased by Groupon, Inc. Groupon, Inc. acquired 100% of the stock from CityDeal shareholders in exchange for $0.6 million in cash and 41,400,000 shares of Groupon, Inc. Class A Voting Common Stock (valued at $125.4 million as of the acquisition date). The accompanying financial statements within are presented for the fiscal period prior to acquisition. CityDeal Europe GmbH was subsequently renamed Groupon Europe GmbH.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements present the consolidated results of operations and cash flows from January 1, 2010 to May 15, 2010, the date of acquisition by Groupon, Inc. The consolidated financial statements include the accounts of CityDeal and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. CityDeal's consolidated financial statements were prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP"). Subsidiaries are fully consolidated from the date the Company obtains control and continues to be consolidated until the date that such control ceases. A change in ownership interest of a subsidiary, without the loss of control, is accounted for as an equity transaction. At May 15, 2010, all subsidiaries of CityDeal were wholly-owned.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires estimates and assumptions that affect the reported amounts and classifications of assets and liabilities, revenues and expenses in the consolidated financial statements and accompanying notes. Estimates are utilized for, but not limited to, stock-based compensation, income taxes, customer refunds and the depreciable lives of fixed assets. Actual results could differ materially from those estimates.

Revenue Recognition

CityDeal recognizes revenue from coupons when the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred; the selling price is fixed or determinable; and collectability is reasonably assured. These criteria generally are met when the number of customers who purchase the daily deal exceeds the predetermined threshold, based on the executed contract between CityDeal and its merchants. CityDeal records the gross amount it receives from coupons, excluding taxes where applicable, as CityDeal is the primary obligor in the transaction, and records an allowance for estimated customer refunds on total revenue primarily based on historical experience. CityDeal also records costs related to the associated obligation to redeem the award credits granted at issuance as an offset to revenue.

CityDeal Europe GmbH

NOTES TO CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND CASH FLOWS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cost of Revenue

Cost of revenue consists of direct costs incurred to generate CityDeal's revenue, primarily the agreed-upon payments to the merchants. Cost of revenue components are recorded with the associated revenue and payments are made to merchants based on redemption of coupons by customers.

Marketing

Marketing expense consists primarily of online marketing costs, such as advertising on social networking sites and through search engines, and to a lesser extent, television and print advertising. CityDeal also records costs associated with customer acquisition and affiliate arrangements in marketing expense on the consolidated statement of operations. Online marketing expense is recognized based on the terms of the individual agreements, while other marketing expense generally is recognized in the period in which it is incurred.

Stock-Based Compensation

CityDeal measures stock-based compensation cost at fair value, net of forfeitures, and generally recognizes the corresponding compensation expense on a straight-line basis over the service period during which awards are expected to vest. CityDeal includes stock-based compensation expense in the selling, general and administrative expenses in the consolidated statement of operations and includes the offset to additional paid in capital on the balance sheet. The fair value of restricted stock is determined based on valuations of CityDeal's stock at or around the grant date. See Note 5 *"Stock-Based Compensation."*

Foreign Currency

The functional currencies of CityDeal and its subsidiaries are the local currencies of countries in which CityDeal operates, primarily the Euro and the British Pound. The Company's reporting currency is the U.S. dollar.

Balance sheet accounts are translated from foreign currencies into U.S. dollars at the exchange rates as of the consolidated balance sheet date. Revenues and expenses are translated at average exchange rates during the period. Foreign currency translation gains or losses are included in accumulated other comprehensive income in stockholders' deficit. Gains and losses resulting from foreign currency transactions, which are denominated in currencies other than the entity's functional currency, are included in interest and other expense, net on the consolidated statement of operations.

Cash and Cash Equivalents

CityDeal considers all highly-liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents.

Receivables, net

Accounts receivable primarily represent the net cash due from CityDeal's credit card and other payment processors for cleared transactions. The carrying amount of CityDeal's receivables is reduced by an allowance for doubtful accounts that reflects management's best estimate of amounts that will not be collected. Accounts receivable are charged off against the allowance for doubtful accounts when it is

determined that the receivable is uncollectible. CityDeal's allowance for doubtful accounts and related bad debt expense were insignificant as of May 15, 2010.

Inventory

Inventories are stated at the lower of cost or market, with cost determined on a purchase cost specific identification basis.

Property and Equipment, net

Property and equipment includes assets such as furniture and fixtures, external software, and office and telephone equipment. CityDeal accounts for property and equipment at cost less accumulated depreciation and amortization. Depreciation and amortization expense are recorded on a straight-line basis over the estimated useful lives of the assets (generally three years for computer hardware and office and telephone equipment and five years for furniture and fixtures) and are classified within selling, general and administrative expenses in CityDeal's consolidated statement of operations.

CityDeal performs a review for the impairment or disposal of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. CityDeal did not identify any long-lived asset impairments for the period ending May 15, 2010.

Lease Obligations

CityDeal categorizes leases at their inception as either operating or capital leases, and may receive renewal or expansion options, rent holidays, and leasehold improvement and other incentives on certain lease agreements. CityDeal recognizes lease costs on a straight-line basis taking into account adjustments for market provisions, such as free or escalating base monthly rental payments, or deferred payment terms such as rent holidays that defer the commencement date of required payments. Additionally, CityDeal treats any incentives received as a reduction of costs over the term of the agreement. CityDeal records rent expense associated with lease obligations in selling, general and administrative expense on the consolidated statement of operations. See Note 3 "*Commitments and Contingencies*."

Income Taxes

The provision for income taxes is determined using the asset and liability method. Under this method, deferred tax assets and liabilities are calculated based upon the temporary differences between the financial statement and income tax bases of assets and liabilities using the statutory tax rates that are applicable in a given year. The deferred tax assets are recorded net of a valuation allowance when, based on the weight of available evidence, CityDeal believes it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. CityDeal considers many factors when assessing the likelihood of future realization of its deferred tax assets, including recent cumulative earnings experience, expectations of future taxable income and capital gains by taxing jurisdiction, the carry-forward periods available for tax reporting purposes, and other relevant factors. CityDeal allocates

its valuation allowance to current and long-term deferred tax assets on a pro-rata basis. A change in the estimate of future taxable income may require an increase or decrease to the valuation allowance.

CityDeal utilizes a two-step approach to recognizing and measuring uncertain tax positions ("tax contingencies"). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount which is more than 50% likely to be realized upon ultimate settlement. CityDeal considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and which may not accurately forecast actual outcomes. CityDeal includes interest and penalties related to tax contingencies in income tax expense. See Note 6 "*Income Taxes*."

Fair Value of Financial Instruments

The carrying amounts of CityDeal's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued merchant payable, and accrued expenses, approximate fair value due to their generally short-term maturities. See Note 8 "*Fair Value Measurements*" for a discussion of the terms and conditions of the related party loans payable. It was not practical to estimate the fair value of related party loans.

Recent Accounting Pronouncements

In January 2010, the FASB issued guidance that improves disclosures about fair value measures that were originally required. The new guidance is effective for interim and annual periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those years. The adoption of this guidance did not impact CityDeal's financial position or results of operations.

In July 2010, the FASB issued guidance that requires providing disclosures that facilitate financial statement users' evaluation of: 1) the nature of credit risk inherent in the entity's portfolio of financing receivables; 2) how that risk is analyzed and assessed in arriving at the allowance for credit losses; 3) the changes and reasons for those changes in the allowance for credit losses. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. CityDeal will adopt this guidance on January 1, 2011. CityDeal does not expect this guidance to have a material impact on CityDeal's consolidated financial statements.

In April 2010, the FASB issued guidance clarifying that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. This guidance is effective for interim and annual reporting periods beginning after December 15, 2010. CityDeal will adopt this guidance on January 1, 2011. CityDeal does not expect this guidance to have a material impact on CityDeal's consolidated financial statements.

3. Commitments and Contingencies

Operating Leases

CityDeal has entered into various non-cancellable operating lease agreements, primarily covering certain of its offices throughout Europe, with original lease periods expiring between 2011 and 2012. Rent expense under these operating leases was $0.3 million for the period ended May 15, 2010.

Certain of these arrangements have renewal or expansion options and adjustments for market provisions, such as free or escalating base monthly rental payments. CityDeal recognizes rent expense under such arrangements on the straight-line basis over the term of the lease. The difference between the straight-line expense and the cash paid for rent has been recorded as deferred rent.

CityDeal is responsible for paying its proportionate share of the actual operating expenses and real estate taxes under certain of these lease agreements. These operating expenses are not included in the table below.

As of May 15, 2010, future payments under non-cancellable operating leases (including rent escalation clauses) were as follows (in thousands):

User-specified TAGGED TABLE

Year Ended December 31,	
2010 (remaining period)	$257
2011	374
2012	136
2013	–
2014	–
2015	–
Thereafter	–
	$767

end of user-specified TAGGED TABLE

Legal Matters

CityDeal believes that there are no matters outstanding that will have a material adverse effect on its business, consolidated financial position, results of operations, or cash flows. CityDeal may become party to litigation resulting from the ordinary course of business. In such an instance CityDeal would assess the likelihood of any adverse judgments or outcomes with respect to potential matters and determine loss contingency assessments on a gross basis after

assessing the probability of incurrence of a loss and whether a loss is reasonably estimable. In addition, CityDeal would consider other relevant factors that could impact its ability to reasonably estimate a loss. A determination of the amount of reserves required, if any, for such contingencies would be made after analyzing each matter.

4. Stockholders' Deficit

CityDeal sold an aggregate amount of 25,000 shares of common stock to one investor, Rocket Internet GmbH, a German limited liability company ("Rocket") and used the proceeds from the sale for working capital and general corporate purposes.

Common Stock

The board of directors (the "Board") of CityDeal has authorized one class of voting common stock. As of May 15, 2010 there were 25,000 shares authorized, issued and outstanding of voting common stock, respectively. Each share of voting common stock is entitled to one vote per share. Voting common stock is referred to as common stock throughout the notes to these financial statements, unless otherwise noted.

CityDeal issued stock-based awards to its employees in the form of restricted stock, which have the potential to increase the outstanding shares of common stock. See Note 5 *"Stock-based Compensation."*

Upon any liquidation, dissolution or winding up of CityDeal (a "liquidation event"), the remaining assets of CityDeal will be distributed ratably among holders of common stock only after the payment of the full Series B Preferred Stock ("Series B Preferred") liquidation preference and Series A Preferred Stock ("Series A Preferred") liquidation preference has been satisfied.

Preferred Stock

CityDeal has 13,656 of authorized shares of Series A Preferred Stock and 7,732 of authorized shares of Series B Preferred Stock as of May 15, 2010. The rights, preferences, privileges, restrictions and other matters relating to the Series Preferred are as follows.

Series A Preferred

In February 2010, CityDeal authorized the sale and issuance of 5,934 shares of Series A Preferred for $3.1 million. In March 2010, CityDeal authorized the sale and issuance of 7,722 Series A Preferred for $2.7 million. The proceeds were used for working capital and general corporate purposes. There were 13,656 shares outstanding as of May 15, 2010.

Holders of Series A Preferred are entitled to the number of votes equal to the number of shares held. In addition, the Series A Preferred holders are entitled to receive, upon a liquidation event, the amount equal to the amount of contributions made by the holders of Series A. If, upon the liquidating event, the assets of CityDeal are insufficient to fully pay the amounts owed to Series A Preferred holders, all distributions would be made ratably in proportion to the full amounts to which holders would have otherwise been entitled.

The holders of Series A Preferred are also entitled to receive any dividend declared by the Board, by participating equally with the holders of common stock and the holders of Series B Preferred.

Series B Preferred

In March 2010, CityDeal authorized the sale and issuance of 7,732 shares of Series B Preferred for $6.7 million. The proceeds were used for working capital and general corporate purposes. There were 7,732 shares outstanding as of May 15, 2010.

Holders of Series B Preferred are entitled to the number of votes equal to the number of shares held. In addition, the Series B Preferred holders are entitled to receive, upon a liquidation event, the amount equal to the amount of contributions made by the holders of Series B. If, upon the liquidating event, the assets of CityDeal are insufficient to fully pay the amounts owed to Series B Preferred holders, all

distributions would be made ratably in proportion to the full amounts to which holders would have otherwise been entitled.

The holders of Series B Preferred are also entitled to receive any dividend declared by the Board, by participating equally with the holders of common stock and the holders of Series A Preferred.

Dividends

No dividends were declared during the period from January 1, 2010 to May 15, 2010.

5. Stock-based Compensation

In the period from January 1, 2010 to May 15, 2010, CityDeal granted certain employees restricted stock awards in subsidiaries of CityDeal, in return for employee services to be rendered. The restricted stock awards vest quarterly over a requisite service period up to three years, with an initial cliff vesting term between three and six months. In the case of two employees, the restricted stock awards were granted with immediate vesting, in return for employee services previously rendered. There were 3,509 shares of restricted stock awards granted during the period from January 1, 2010 to May 15, 2010 with a weighted-average grant date fair value of $748.38 per share, which is amortized on a straight-line basis over the requisite service period as a component of employee compensation expense. The offset to the restricted stock award expense is classified as a component of additional paid-in capital within stockholders' deficit.

The table below summarizes activity regarding unvested restricted stock awards granted to employees during the period from January 1, 2010 to May 15, 2010:

User-specified TAGGED TABLE

	Restricted Stock	Weighted-Average Grant Date Fair Value (per share)
Unvested at January 1, 2010	3,065	$5.57
Granted	3,509	$748.38
Vested	(205)	$403.26
Forfeited	(3,065)	$5.57
Unvested at May 15, 2010	3,304	$783.19

end of user-specified TAGGED TABLE

The fair value of restricted stock that vested during the period from January 1, 2010 to May 15, 2010 was $0.1 million. CityDeal recognized stock compensation expense for restricted stock awards granted to employees of $0.2 million for the period from January 1, 2010 to May 15, 2010, none of which provided CityDeal with a tax benefit as a result of a full valuation allowance on deferred tax assets. As of May 15, 2010, a total of $9.4 million of unrecognized compensation costs related to unvested restricted stock awards granted to employees are expected to be recognized over the remaining weighted average period of 2.7 years.

In the period from January 1, 2010 to May 15, 2010 CityDeal awarded certain non-employees (managers of Rocket and the Rocket parent company the European Founders Fund GmbH) with fully-vested restricted stock awards in subsidiaries of CityDeal, in return for consulting services received. There were awards for 399 shares of fully-vested restricted stock granted to non-employees during the period from January 1, 2010 to May 15, 2010 with a cumulative grant date fair value of $0.4 million which were

recognized as a component of consulting expense in the income statement upon issuance. The offset to the restricted stock award expense is classified as a component of additional paid-in capital within stockholders' deficit. CityDeal did not recognize a tax benefit associated with the restricted stock awards granted to non-employees as a result of a full valuation allowance on deferred tax assets.

The fair value of the restricted stock awards granted to employees and non-employees was determined by reference to the terms and conditions of the capital increases during the period January 1, 2010 to May 15, 2010 (See Note 4 *"Stockholders' Deficit")*, as well as by the reference to the information available in connection with the CityDeal's acquisition by Groupon, Inc. on May 15, 2010.

On May 14, 2010 and to facilitate the CityDeal's acquisition by Groupon Inc. (see Note 10 "*Subsequent Events*"), all share-based awards granted to employees and nonemployees in CityDeal subsidiaries were proportionately exchanged for share-based awards in CityDeal. With the exception of changing the legal entity with which the share-based awards are associated, no other terms and conditions of the original awards granted in CityDeal subsidiaries were changed as a result of the exchange. The exchange of fully-vested share-based awards in CityDeal subsidiaries was accounted for as the acquisition of all outstanding non-controlling interests in the CityDeal subsidiaries. The exchange of unvested share-based awards in CityDeal subsidiaries for unvested share-based awards in CityDeal was accounted for as a modification on the date of exchange, with the additional fair value of the unvested share-based awards granted being recognized over the remaining requisite service period.

6. Income Taxes

The components of pretax loss for the period are as follows (in thousands):

User-specified TAGGED TABLE

	Period from January 1, 2010 to May 15, 2010		
	Loss before provision for income taxes	Provision for income taxes	
		Current	Deferred

Germany	$(9,225)	$—	$—
International	(11,628)	—	—
Loss before provision of income taxes	$(20,853)	$—	$—

end of user-specified TAGGED TABLE
The items accounting for differences between income taxes computed at the statutory rate and the provision for income taxes were as follows:

User-specified TAGGED TABLE

	Period from January 1, 2010 to May 15, 2010
Statutory income tax rate	30.2%
Valuation allowance	(30.2)%
Total provision for income taxes	—%

end of user-specified TAGGED TABLE
At May 15, 2010, CityDeal had $21.5 million of operating loss carryforwards, which will carryforward indefinitely.

CityDeal Europe GmbH

NOTES TO CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND CASH FLOWS (Continued)

6. INCOME TAXES (Continued)

For all tax jurisdictions, all fiscal periods from the commencement of business starting in 2009 are subject to tax audits.

No accrual has been recorded at January 1, 2010 nor at May 15, 2010 for uncertain tax positions and no provision for uncertain tax positions has been recorded for the period from January 1, 2010 to May 15, 2010.

7. Concentration Risks

CityDeal is potentially subject to financial instrument concentration of credit risk through its cash equivalents and trade accounts receivable. CityDeal performs evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any one institution. A significant amount of accounts receivable is with several payment and credit card processing service providers in Europe.

For the period from January 1, 2010 to May 15, 2010, revenue of $6.0 million was transacted in Germany and the remaining revenue of $2.8 million arose in other locations within Europe.

8. Fair Value Measurements

Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability.

To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

> Level 1—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
>
> Level 2—Include other inputs that are directly or indirectly observable in the marketplace.
>
> Level 3—Unobservable inputs that are supported by little or no market activities. Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

In determining fair value, CityDeal uses various valuation approaches within the fair value measurement framework. The valuation methodologies used for CityDeal's instruments measured at fair value and their classification in the valuation hierarchy are summarized below:

> Cash equivalents—Cash equivalents primarily consisted of highly-rated commercial paper and money market funds. The Company classified cash equivalents as Level 1, due to their short-term maturity, and measured the fair value based on quoted prices in active markets for identical assets.

CityDeal Europe GmbH

NOTES TO CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND CASH FLOWS (Continued)

8. FAIR VALUE MEASUREMENTS (Continued)

The following table summarizes CityDeal's assets that are measured at fair value on a recurring basis (in thousands):

User-specified TAGGED TABLE

		Fair Value Measurement at Reporting Date Using		
Description	As of May 15, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$4,741	$4,741	$—	$—

end of user-specified TAGGED TABLE
There were no changes to CityDeal's valuation techniques used to measure asset and liability fair values on a recurring basis for the period of January 1, 2010 through May 15, 2010.

At May 15, 2010 there were no material fair value adjustments required for non-financial assets and liabilities.

9. Related Parties

Shareholder Loans

CityDeal and its shareholders entered into several loan agreements starting in March 2010, whereby certain CityDeal shareholders provided cash to fund operational and working capital needs of the business. During the period from January 1, 2010 to May 15, 2010, CityDeal received $17.1 million of proceeds from shareholders, of which $8.5 million was outstanding as of May 15, 2010. The outstanding balance accrues interest at a rate of 5% per year and is payable upon termination of the facility, which is the earlier of any prepayments or December 2012. As of May 15, 2010, the accrued interest was insignificant.

Consulting

CityDeal purchased administrative and other consulting services from CityDeal shareholders during the period from January 1, 2010 to May 15, 2010 with expenses for the period of $1.1 million. In addition, in conjunction with such consulting services, CityDeal awarded certain employees who were shareholders restricted stock in subsidiaries of CityDeal. There were 399 shares of restricted stock granted during the period from January 1, 2010 to May 15, 2010 with a grant date fair value of $0.4 million, which was recognized as consulting expense in the consolidated statement of operations.

10. Subsequent Events

CityDeal has evaluated subsequent events through May 31, 2011, the date the consolidated financial statements were available to be issued.

THIS IS THE END OF A COMPOSITION COMPONENT

Report of Independent Auditors

Report of Independent Auditors

The Board of Directors
Groupon Japan, Inc. (formerly known as Qpod.inc) We have audited the accompanying statement of operations, stockholders' equity, and cash flows of Qpod.inc (the "Company") for the period from June 4, 2010 to August 11, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the result of its operations and its cash flows of Qpod.inc for the period from June 4, 2010 to August 11, 2010 in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young ShinNihon LLC Tokyo, Japan
May 25, 2011

Statement of Operations

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

QPOD.INC STATEMENT OF OPERATIONS (in thousands of Japanese Yen)

User-specified TAGGED TABLE

	Period from June 4, 2010 to August 11, 2010
Revenue	¥ 23,099
Cost of revenue	19,329
Gross profit	3,770
Operating expenses:	
Marketing	57,304
Selling, general and administrative	89,679
Total operating expenses	146,983
Loss from operations	(143,213)
Interest and other expenses, net	(328)
Loss before provision for income taxes	(143,541)
Provision for income taxes	(2,543)
Net loss	¥ (146,084)

end of user-specified TAGGED TABLE
See Notes to Financial Statements.

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Statement of Stockholders' Equity

QPOD.INC STATEMENT OF STOCKHOLDERS' EQUITY (in thousands of Japanese Yen, except shares)

User-specified TAGGED TABLE

	Preference A		Common		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Stockholders' Equity
Balance as of June 4, 2010	—	¥ —	—	¥ —	¥ —	¥ —	¥ —
Net loss	—	—	—	—	—	(146,084)	(146,084)
Issuance of common stock	—	—	10,000	100	—	—	100
Issuance of preferred stock	9,600	100,800	—	—	100,024	—	200,824
Balance as of August 11, 2010	9,600	¥ 100,800	10,000	¥ 100	¥ 100,024	¥ (146,084)	¥ 54,840

end of user-specified TAGGED TABLE
See Notes to Financial Statements.

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Statement of Cash Flows

QPOD.INC STATEMENT OF CASH FLOWS (in thousands of Japanese Yen)

User-specified TAGGED TABLE

	Period from June 4, 2010 to August 11, 2010
Operating activities	
Net loss	¥ (146,084)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	552

Deferred income taxes		2,480
Change in assets and liabilities:		
Accounts receivable		(18,679)
Prepaid expenses and other current assets		(17,375)
Accounts payable		15,389
Accrued expenses and other current liabilities		102,622
Net cash used in operating activities		(61,095)
Investing activities		
Purchases of property and equipment		(23,767)
Purchases of intangible assets		(5,933)
Investments in security deposits		(51,244)
Net cash used in investing activities		(80,944)
Financing activities		
Issuance of common stock, net of issuance costs		100
Issuance of preferred stock, net of issuance costs		200,824
Net cash provided by financing activities		200,924
Net increase in cash		58,885
Cash, beginning of period		—
Cash, end of period	¥	58,885

end of user-specified TAGGED TABLE
See Notes to Financial Statements.

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Notes to Financial Statements

Qpod.inc Notes to Financial Statements

1. Description of Business

Qpod.inc ("Qpod"), a Japanese corporation based in Tokyo, Japan, is a collective buying power business that provides online marketing services that enable consumers to purchase high-discount daily deals on a wide array of local goods, services and events. Qpod was established in June 2010 and commenced operations in July 2010. On August 11, 2010, Qpod became a subsidiary of Groupon B.V., a wholly-owned subsidiary of Groupon, Inc. ("Groupon"), and changed its name to Groupon Japan, Inc. See Note 7 *Subsequent Events*.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

Qpod's financial statements were prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") and on the premise of a going concern. Qpod has suffered losses from operations and has had negative operating cash flows. As discussed in Note 7 *Subsequent Events*, Qpod has entered into agreements with Groupon and its group companies to provide the necessary level of financial support at least through August 12, 2011.

The preparation of financial statements in conformity with U.S. GAAP requires estimates and assumptions that affect the reported amounts and classifications of assets and liabilities, revenues and expenses, and the related disclosures of contingent liabilities in the financial statements and accompanying notes. Actual results could differ materially from those estimates.

Revenue Recognition

Qpod recognizes revenue from its daily deals when the following criteria are met: persuasive evidence of an arrangement exists; delivery has occurred; the selling price is fixed or determinable; and collectability is reasonably assured. These criteria generally are met when the number of customers who purchase the daily deal exceeds the predetermined threshold, based on the executed contract between Qpod and its merchants. Qpod records the gross amount it receives from its deals as revenue, excluding taxes where applicable, as Qpod is the primary obligor in the transaction, and records an allowance for estimated customer refunds on total revenue primarily based on historical experience.

Cost of Revenue

Cost of revenue consists of direct costs incurred to generate revenue, primarily the agreed-upon payments to the merchants. Cost of revenue components are recorded with the associated revenue and payments are made to merchants based on either negotiated payment schedules or the redemption of daily deals by customers.

Marketing

Marketing expense consists primarily of online marketing costs, such as advertising on social networking sites and through search engines, and offline marketing costs such as television and print advertising. Qpod also records costs associated with customer acquisition and affiliate arrangements in marketing expense on the statement of operations. Online marketing expense is recognized based on the terms of the individual agreements, while offline marketing expense generally is recognized in the period in which it is incurred.

Qpod.inc

NOTES TO FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation and Amortization

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets (generally three years for external software and licenses and five years for furniture and fixtures) and is classified within selling, general and administrative expenses in the statement of operations.

Income Taxes

The provision for income taxes is determined using the asset and liability method. Under this method, deferred tax assets and liabilities are calculated based upon the temporary differences between the financial statement and income tax bases of assets and liabilities using the statutory tax rates that are applicable in a given year. The deferred tax assets are recorded net of a valuation allowance when, based on the weight of available evidence, Qpod believes it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. Qpod considers many factors when assessing the likelihood of future realization of its deferred tax assets, including recent cumulative earnings experience, expectations of future taxable income and capital gains by taxing jurisdiction, the carry-forward periods available for tax reporting purposes, and other relevant factors. Qpod allocates its valuation allowance to current and long-term deferred tax assets on a pro-rata basis. A change in the estimate of future taxable income may require an increase or decrease to the valuation allowance.

3. Operating Leases

Qpod has entered into non-cancelable operating lease agreements, primarily covering certain of its offices, with original lease periods expiring between 2010 and 2012. Rent expense under these operating leases was 3.0 million Japanese Yen for the period from June 4, 2010 to August 11, 2010.

Qpod is responsible for paying its proportionate share of the actual operating expenses and real estate taxes under certain of these lease agreements. These operating expenses are not included in the table below.

As of August 11, 2010, future payments under operating leases (including rent escalation clauses) were as follows (in thousands of Japanese Yen):

User-specified TAGGED TABLE

Year Ending December 31,		
2010 (remaining period)	¥	460
2011		1,188
2012		635
2013		—
2014		—
Thereafter		—
	¥	2,283

end of user-specified TAGGED TABLE

4. Stockholders' Equity

Common Stock

In June 2010, Qpod authorized the sale and issuance of 10,000 shares of common stock for 0.1 million Japanese Yen, and used the proceeds from the sale for working capital and general corporate purposes. Each share of common stock is entitled to one vote per share.

Qpod also issued stock-based awards to its employees in the form of stock options, all of which have the potential to increase shares of common stock in the future.

Preferred Stock

In July 2010, Qpod authorized the sale and issuance of 9,600 shares of Preference A stock for 201.6 million Japanese Yen, and used the proceeds from the sale for working capital and general corporate purposes. The holders of Preference A stock are entitled to receive, on an as-converted to common stock basis, any other dividend or distribution if declared by Qpod's Board of Directors (the "Board"), participating equally with the holders of common stock.

5. Income Taxes

The provision for income taxes for the period from June 4, 2010 to August 11, 2010 consisted of the following components (in thousands of Japanese Yen):

User-specified TAGGED TABLE

Current Tax Expense	¥	63
Deferred Tax Expense		2,480
	¥	2,543

end of user-specified TAGGED TABLE

The reconciliation between the applicable income tax rate and the effective income tax rate for the period from June 4, 2010 to August 11, 2010 is as follows:

User-specified TAGGED TABLE

Stautory income taxe rate	40.69%
Decrease in tax rate:	
Valuation allowance for deferred tax assets	(42.23)
Other	(0.24)
Effective income tax rate	(1.78)

end of user-specified TAGGED TABLE

In determining the need for a valuation allowance, Qpod weighs both positive and negative evidence in the taxing jurisdictions in which it operates to determine whether it is more likely than not that its deferred tax assets are recoverable. In assessing the ultimate realizibility of its net deferred tax assets, Qpod considers its past performance, available tax strategies, and expected future taxable income, At August 11, 2010, Qpod recorded a valuation allowance of 60.6 million Japanese Yen against its net deferred tax assets, as it believes it is more likely than not that these benefits will not be realized. At August 11, 2010, Qpod has approximately 142.5 million Japanese Yen of net operating loss carryforwards, which can be carried forward for 7 years.

6. Related Parties

Service Agreements

Qpod has entered into various agreements with companies in which certain of Qpod's Board members have direct and/or indirect ownership interests, to provide information technology, marketing and other services to Qpod. Qpod paid a total of 36.9 million Japanese Yen to these companies for services rendered for the period from June 4, 2010 to August 11, 2010, which were classified within operating expenses in Qpod's statement of operations. The related party payments consisted of the following components (in thousands of Japanese Yen):

User-specified TAGGED TABLE

Payroll and benefits	¥	14,346
Advertising		18,183
Commission		3,819
Other		559
	¥	36,907

end of user-specified TAGGED TABLE

Sublease Agreements

Qpod has entered into agreements with a company in which certain of Qpod's Board members have direct and/or indirect ownership interests, pursuant to which Qpod subleased a portion of office space in Tokyo from this company. Qpod paid 1.6 million Japanese Yen in rent expense, and 11.1 million Japanese Yen in deposits, to this company under the sublease agreements for the period from June 4, 2010 to August 11, 2010.

7. Subsequent Events

Qpod evaluated subsequent events or transactions through May 25, 2011, the date the financial statements were available for issuance, and determined following items were non-recognized events:

Letter Agreement

In August 2010, Qpod entered into a Letter Agreement (the "Agreement") with Groupon B.V., a private limited liability company, and other investors (together with Groupon B.V., the "Purchasers") to sell all of Qpod's newly issued Preference B shares ("B shares") for a cash purchase price of 31,378 Japanese Yen per share (the "Purchase Price"). The Purchase Price paid by all Purchasers amounted to 945.3 million Japanese Yen. Under this agreement, Groupon B.V. acquired 90.9% of Qpod's B shares, and the other investors acquired the remaining 9.1%. As of the date of the Agreement, the B Shares acquired by the Purchasers represented 55.1% of the total issued and outstanding capital stock of Qpod, and the B Shares acquired by Groupon B.V. represented 50.1% of the total issued and outstanding capital stock of Qpod, on a fully-diluted basis.

Shareholders Agreement

In conjunction with the Agreement, certain founding members and other shareholders of Qpod (collectively, the "other shareholders") entered into an agreement with Groupon, which provided Groupon with call rights that allow it to buy a percentage of the remaining shares of Qpod. Exercising all of the call rights would give Groupon an aggregate of 90.0% of the outstanding capital stock of Qpod. Additionally, the other shareholders have put rights to sell their outstanding capital stock to Groupon in

the event of an initial public offering of Groupon, subject to certain conditions, which would give Groupon up to an aggregate of 90% of the outstanding capital stock of Qpod.

Stock Purchase Agreement

In January 2011, Groupon entered into a Stock Purchase Agreement (the "SPA") with the other shareholders, whereby Groupon purchased an additional percentage of the shares of Qpod from the other shareholders, increasing Groupon's ownership in Qpod to 90.0%. Under the terms of the SPA, Groupon acquired 21,812 shares of the total issued and outstanding capital stock of Qpod, on a fully-diluted basis, for a cash purchase price of 94,442 Japanese Yen per share, or 2,060.0 million Japanese Yen. In conjunction with the SPA, Groupon has call rights that allow it to buy all of the remaining shares of Qpod. Exercising the call rights would give Groupon 100.0% ownership of the outstanding capital stock of Qpod. Additionally, the remaining Qpod shareholders have put rights to sell their outstanding capital stock to Groupon, including any shares of capital stock issuable upon exercise of options, which would give Groupon 100% of the outstanding capital stock of Qpod.

Issuance of convertible bonds

On November 17, 2010, the Company issued convertible bonds of 982.6 million Japanese Yen, all of which were subscribed by Groupon B.V. Each bond will accrue simple interest on its outstanding principal balance at 3.5% per annum. The Company shall pay Groupon B.V. an amount in cash equal to all outstanding principal and accrued and unpaid interest on July 31, 2014, the maturity date. If the Company becomes a wholly owned subsidiary of Groupon B.V., Groupon B.V. has the right to set the maturity date as the date 30 days after the day on which the Company becomes a wholly owned subsidiary of Groupon B.V.

During the conversion period from November 17, 2010 through July 30, 2014, Groupon B.V. shall have the right to convert all outstanding principal under each bond issued by the Company and subscribed for by Groupon B.V. into Preference B shares of the Company at a predetermined conversion rate. However, Groupon B.V. may not exercise its right to convert the bonds until the Company is a wholly owned subsidiary of Groupon B.V. On the conversion

date, the Company will pay in cash to Groupon B.V. all interest accrued.

On December 15, 2010, the Company issued convertible bonds of 325.2 million Japanese Yen, all of which were subscribed by Groupon B.V. Each bond will accrue simple interest on its outstanding principal balance at 1.0% per annum until December 31, 2010. Start from January 1, 2011 that the annual interest rate will be raised to 3.5% instead. The Company shall pay Groupon B.V. an amount in cash equal to all outstanding principal and accrued and unpaid interest on July 31, 2014, the maturity date. If the Company becomes a wholly owned subsidiary of Groupon B.V., Groupon B.V. has the right to set the maturity date as the date 30 days after the day on which the Company becomes a wholly owned subsidiary of Groupon B.V.

During the conversion period from January 1, 2011 through July 31, 2014, Groupon B.V. shall have the right to convert all outstanding principal under each bond issued by the Company and subscribed for by Groupon B.V. into Preference B shares of the Company at a predetermined conversion rate. However, Groupon B.V. may not exercise its right to convert the bonds until the Company is a wholly owned subsidiary of Groupon B.V. On the conversion date, the Company will pay in cash to Groupon B.V. all interest accrued.

THIS IS THE END OF A COMPOSITION COMPONENT

Pro Forma Condensed Consolidated Statement of Operations (Unaudited)

GROUPON, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2010
Effective May 15, 2010, Groupon, Inc. (the "Company") acquired CityDeal Europe GmbH ("CityDeal"), a collective buying power business that provides daily deals and online marketing services substantially similar to the Company. Effective August 11, 2010, the Company acquired Qpod.inc ("Qpod"), a Japanese corporation which also operates a collective buying power business that provides daily deals and online marketing services substantially similar to the Company. As a result of the acquisitions, the Company believes it has established a significant presence in the European and Japanese markets by strategically expanding into new geographies and increasing its subscriber base. In addition, the Company believes it has gained management's local expertise in maintaining vendor relationships and establishing new relationships and obtained an assembled workforce that has significant experience and knowledge of the industry.

For purposes of the Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2010, the Company assumed that the CityDeal and Qpod acquisitions occurred on January 1, 2010. As a result, the Unaudited Pro Forma Condensed Consolidated Statement of Operations was derived from:

- the audited historical consolidated income statement of the Company for the year ended December 31, 2010;
- the audited historical consolidated income statement of CityDeal for the period from January 1, 2010 to May 15, 2010; and
- the audited historical consolidated income statement of Qpod for the period from January 1, 2010 to August 11, 2010.

The Unaudited Pro Forma Condensed Consolidated Statement of Operations is presented for illustration purposes only and does not necessarily indicate the operating results that would have been achieved if the CityDeal and Qpod acquisitions had occurred at the beginning of the period presented, nor is it indicative of future operating results.

The Unaudited Pro Forma Condensed Consolidated Statement of Operations should be read in conjunction with the Company's historical consolidated financial statements and accompanying notes included in this prospectus.

GROUPON, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2010 (in thousands, except share and per share amounts)

User-specified TAGGED TABLE

	Groupon, Inc. Historical	CityDeal Europe GmbH Period from January 1, 2010 through May 15, 2010	Qpod.inc Period from January 1, 2010 through August 11, 2010	Acquisition Pro Forma Adjustments		Pro Forma
Revenue	$713,365	$8,419	$265	$—		$722,049
Cost of revenue	433,411	9,211	222	—		442,844
Gross profit	279,954	(792)	43	—		279,205
Operating expenses:						
Marketing	263,202	6,784	655	—		270,641
Selling, general and administrative	233,913	13,034	1,021	8,186	(a)	256,154
Acquisition-related(b)	203,183	—	—			203,183
Total operating expenses	700,298	19,818	1,676	8,186		729,978

Loss from operations	(420,344)	(20,610)	(1,633)	(8,186)	(450,773)
Interest and other income (expense), net	284	(243)	(4)	—	37
Loss before provision for income taxes	(420,060)	(20,853)	(1,637)	(8,186)	(450,736)
(Benefit) provision for income taxes	(6,674)	—	29	—	(6,645)
Net loss	(413,386)	(20,853)	(1,666)	(8,186)	(444,091)
Less: Net loss attributable to noncontrolling interests	23,746	4,240	—	—	27,986
Net loss attributable to Groupon, Inc.	(389,640)	(16,613)	(1,666)	(8,186)	(416,105)
Dividends on preferred stock	(1,362)	—	—	—	(1,362)
Redemption of preferred stock in excess of carrying value	(52,893)	—	—	—	(52,893)
Adjustment of redeemable noncontrolling interests to redemption value	(12,425)	—	—	—	(12,425)
Net loss attributable to common stockholders	$(456,320)	$(16,613)	$(1,666)	$(8,186)	$(482,785)
Net loss per share					
Basic	$(2.66)				(c)
Diluted	$(2.66)				(c)
Pro forma basic (unaudited)					(c)
Weighted average number of shares outstanding					
Basic	171,349,386				(c)
Diluted	171,349,386				(c)

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Notes to Pro Forma Condensed Consolidated Statement of Operations (Unaudited)

GROUPON, INC. NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2010

(a) Amortization

The pro forma adjustment reflects the additional amortization that would have been recognized on the intangible assets of CityDeal and Qpod had the acquisitions occurred on January 1, 2010.

User-specified TAGGED TABLE

		CityDeal	Qpod	
	Useful Life	**Amortization January 1, 2010 to May 15, 2010**	**Amortization January 1, 2010 to August 11, 2010**	**Total**
Vendor relationships	1 year	$2,689	$124	$2,813
Developed technology	2 years	229	19	248
Trade names	1 year	2,346	12	2,358
Subscriber relationships	5 years	2,643	124	2,767
Total		$7,907	$279	$8,186

end of user-specified TAGGED TABLE

(b) Acquisition-related

The Company recorded contingent consideration in the form of common stock as part of the CityDeal acquisition, which was subsequently remeasured on a periodic basis during the year ended December 31, 2010 until final settlement. Had the transaction occurred on January 1, 2010 the amount may have been materially different.

(c) Earnings per share

The pro forma basic earnings per share includes 146,661,182 shares of Series B, Series D, Series E, Series F and Series G preferred stock converted into shares of common stock and the shares of additional common stock issued in this offering. The pro forma diluted earnings per share include the dilutive effect of stock options outstanding using the treasury stock method.

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Part Ii Information Not Required in Prospectus

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth all expenses to be paid by the registrant, other than estimated underwriting discounts and commissions, in connection with this offering. All expenses will be borne by the registrant (except any underwriting discounts and commissions and expenses incurred by the selling stockholders in this offering). All amounts shown are estimates except for the SEC registration fee, the FINRA filing fee and the listing fee.

User-specified TAGGED TABLE

SEC registration fee	$87,075
FINRA filing fee	$75,500
listing fee	*
Printing and engraving	*
Legal fees and expenses	*
Accounting fees and expenses	*
Blue sky fees and expenses (including related legal fees)	*
Transfer agent and registrar fees	*
Miscellaneous expenses	*
Total	$*

end of user-specified TAGGED TABLE

*

To be provided by amendment

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 145 of the Delaware General Corporation Law authorizes a corporation's board of directors to grant, and authorizes a court to award, indemnity to officers, directors and other corporate agents.

As permitted by Section 102(b)(7) of the Delaware General Corporation Law, or DGCL, the registrant's certificate of incorporation to be in effect upon the closing of this offering includes provisions that eliminate the personal liability of its directors and officers for monetary damages for breach of their fiduciary duty as directors and officers, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases, redemptions or other distributions or (iv) for any transaction from which the director derived an improper personal benefit. The registrant's amended and restated certificate of incorporation provides for such limitation of liability.

In addition, as permitted by Section 145 of the DGCL, the bylaws of the registrant to be effective upon completion of this offering provide that:

- The registrant shall indemnify its directors and officers for serving the registrant in those capacities or for serving other business enterprises at the registrant's request, to the fullest extent permitted by Delaware law. Delaware law provides that a corporation may indemnify such person if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the registrant and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful.
- The registrant may, in its discretion, indemnify employees and agents in those circumstances where indemnification is permitted by applicable law.
- The registrant is required to advance expenses, as incurred, to its directors and officers in connection with defending a proceeding, except that such director or officer shall undertake to

repay such advances if it is ultimately determined that such person is not entitled to indemnification.

- The registrant will not be obligated pursuant to the bylaws to indemnify a person with respect to proceedings initiated by that person, except with respect to proceedings authorized by the registrant's board of directors or brought to enforce a right to indemnification.
- The rights conferred in the bylaws are not exclusive, and the registrant is authorized to enter into indemnification agreements with its directors, officers, employees and agents and to obtain insurance to indemnify such persons.
- The registrant may not retroactively amend the bylaw provisions to reduce its indemnification obligations to directors, officers, employees and agents.

The registrant's policy is to enter into separate indemnification agreements with each of its directors and officers that provide the maximum indemnity allowed to directors and executive officers by Section 145 of the DGCL and certain additional procedural protections. The registrant will also maintain directors and officers insurance to insure such persons against certain liabilities.

These indemnification provisions and the indemnification agreements entered into between the registrant and its officers and directors may be sufficiently broad to permit indemnification of the registrant's officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

The underwriting agreement to be filed as Exhibit 1.1 to this registration statement provides for indemnification by the underwriters of the registrant and its officers and directors for certain liabilities arising under the Securities Act and otherwise.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

We sold the following shares of our Series D preferred stock, Series E preferred stock, Series F preferred stock, Series G preferred stock, voting common stock and non-voting common stock to the following entities and individuals on the dates set forth below. The issuances of these securities were deemed to be exempt from registration under the Securities Act of 1933, as amended, in reliance on Section 4(2) of the Securities Act as transactions not involving a public offering. The information set forth below with respect to our voting and non-voting common stock gives effect to (i) the three-for-one stock split of our voting and non-voting common stock that was completed in August 2010 and (ii) the two-for-one stock split of our voting and non-voting common stock that was completed in January 2011.

User-specified TAGGED TABLE

Name of Stockholder	Series D Preferred Stock[1]	Series E Preferred Stock[2]	Series F Preferred Stock[3]	Voting Common Stock[4]	Non-Voting Common Stock[5]	Series G Preferred Stock[6]	Date of Purchase	Total Purchase Price
Entities affiliated with New Enterprise Associates	6,560,174						1/15/08	$4,799,999
Andrew D. Mason				1,800,000			11/1/09	$144,000
Entities affiliated with Accel Partners		2,932,552					11/17/09	$20,000,005
Entities affiliated with New Enterprise Associates		1,466,276					11/17/09	$10,000,002
The Board of Trustees of Leland Stanford Junior University		7,332					11/17/09	$50,004
Entities affiliated with Digital Sky Technologies			3,113,080				4/16/10	$100,000,000
Entities affiliated with Battery Ventures			1,089,578				4/16/10	$35,000,000
Goodrec, Inc. stockholders					357,300		5/6/10	[7]
Entities affiliated with CityDeal Management UG				19,800,000			5/15/10	[8]

end of user-specified TAGGED TABLE User-specified TAGGED TABLE

Name of Stockholder	Series D Preferred Stock[1]	Series E Preferred Stock[2]	Series F Preferred Stock[3]	Voting Common Stock[4]	Non-Voting Common Stock[5]	Series G Preferred Stock[6]	Date of Purchase	Total Purchase Price
Goodrec, Inc. stockholders					120,000		11/6/10	[9]
Ludic Labs Inc. stockholders					1,230,000		11/30/10	[10]
Entities affiliated with CityDeal Management UG				21,600,000			12/1/10	[11]
Entities affiliated with The Growth Fund of America, Inc.						5,539,730	12/17/10	$175,000,071
Entities affiliated with Fidelity Investments						3,165,559	12/17/10	$100,000,009

Entities affiliated with Morgan Stanley Investment Management		2,374,170	12/17/10	$75,000,030
Entities affiliated with T. Rowe Price		3,165,559	12/17/10	$100,000,009
Allen & Company, LLC		126,622	1/11/11	$3,999,989
Entities affiliated with DST Global Limited		1,614,436	1/11/11	$51,000,033
Andressen Horowitz Fund II, L.P.		1,266,223	1/11/11	$39,999,985
Entities affiliated with Battery Ventures VIII, L.P.		728,079	1/11/11	$23,000,016
Entities affiliated with Greylock XIII Limited Partnership		2,057,613	1/11/11	$64,999,995
Guy Oseary Family Trust		63,311	1/11/11	$1,999,994
KPCB Holdings, Inc.		2,057,614	1/11/11	$65,000,026
Entities affiliated with Maverick Fund Private Investments, Ltd.		1,582,780	1/11/11	$50,000,020
SLP Green Holdings, L.L.C.		1,582,779	1/11/11	$49,999,989
Entities affiliated with TCV Member Fund, L.P.		4,748,339	1/11/11	$150,000,029
Howard Schultz	316,556		2/10/11	$5,000,002
Matt McCutchen	14,520		2/10/11	$229,343
Entities affiliated with MEP Associates IV, L.P.	633,112		2/10/11	$10,000,004
Placido Arango	63,311		2/10/11	$999,997
Theodore J. Leonsis	63,331		2/24/11	$1,000,313

end of user-specified TAGGED TABLE

(1) Each share of Series D preferred stock will convert into six shares of Class A common stock upon the consummation of this offering.

(2) Each share of Series E preferred stock will convert into six shares of Class A common stock upon the consummation of this offering.

(3) Each share of Series F preferred stock will convert into six shares of Class A common stock upon the consummation of this offering.

(4) Each share of voting common stock will convert into one share of Class A common stock upon the consummation of this offering.

(5) Each share of non-voting common stock will convert into one share of Class A common stock upon the consummation of this offering.

(6) Each share of Series G preferred stock will convert into two shares of Class A common stock upon the consummation of this offering.

(7) These shares were issued as partial consideration in connection with the merger of Goodrec, Inc. d/b/a Mobly with and into Groupon Mobly, Inc.

(8) These shares were issued as consideration in connection with the merger of CityDeal Europe GmbH with and into Groupon Germany GbR.

(9) These shares were issued as contingent consideration in connection with the merger of Goodrec, Inc. d/b/a Mobly with and into Groupon Mobly, Inc.

(10) These shares were issued as partial consideration in connection with the merger of Ludic Labs, Inc. with and into Groupon Ludic, Inc.

(11) These shares were issued as contingent consideration in connection with the sale of CityDeal Europe GmbH to Groupon Germany GbR.

Since January 1, 2008, we have granted options to 663 of our employees or consultants to purchase an aggregate of 17,180,200 shares of our common stock, of which 3,225,339 have been exercised, 3,368,643 have expired and 10,586,218 remain either unvested or unexercised. The weighted average exercise price for the unvested and/or unexercised options is $2.25 per share. In addition, since January 1, 2008, we have granted 5,275,882 restricted stock units to 176 of our employees or consultants, 4,705,797 of which remain unvested. Each of the option and restricted stock unit grants were awarded under either the Company's 2010 Stock Plan or 2008 Stock Option Plan and, subject to the terms of those plans, vest and allow for exercise, as applicable, in accordance with the terms of each individual grant.

Other than the transactions listed immediately above, we have not issued and sold any unregistered securities in the three years preceding the filing of this registration statement.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)

Exhibits. The following exhibits are included herein or incorporated herein by reference:

User-specified TAGGED TABLE

Exhibit Number		Description
1.1	*	Form of Underwriting Agreement.
3.1	*	Fifth Amended and Restated Certificate of Incorporation, as currently in effect.
3.2	*	Form of Amended and Restated Certificate of Incorporation, to be in effect upon the closing of this offering.
3.3	*	By-Laws, as currently in effect.
3.4	*	Form of Amended and Restated Bylaws, to be in effect upon the closing of this offering.
4.1	*	Specimen Class A common stock certificate of the Registrant.
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10.11	*	Employment Agreement, dated as of November 30, 2010, by and between Groupon, Inc., Groupon Ludic, Inc. and Brian Totty.**
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23.1		Consent of Ernst & Young LLP.
23.2		Consent of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.
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24.1	Power of Attorney (included on signature page).

end of user-specified TAGGED TABLE

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To be filed by amendment

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Management contract or compensatory plan or arrangement.

(b)
Financial Statement Schedules.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Groupon, Inc.

We have audited the consolidated financial statements of Groupon, Inc. as of December 31, 2009 and 2010, and for each of the three years in the period ended December 31, 2010, and have issued our report thereon dated June 2, 2011 (included elsewhere in this Registration Statement). Our audits also included the financial statement schedule listed in Item 16(b) of Form S-1 of this Registration Statement. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP
Chicago, Illinois June 2, 2011

Schedule II—Valuation and Qualifying Accounts

User-specified TAGGED TABLE

	Balance at Beginning of Year	Charged to Expense	Acquisitions and Other	Balance at End of Year
		(in thousands)		
TAX VALUATION ALLOWANCE:				
Year ended December 31, 2008	$—	$644	$252	$896
Year ended December 31, 2009	896	682	—	1,528
Year ended December 31, 2010	1,528	50,474	3,954	55,956

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All other schedules have been omitted because they are either inapplicable or the required information has been given in the consolidated financial statements or the notes thereto.

ITEM 17. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

THIS IS THE END OF A COMPOSITION COMPONENT TOC_END

Signatures

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Chicago, Illinois, on the 2nd day of June, 2011.

User-specified TAGGED TABLE

GROUPON, INC.		
By:	/s/ ANDREW D. MASON	
	Name:	Andrew D. Mason
	Title:	*Chief Executive Officer*

end of user-specified TAGGED TABLE

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Andrew D. Mason and Jason E. Child and each of them, as his true and lawful attorney in fact and agent with full power of substitution, for him in any and all capacities, to sign any and all amendments to this registration statement (including post effective amendments or any abbreviated registration statement and any amendments thereto filed pursuant to Rule 462(b) increasing the number of securities for which registration is sought), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney in fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney in fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

User-specified TAGGED TABLE

Signature	**Title**	**Date**
/s/ ANDREW D. MASON Andrew D. Mason	President, Chief Executive Officer and Director (Principal Executive Officer)	June 2, 2011
/s/ JASON E. CHILD Jason E. Child	Chief Financial Officer (Principal Financial Officer)	June 2, 2011
/s/ JOSEPH DEL PRETO Joseph Del Preto	Chief Accounting Officer (Principal Accounting Officer)	June 2, 2011
/s/ PETER J. BARRIS Peter J. Barris	Director	June 2, 2011

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Signature	**Title**	**Date**
/s/ KEVIN J. EFRUSY Kevin J. Efrusy	Director	June 2, 2011
/s/ BRADLEY A. KEYWELL Bradley A. Keywell	Director	June 2, 2011
/s/ ERIC P. LEFKOFSKY Eric P. Lefkofsky	Director	June 2, 2011
/s/ THEODORE J. LEONSIS Theodore J. Leonsis	Director	June 2, 2011
/s/ HOWARD SCHULTZ Howard Schultz	Director	June 2, 2011

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Exhibit Index

User-specified TAGGED TABLE

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