

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, LAW DIVISION

Corporate Tailgate Services Inc.,)
dba Chicago Boat Rentals,)
Plaintiff,)
v.)
GROUPON, Inc.,)
Defendant.)

2018L007270

No.:
JURY TRIAL DEMANDED

COMPLAINT

Plaintiff Corporate Tailgate Services Inc., dba Chicago Boat Rentals (“CBR”) brings this fraud Complaint against GROUPON, Inc. (“Groupon”) on the following grounds:

1. This lawsuit seeks damages for a massive fraud that Defendant Groupon has perpetrated against Plaintiff CBR. The primary strategy in Groupon’s fraud scheme was to take for itself hundreds of thousands of dollars in fabricated “refund credits” instead of paying CBR what Groupon actually owed CBR. The fabricated and false “refunds” at issue are refunds that Groupon passed off as legitimate refunds actually given to purchasers, when in fact, Groupon repeatedly fabricated “refunds” that were never actually given to the purchasers of Groupon vouchers. Instead, these numerous purported refunds were simply money that Groupon kept for itself, when that money in fact rightly belonged to CBR. Not only did Groupon completely fabricate the “refund credits,” but in some cases, it also fabricated purported customers who purportedly received the refunds.

2. Groupon’s scheme was both complex and difficult to uncover, but now that it has been uncovered, CBR seeks (a) damages of approximately \$359,025 in fraudulent refund credits that Groupon has falsely issued itself since at least 2013, (b) punitive damages for its massive fraud scheme and its attempts to destroy evidence, and (c) for all legal fees and costs incurred in

FILED DATE: 7/16/2018 11:04 AM 2018L007270

prosecuting this case. CBR seeks relief under the Illinois Consumer Fraud Act (the “ICFA”) and Illinois common law causes of action for both fraud and conversion.

THE PARTIES AND THEIR MERCHANT AGREEMENT

3. To understand Groupon’s scheme, it is necessary to understand the three-way relationship between (a) **Groupon**; (b) Groupon’s “Merchant” customers, of which CBR is one; and (c) CBR’s boat rental customers, the “purchasers” of Groupon Vouchers.

4. Plaintiff CBR is an Illinois corporation with its principal place of business in Chicago, in Cook County, Illinois.

5. Defendant Groupon is a Delaware corporation with its principal place of business in Chicago, in Cook County, Illinois.

6. Plaintiff CBR and Defendant Groupon entered a series of “Groupon Merchant Agreements” effective on or about May 12, 2013 (for the 2013 Season); November 12, 2013 (for the 2014 Season); November 24, 2014 (for the 2015 Season); November 4, 2015 (for the 2016 Season); and November 10, 2016 (for the 2017 Season). While some non-material words varied over these years, the material terms of each of these agreements remained the same. These agreements will be referred to collectively as the “Merchant Agreement.” Citations to the Merchant Agreement and examples from it will be by citation to the Parties’ November 10, 2016 Merchant Agreement, a copy of which is attached as Exhibit A.

7. Under the Merchant Agreement, Groupon agreed to promote CBR’s “Merchant Offering” – which was boat rentals – through Groupon’s advertising and promotional services and through the sale of Groupon Vouchers. Groupon sold Groupon Vouchers directly to purchasers at discount prices, which the Purchaser could redeem on CBR’s website. Groupon then agreed to pay CBR for the sale of the Voucher under the following formula:

- a. The Remittance Amount is the amount the purchaser pays to Groupon for a Voucher.
- b. The Net Remittance Amount is the amount the purchaser pays to Groupon, less the Service Fee that is kept by Groupon pursuant to the Contract. Under the Merchant Agreement, Groupon owes CBR the Net Remittance Amount. So, for example, in the 2017 Season, Groupon sold a Groupon Voucher for a CBR 2-hour boat ride with 8-people for \$139. Groupon kept a Service Fee of \$46 for every such Voucher sold. The Net Remittance Amount on that transaction was \$93, which Groupon owed to CBR, and which Groupon was supposed to have paid to CBR in two installments.
- c. For vouchers sold during the first seven days of the promotion, Groupon agreed to pay CBR 80% of the Net Remittance Amount in sold CBR vouchers after the seventh day of the promotion.
- d. For additional vouchers sold after the first seven days of the promotion, Groupon agreed to pay CBR – twice every month – 80% of the sales that had been made since the end of the last payment period.
- e. In both cases, Groupon agreed to pay CBR the remaining 20% of the Net Remittance Amount two weeks after each Voucher's Promotion Value Expiration Date (which was usually the first week in October). So, for example, if Groupon sold a 2-week boat ride with 8-people for \$139 on the first day of a promotion, Groupon would keep \$46, would pay CBR 80% of \$93 (\$74.40) after the first seven days of the promotion, but Groupon would still owe CBR 20% of \$93 (\$18.60) for the remainder of Net Remittance Amount, which amount would be due from

Groupon to CBR two weeks after that voucher's Promotional Value had expired, which in 2017 was on October 2, at 4:59 a.m.

- f. Finally, after a purchased Voucher "expired," that Voucher would lose its "Promotional Value" but it would never lose its "Face Value." This is very important to understand. From the date Groupon sold a Voucher to the date that Voucher expired, its value was equal to the boat ride purchased (either a 2-hour boat ride for 8; a 2-hour boat ride for 12; or a 3-hour boat ride for 8t at a time the City of Chicago was putting on a fireworks display). After the Voucher expired, however, that Voucher was no longer worth the specific boat ride purchased; it was now worth the amount paid for the Voucher, which could still be applied to the *retail cost* of the specific boat rental. For example, if Groupon sold a 2-hour boat ride with 8-people for \$139 on November 10, 2016, Groupon would keep \$46, would pay CBR \$74.40 after the first seven days of the promotion, and would owe CBR \$18.60. After the Voucher expired one year later, on October 2, 2017, if the purchaser had not yet used the Voucher but still wanted to do so, the purchaser could apply the \$139 price paid to the retail value of the 2-hour, 8-person boat rental, which is \$300.)

8. In the November 10, 2016 Merchant Agreement (which covered the sale of Vouchers for the "2017 Season,") Groupon agreed to promote the following three Merchant Offerings with the following fees and payments:

MERCHANT OFFERING			PAYMENT AGREEMENT			
Description	CBR Retail Value & Retail Price	2017 GROUP ON PRICE	Groupon's Service Fee	CBR's Net Remittance	Groupon's 1st 80% payment to CBR (over the course of the year)	Groupon's 2d 20% payment to CBR (after the close of the year)
2-hour 8 people	\$300	\$139	\$46	\$93	\$74.40	\$18.60
2-hour 12 people	\$500	\$219	\$72	\$147	\$117.60	\$29.40
3-hour 8 people "Fireworks "	\$450	\$299	\$101	\$198	\$158.40	\$39.60

9. A word about refunds, because it is important to understand Groupon's approach to refunds in order to understand its fraud. During all time material to this Complaint and Groupon's relationship with CBR, Groupon, with only the very rarest of exceptions, *did not give refunds*. Groupon's website states,

We also have the following refund policies: . . . any unredeemed voucher may be returned to us *within the first three days of purchase* for a refund of the amount paid. After that three day time period, *Groupon will not refund any voucher and all sales are final*, unless otherwise stated in the Fine Print.

In other words, once the three days have passed, the Groupon Voucher for the CBR Merchant Offering is locked into place, and *Groupon owes CBR its share of the sold voucher*. This is so regardless whether or not that customer ever redeemed the Groupon Voucher for a CBR boat rental. The Groupon term for vouchers that are not redeemed is "breakage," but both CBR and Groupon get to keep the fees from the sale of any Voucher that becomes breakage.

10. As noted above, one of the reasons that Groupon is able to have such a strict refund policy is because even when a purchaser loses the Promotional Value of his or her Voucher (that

is, he or she does not redeem it before expiration) that purchaser nevertheless retains the actual face value of the Voucher and may, at any time, apply that face value to the non-discounted retail price offered by that vendor, in this case CBR. As an example, if a purchaser purchased a Groupon Voucher for a 2-hour CBR boat rental (for up to 8 people) for \$139 (saving \$161 from the retail price of \$300), and the purchaser failed to redeem the Voucher by the expiration date, the purchaser could still apply the \$139 purchase price to the \$300 retail price of that boat rental. Groupon itself describes it this way on its website: “Your voucher may always be redeemed at the merchant who issued it for at least the amount you paid for it – even if the promotional value has expired.”

THE FRAUD

11. At some point very early in the parties’ relationship, Groupon began a scheme to defraud CBR. Groupon fabricated “refunds” that it purported to give to purchasers of Vouchers, but the money was never transferred to purchasers of Vouchers. The money – rightfully belonging to CBR – was simply kept by Groupon. Put another way, Groupon’s scheme was to use the false, fake, and fabricated refunds to reduce the Net Remittance amounts that Groupon owed CBR.

12. In or about the summer 2016, CBR began to identify the scheme and to observe examples of false refunds Groupon had purportedly extended to purchasers (but in fact had not), CBR also identified specific fabricated “refund credits” that Groupon had been fraudulently deducting from the actual amounts Groupon owed CBR.

The Fireworks Example

13. In the November 10, 2016 Merchant Agreement (covering the “2017 Season”), the parties agreed that Groupon could sell up to 100 Groupon “Fireworks” Vouchers for 3-hour, 8-person “Fireworks” boat rentals.

14. Even though the parties had agreed that 100 would be the limit, Groupon nevertheless went forward and sold 108 Vouchers instead of the 100 that had been authorized and agreed upon. But Groupon did not pay CBR for 108. Rather, it used fake refunds in an effort to convince CBR that it was only owed for 82 Vouchers. Groupon fraudulently withheld payment for 26 Vouchers that Groupon had in fact sold, and of the remaining 82 Vouchers, it paid CBR for 81 (and withheld payment for one, which was an “agreed-upon refund” that on information and belief was actually a refund returned to a Customer).

15. Put another way, of the 108 sales, Groupon had a legitimate refund for one (reducing the sales number to 107). Of those 107, Groupon paid CBR for 81 and claimed purported refunds for an additional 26 Voucher sales. These 26 illegitimate purported refunds were in three sub-categories:

- (a) In thirteen cases, Groupon gave the customer a Voucher redemption number, but never identified that redemption number to CBR; in other words, in these cases, Groupon under-reported the sales to CBR; if CBR uncovered the sale, as it did in at least two instances, Groupon then falsely claimed that it was never a finalized sale or that it had been a sale but was promptly refunded, when in fact neither was true;
- (b) In nine cases, refunds were purportedly issued and the purported refunds were disclosed to CBR, but no refund was in fact given; the customer still retained the Voucher, and the customer remained free to use the Voucher at its face value; at least one of these was later tendered; and the remainder remain outstanding and usable; and

- (c) In four cases, Groupon claimed to have issued refunds to purchasers who had in fact already redeemed their Voucher for a CBR boat rental; the refund was in fact never issued to the customer.

As a diagram, the sales of 2017 Fireworks looks like this:

Vouchers for	Fireworks 2017	Groupon Fraud
Number Parties Agree Upon	100	
Groupon Actually Sold	108	
Groupon Should Have Paid Gross to CBR	108	
Groupon did not disclose these as sales but nevertheless kept the money		-13
The actual number of sales that Groupon disclosed to CBR		95
The number of Vouchers that Groupon disclosed and purportedly "refunded" and were never tendered to CBR		-9
The number of Vouchers that Groupon disclosed and purportedly "refunded" even though the customer had used or later used the Voucher.		-4
Total Groupon Paid to CBR		82
Groupon Issued 1 legitimate refund	1	1
Groupon Should Have Paid Net to CBR	107	
Groupon Actually Paid Net to CBR		81

16. Through the use of the 26 fabricated refunds, Groupon cheated CBR out of 26 payments of \$198 each, for a total \$4,804.

The Kalavagunta Example

17. On March 5, 2017, an individual named Sahir Kalavagunta purchased a Groupon CBR Fireworks Voucher, paying Groupon \$299. Groupon assigned Kalavagunta a Groupon Redemption Number, "HJNCJMSE." (Although called a "Redemption Number," all such redemption numbers are in fact made up of eight letters, not numbers, but for ease of reference, we will continued to refer to these "alpha" designations as "Redemption Numbers.")

18. Approximately two weeks after Kalavagunta's purchase, Groupon kept \$101 for its service fee and owed a total of \$198 to CBR. In March 2017, Groupon paid CBR 80% of that amount, \$158.40, to CBR. Groupon stilled owed CBR 20% of the Net Remittance Amount, but that \$39.60 did not come due until two weeks after the Voucher purchased by Mr. Kalavagunta had expired, which was not until middle-October 2017.

19. By April 26, 2017, Mr. Kalavagunta had not redeemed the Voucher. Groupon then created a fake entry for Mr. Kalavagunta to suggest that he had refunded his Groupon Voucher on April 26. Groupon then falsely debited CBR the \$154.80 it had paid to CBR. This is a fraud because there never was in fact a refund to Mr. Kalavagunta. He had never requested a refund, and Groupon had never given him a refund.

20. In fact, on June 5, 2017, Mr. Kalavagunta went onto CBR's website to use the Voucher he had purchased. He placed his Groupon Redemption Number, "HJNCJMSE" into CBR's website sign-in system, and he also paid \$20.16 in various fees and taxes to CBR.

21. The next day, June 6, 2017, CBR logged onto Groupon's "Merchant Dashboard." The Merchant Dashboard is part of Groupon's website that allows Merchants, such as CBR, to determine the status of the Vouchers for their Merchant Offerings. On that date, CBR entered Mr. Kalavagunta's Voucher Redemption Number, HJNCJMSE. If Groupon had issued a valid refund

to Mr. Kalavagunta in April, as it claims, Groupon's Merchant Dashboard would have flagged the voucher as having been "REFUNDED." Because the Dashboard did not state "REFUNDED" on June 6, 2017, CBR accepted Mr. Kalavagunta's Voucher and reservation with the expectation that Groupon would pay it in full for the boat rental it provided to Mr. Kalavagunta.

22. Mr. Kalavagunta went out on a CBR boat to see the fireworks in July. Indeed, he went out with several family members who were visiting from India. CBR never got paid for that boat outing because Groupon fraudulently credited itself was \$154.80 of money that rightly belonged to CBR and never paid the additional \$39.60 that due to CBR on October 17, 2017. Mr. Kalavagunta has a clear recollection that he never refunded his Voucher and that he used it on a CBR boat because as noted above, Mr. Kalavagunta's family came from India during the July weekend that he used the Voucher.

23. In addition, where, as here, Groupon in essence makes a fraudulent "bet" that a Voucher will remain unused, but the Merchant later complains to Groupon that a refund should not have been issued because the customer used the Voucher and received the Merchant Offering, Groupon would then alter the Dashboard to mask the fraudulent refund. In the case of Mr. Kalavagunta, once CBR identified the false refund and complained to Groupon that it had issued itself a refund on a Merchant Offering that had been redeemed with Redemption Number HJNCJMSE, *Groupon removed the redemption number HJNCJMSE from the refund entry associated with Mr. Kalavagunta.* To be clear, Groupon did not reverse the refund entry – rather, Groupon simply attempted to mask that it had issued a false refund tied to that redemption number that had been used to redeem a boat ride.

The Titus Reed Example

24. On or about May 28, 2017, Titus Reed purchased a Groupon Voucher for a boat ride with CBR. Later that summer, Reed appeared at CBR to use his Voucher to rent out a boat, but CBR could not get him out that day because Mr. Reed had not made a reservation, and no boats were available. Reed later sought an online refund from Groupon, but Groupon *denied* his request. Shortly thereafter, Groupon asserted to CBR – falsely – that it had issued a refund to Titus Reed, and it indicated that Reed had received a “same-day” refund. In fact, Groupon falsely reported that it had issued Mr. Reed a refund *within 20 minutes after he purchased his Voucher*. This is patently false and completely fabricated by Groupon in order to cheat CBR out of its share of the Voucher sold to Mr. Reed.

The Groupon Employee Example, “Tiffany Bates”

25. Another source of numerous fraudulent transactions were sales to Groupon employees themselves. A large percentage of Groupon Voucher sales to Groupon employees for CBR Merchant Offerings later resulted in fake refunds. For example, on July 15, 2017, Groupon employee Tiffany Bates purchased a Groupon Voucher for a CBR boat rental for \$139, and the same day she redeemed the Voucher on CBR’s website with Redemption Number EQEMFZBD. She booked her boat rental for July 29, and on July 29, Ms. Bates appeared at the CBR dock and had her two-hour boat ride.

26. At the end of August, however, Groupon sent a report to CBR in which Groupon claimed that it had issued Bates a refund on July 25 and that purported refund was then credited against money that Groupon owed CBR. There are numerous problems with this purported refund.

27. First, the purported Refund was purportedly issued ten days after Bates bought the Groupon Voucher. Groupon, however, does not refund Vouchers *after three days*. Indeed, only

in the rarest of exceptions, Groupon also does not redeem Vouchers after the purchaser has clicked on his or her Redemption Number, which Bates did on the same day of her purchase. Here, Groupon falsely claimed that it had issued a refund 10 days after the purchase and after the Purchaser had clicked on and locked in her Redemption Code.

28. The second problem is that no refund was ever in fact issued; Bates retained *and used her Voucher* to obtain a boat ride on July 29. If a refund had been issued on July 25 (which itself would have violated Groupon's agreement with CBR and written policy), Groupon was required to inform CBR promptly so that CBR would not honor the Voucher, as it did on July 29. In the case of Bates' purported refund, Groupon did not disclose it to CBR until the end of August 2017, more than a month after Bates had already used her Voucher.

29. On December 14, CBR had a telephone call with two Groupon in-house attorneys and one Groupon "risk manager." CBR raised this Tiffany Bates purchase as an example of an improper Groupon refund. Within 48 hours of that phone call, Groupon removed from the Groupon Dashboard all references to Tiffany Bates in conjunction with the purported sale and refund of the Bates Voucher.

Additional Groupon Employee Examples, "Amarpal Sarao" and "Justine Frias"

30. On June 26, 2017, Groupon employee Amarpal Sarao purchased a \$139 Groupon Voucher for a \$300 CBR Merchant Offering. Sarao's Redemption Number was HYWNPKZF. On June 26, 2017, Sarao used that redemption number on CBR's website to book a boat for July 23. Instead of using his own name, however, Mr. Sarao used the alias Salvador Gonzalez to book the boat. Just as Sarao/Gonzalez had reserved, CBR provided him a 2-hour boat rental on July 23. As in the Bates example discussed above, Groupon subsequently claimed that it had

provided Mr. Sarao a refund on the same day that he had purchased the Groupon Voucher, and therefore Groupon never paid CBR for the Sarao/Gonzalez boat rental.

31. On February 20, 2017, Groupon employee Justine Frias purchased a Groupon Voucher for Three-Hour Boat Ride with CBR for \$274. Her Redemption Number KEETEDMV. Frias has never used the Voucher (although she still may at any time for its face amount). Whether she uses it or not, CBR is entitled to 80% of the sale price of that Voucher – which it did not receive from Groupon because Groupon purported to issue Frias a refund *six months* after she purchased that Voucher, clearly in violation of its Agreement with CBR and its written policy.

32. There were several additional Groupon employees, in whose name fraudulent refunds were also taken. These include, but are not limited to John Kasang, Rosie Moan and Aline LNU (last name undisclosed).

Groupon's Attempted Concealment of The Scheme

33. Once CBR began questioning Groupon about the “refund credits” that Groupon was issuing to itself, CBR attempted to justify the fraudulent credits.

34. One technique that Groupon used to respond to CBR's complaints about inappropriate refunds, that in retrospect is highly disturbing, is that Groupon's Merchant Development Director Nate Ayres and other Groupon employees would respond by attempting to turn the Merchant, in this case, CBR, against the Customers. For example, Ayres repeatedly told CBR that “your customers are trying to scam you,” asserting that it was the customer who had tried to simultaneously use the redemption code to obtain the Merchant Offering from the Merchant, but at the same time were falsely obtaining refunds from Groupon.

35. After telling several Customers that they could not redeem their Voucher because they had already received a refund from Groupon – which these Customers then vehemently

denied – CBR finally realized that Groupon was not, at least in these instances, giving refunds to the Customers at all.

36. **Other efforts to respond to CBR’s complaints about refunds** also led to false statements from Groupon. For example, on or about August 11, 2017, Ayres sent CBR a purported list of every purported voucher that Groupon had issued or refunded through August 11, 2017 (the “Nate Ayres Report”).

37. Numerous Vouchers that Ayres listed on his report as “refunded,” however, had never previously been identified to CBR as Vouchers for CBR boat rentals. In other words, several of the names and Redemption Numbers that Ayres supplied to CBR in August 2017 were fabricated with the specific intent of then using these purported “refunds” for the purpose of paying less to CBR in Groupon’s final 2017 payment to CBR on or about October 15, 2017. Examples of such listings include but are not limited to the following:

August 10, 2017 Nate Ayres Report	Groupon’s Merchant Center and Merchant Reports	October 2017 GROUPON FRAUD¹
Shows That Voucher/Redemption Number SHAVUEDS Was Purportedly Sold to Spencer g	<u>Merchant Center</u> shows Voucher Number as invalid. <u>Merchant Report</u> for the purported sale date does not include the name Spencer G OR Redemption Number HMSBMBRF as having been purchased.	On October 3, 2017, Groupon fraudulently credited itself \$194 for a Voucher purportedly sold to Spencer g, but Groupon does not include a Redemption Number on the Refund Report because Redemption Number SHAVUEDS is an invalid Redemption Number on Groupon’s Dashboard. Spencer G is a made-up name, and no Groupon Voucher was ever sold to Spencer g.

¹ When Groupon issued its final refund report and final payment to CBR on or about October 15, 2017, the fraudulent refunds set forth in this chart were included in Groupon’s refund report, but this chart is neither a comprehensive list for all of Groupon’s fraudulent refunds for 2017, nor for the 2012-2017 period.

August 10, 2017 Nate Ayers Report	Groupon's Merchant Center and Merchant Reports	October 2017 GROUPON FRAUD
Shows That Voucher/Redemption Number TZFSHSMA Was Purportedly Sold to Nick Moulds	<u>Merchant Center</u> shows Voucher Number as invalid. <u>Merchant Report</u> for the purported sale date does not include the name Nick Moulds OR Voucher TZFSHSMA as having been purchased.	On October 3, 2017, Groupon fraudulently credited itself \$139 for a Voucher purportedly sold to Nick Moulds. Redemption Number TZFSHSMA is an invalid Redemption Number, which does not appear on Groupon's Dashboard. Groupon never sold a Voucher to Nick Moulds. Nick Ayres (or someone at his direction) made up that sale to add to the Ayres Report.
Shows That Voucher/ Redemption Number QXESKRGG Was Purportedly Sold to Latoya Nathaniel	<u>Merchant Center</u> shows Redemption Number as invalid. <u>Merchant Report</u> for the purported sale date does not include the name LaToya Nathaniel OR Redemption Number QXESKRGG as having been purchased.	On October 6, after the close of the campaign, Groupon fraudulently credited itself \$114 for a Voucher purportedly sold to Latoya Nathaniel, but with no Redemption Number on the Refund Report because Redemption Number QXESKRGG is an invalid Redemption Number on Groupon's Dashboard.
Shows That Voucher/Redemption Number HMSBMBRF Was Purportedly Sold to Maria Partida	<u>Merchant Center</u> shows Voucher Number HMSBMBRF as invalid. <u>Merchant Report</u> previously sent to CBR does not include the name Maria Partida OR the Redemption Number HMSBMBRF .	On or about October 15, 2017, after the close of the campaign, Groupon fraudulently credited itself \$139 for a Voucher purportedly sold to Maria Partida, but which in fact appears to have never been sold at all. Groupon's October 2017 refund report leaves the redemption number blank, without explanation. If it was a proper refund, it would have a redemption number associated with it. Also, Groupon purports to issue her a refund two months after she purportedly made the purchase.
Shows That Voucher/Redemption Number SPWZYHDXG Was Purportedly Sold to Ankur LNU (last name not identified)	<u>Merchant Center</u> shows Redemption Number as invalid. <u>Merchant Report</u> for the purported sale date does not include the name Ankur OR Redemption Number PWZYHDXG as having been purchased.	On October 15, 2017, Groupon fraudulently credited itself \$139 for a Voucher purportedly sold to Ankur LNU, but Groupon did include the Redemption Number that Ayres had previously falsely associated to Ankur because SPWZYHDXG is a fabricated number and not a valid Redemption Number on Groupon's Dashboard.

August 10, 2017 Nate Ayres Report	Groupon's Merchant Center and Merchant Reports	October 2017 GROUPON FRAUD
Shows That Voucher/ Redemption Number WRGXFFXB Purportedly sold to shereen Farhan	<p><u>Merchant Center</u> shows Voucher Number as invalid.</p> <p><u>Merchant Report</u> for the purported sale date does not include the name shereen Farhan OR Voucher WRGXFFXB.</p>	On October 11, 2017, Groupon fraudulently credited itself \$139 for a Voucher purportedly sold to Mr. Farhan on May 20, 2017. This purported May 20 sale to Mr. Farhan was wholly concocted by Groupon. No such sale was ever made. It does not appear on any prior sales report. It appeared for the first time on the Ayres Report, and then Groupon fraudulently credited itself for the sale more than five months after it purportedly occurred. The name appeared for the first time in the Ayres Report. It had never appeared in any prior report, including the one with sales made on or near May 20, 2017.
Shows That Voucher/Redemption Number NWPZBVNP Was Purportedly Sold to Tika W	<p><u>Merchant Center</u> does shows Voucher Number NWPZBVNP, but shows that the voucher was sold to Molly Maas, not Tika W</p> <p><u>Merchant Report</u> previously sent to CBR for the purported sale date does not include the name Tika W</p>	<p>On or about October 15, 2017, Groupon fraudulently credited itself \$139 for a Voucher purportedly sold to a "Tika W.," also with no associated Redemption Number (even though the Ayres Report shows Tika W with redemption number NWPZBVNP).</p> <p>On October 16, 2017, Groupon also fraudulently credited itself an additional \$139 for a refund purportedly issued to Molly Mass, using the Redemption Number NWPZBVNP that purportedly applied to Tika W.</p> <p>The purported Maas refund was eight months after the purported purchase; the purported Tika W. refund seven months.</p>
Shows That Voucher/Redemption Number ZPSVTGSM Was Purportedly Sold To Dave	<p><u>Merchant Center</u> shows Voucher Number as invalid.</p> <p><u>Merchant Report</u> previously presented do not show a "Dave" OR Voucher ZPSVTGSM.</p>	On November 3, 2017, Groupon fraudulently credited itself \$139 for a Voucher purportedly sold to "Dave." No last name provided. No Voucher Redemption Number provided on the report showing the refund. This was simply a made-up transaction that never occurred.

GROUPON'S DESTRUCTION OF EVIDENCE

38. During October and November 2017, Groupon attempted to destroy extensive evidence related to its fraud scheme. The destruction began when CBR requested that Groupon reverse several of the refunds that Groupon had issued to itself, and in response Groupon requested that CBR send Groupon any evidence that it had that showed improper credits.

39. When CBR supplied Groupon with several examples of improper credits, those examples quickly disappeared from Groupon's Merchant Dashboard. *This does not mean that the fraudulent credits were reversed*; it means only that the evidence of the fraudulent credits disappeared.

40. For example, CBR provided Groupon the name Tiffany Bates, a Groupon employee in whose name Groupon had issued a fraudulent credit. CBR provided Groupon information about Ms. Bates' purchase on June 15, 2017, and the fact that she had redeemed Redemption Number EQEMFZBD on and used her Groupon Voucher to go out on a CBR boat on July 29, 2017 (collectively, the "Tiffany Bates information"). Approximately two days after CBR sent the Tiffany Bates information to Groupon, a CBR representative reviewed Groupon's Merchant Dashboard and specifically looked for Ms. Bates and Voucher EQEMFZBD. The name Tiffany Bates had been removed from the Merchant Dashboard. There was no longer a mention of Ms. Bates' name – even though her name is clearly and prominently displayed on prior printouts from the Merchant Dashboard, including but not limited to the Nate Ayres Report. Nor did the Merchant Dashboard any longer show that Ms. Bates had in fact redeemed her Voucher, used her Voucher, and used CBR's Merchant Offering.

41. There exist other examples of information removed from the Groupon Dashboard after CBR brought certain specific improper refunds to Groupon's attention.

DAMAGES

42. For the 2017 Season, Groupon issued itself a total of 458 refunds, for a total of approximately \$73,849, of which only nine were legitimate refunds. Those nine total \$1,108, so Groupon owes CBR approximately \$72,741.00 in damages for the 2017 season.

43. For the 2016 Season, Groupon issued itself a total of 349 refunds, for a total of approximately \$59,127, of which only three were legitimate refunds. Those three total \$397, so Groupon owes CBR approximately \$58,730 in damages for the 2016 season.

44. For the 2015 Season, Groupon issued itself a total of 916 refunds, for a total of \$115,088, of which only approximately 30 were legitimate refunds. Those 30 total \$5,152, so Groupon owes CBR approximately \$109,936 in damages for the 2015 season.

45. For the 2014 Season, Groupon issued itself a total of 355 refunds, for a total of \$58,975 of which only approximately 19 were legitimate refunds. Those 19 total \$4,331, so Groupon owes CBR approximately \$54,644 in damages for the 2014 season.

46. For the 2013 Season, Groupon issued itself a total of 630 refunds, for a total of \$65,260, of which only approximately 24 were legitimate refunds. Those 24 total \$2,646, so Groupon1 owes CBR approximately \$62,614 in damages for the 2013 season.

47. In sum, Groupon recorded an approximate total of \$372,659 in refunds, when only approximately \$13,634 of those refunds were legitimate. The total amount of fraudulent refunds is approximately \$359,025 without reference to pre-judgment interest or punitive damages.

COUNT I – COMMON LAW FRAUD

48. Plaintiff re-alleges paragraphs 1-46 as paragraph 47 of Count II.

49. In issuing itself false and fabricated “refund credits,” Groupon committed common law fraud under Illinois law.

50. Groupon has made numerous false statements of material facts to CBR.

51. Groupon knew that these statements were false when made;

52. Groupon intended CBR to rely on its false statements;

53. Plaintiff CBR relied on Groupon’s numerous false statements;

54. Plaintiff CBR was damaged by its reliance on Groupon’s false statements.

WHEREFORE, Plaintiff CBR requests this Court to:

- A. Enter judgment in its favor on Count II;
- B. Award Plaintiff CBR in excess of \$350,000 in compensatory damages;
- C. Award Plaintiff CBR in excess of \$700,000 in punitive damages;
- D. Award Plaintiff CBR pre-judgment interest from the date Groupon applied each fraudulent refund to the date the judgment is paid in this case;
- E. Post-judgment interest from the date of judgment to the date the judgment is paid in this case; and
- F. Any other relief that the Court deems just and proper under the circumstances.

COUNT II – COMMON LAW CONVERSION

55. Plaintiff re-alleges paragraphs 1-53 as paragraph 54 of Count II.

56. Defendant Groupon assumed control and dominion over, and therefore converted within the meaning of Illinois law, property that rightly belonged to Plaintiff CBR.

57. Plaintiff CBR has a right to the property that Groupon converted.

58. Plaintiff CBR has an absolute and unconditional right to the return of the property that Groupon converted.

59. Plaintiff CBR has made demand on Groupon for return of the property.

60. Plaintiff CBR has suffered harm as a result of Groupon's wrongful conversion.

61. Groupon's conduct was a direct and proximate cause of the harm that CBR has suffered from Groupon's conversion.

WHEREFORE, Plaintiff CBR requests this Court to:

- A. Enter judgment in its favor on Count III;
- B. Award Plaintiff CBR in excess of \$350,000 in compensatory damages;
- C. Award Plaintiff CBR in excess of \$700,000 in punitive damages;
- D. Award Plaintiff CBR pre-judgment interest from the date Groupon applied each fraudulent refund to the date the judgment is paid in this case;
- E. Post-judgment interest from the date of judgment to the date the judgment is paid in this case; and
- F. Any other relief that the Court deems just and proper under the circumstances.

Dated: July 13, 2018

Respectfully submitted,

/s/ Stuart J. Chanen

Stuart J. Chanen
VALOREM LAW GROUP
Firm ID: 44328
218 N. Jefferson Street, Suite 300
Chicago, IL 60661
Stuart.Chanen@valoremllaw.com
(312) 676-5480 - Telephone
(312) 676-5499 - Facsimile

Attorney for Plaintiff