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12 UNITED STATES DISTRICT COURT  
13  
14 NORTHERN DISTRICT OF CALIFORNIA

15 JOSEPH CURRY, Individually and on Behalf )  
of All Others Similarly Situated, )  
16 Plaintiff, )

17 vs. )

18 YELP INC., JEREMY STOPPELMAN, )  
ROBERT J. KROLIK and GEOFFREY )  
19 DONAKER, )  
20 Defendants. )

Case No.

) CLASS ACTION

) COMPLAINT FOR VIOLATIONS OF THE  
FEDERAL SECURITIES LAWS

) DEMAND FOR JURY TRIAL

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1 Plaintiff makes the following allegations, except as to allegations specifically pertaining to  
2 plaintiff and plaintiff's counsel, based upon the investigation undertaken by plaintiff's counsel,  
3 including analysis of publicly available news articles and reports, public filings, securities analysts'  
4 reports and advisories about Yelp Inc. ("Yelp" or the "Company"), press releases and other public  
5 statements issued by the Company, and media reports about the Company. Plaintiff believes that  
6 substantial additional evidentiary support will exist for the allegations set forth herein after a  
7 reasonable opportunity for discovery.

### 8 SUMMARY OF THE ACTION

9 1. This is a securities class action on behalf of all persons who purchased or otherwise  
10 acquired the common stock of Yelp from October 29, 2013 through April 3, 2014, inclusive (the  
11 "Class Period"), against Yelp and certain of its officers and/or directors for violations of the  
12 Securities Exchange Act of 1934 ("1934 Act"), including Jeremy Stoppelman ("Stoppelman"), the  
13 Company's Chairman and Chief Executive Officer ("CEO"), Robert J. Krolik ("Krolik"), Yelp's  
14 Chief Financial Officer ("CFO"), and Geoffrey Donaker ("Donaker"), the Company's Chief  
15 Operating Officer ("COO").

### 16 BACKGROUND AND OVERVIEW

17 2. Yelp describes itself generally as an online networking platform that connects people  
18 with great local businesses. The Company went public in March 2012. The Company's shares are  
19 traded on the New York Stock Exchange ("NYSE") under ticker symbol "YELP."

20 3. The Company's most recent Form 10-K states that Yelp users have contributed a total  
21 of approximately 52.8 million cumulative reviews of almost every type of local business. According  
22 to the Company, the reviews appearing on its website are written by people using Yelp to share their  
23 everyday local business experiences, giving voice to consumers and bringing "word of mouth"  
24 online.

25 4. The Company generates revenue primarily from the sale of advertising on its website  
26 and mobile app to local businesses of all sizes that seek to reach its growing audience of consumers.  
27 During the fiscal year ended December 31, 2013, the Company reported that it generated net revenue  
28 of \$233.0 million, representing 69% growth over 2012, a net loss of \$10.1 million and adjusted

1 EBITDA of \$29.4 million.

2 5. The Company describes the three key constituencies of its business, the communities  
3 of contributors who write reviews, the consumers who read them and the local businesses, as  
4 follows:

5 *Contributors.* We foster and support vibrant communities of contributors in  
6 local markets across the United States, Canada, Europe, Singapore, Australia, New  
7 Zealand and Brazil. ***These contributors provide rich, firsthand information about  
8 local businesses, such as reviews, tips, ratings and photos.***

9 *Consumers.* Our platform is transforming the way people discover local  
10 businesses and is attracting a large audience of geographically and demographically  
11 diverse consumers. Every day, millions of consumers visit our website or use our  
12 mobile app to find great local businesses. . . .

13 *Local Businesses.* Our platform provides businesses with a variety of free  
14 and paid services that help them engage with consumers at the critical moment when  
15 they are deciding where to spend their money. Businesses can register a business  
16 account for free and “claim” the Yelp business page for each of their locations,  
17 allowing them to enhance the page with additional information about their businesses  
18 and respond to consumer reviews, among other features. We refer to an individual  
19 business location as a “local business.” Businesses can also pay for premium  
20 services to promote themselves through targeted search advertising, discounted offers  
21 and further enhancements to their business page.

22 \* \* \*

23 *Yelp Mobile.* We help consumers make decisions on the go through both our  
24 mobile app and versions of our website dedicated to mobile-based browsers, which  
25 we refer to as our mobile website.

26 6. During the Class Period, defendants made materially false and misleading statements  
27 concerning the Company’s true business and financial condition, including but not limited to the true  
28 nature of the so-called “firsthand” experiences and reviews appearing on the Company’s website, the  
robustness of its processes and algorithms purportedly designed to screen unreliable reviews, and the  
Company’s forecasted financial growth prospects and the extent to which they were reliant upon  
undisclosed business practices, including but not limited to requiring business customers to pay to  
suppress negative reviews.

7. The Class Period misrepresentations made by defendants concerning the Company’s  
current financial and business condition, including its forecasted financial and business condition  
alleged herein, were each materially false and misleading when made and caused the Company’s

1 stock to trade at artificially inflated prices of over \$98.00 per share on March 4, 2014, because  
2 defendants knew, or recklessly disregarded, the following true facts:

3 (a) Reviews, including anonymous reviews, appearing on the Company's website  
4 were not all authentic "firsthand" reviews, but instead included fraudulent reviews by reviewers who  
5 did not have first-hand experience with the business being reviewed;

6 (b) Algorithms purportedly designed to screen unreliable reviews did not  
7 comprehensively do so, and instead, the Company allowed such unreliable reviews to remain  
8 prominent while the Company tried to sell services designed to suppress negative reviews or make  
9 them go away; and

10 (c) In light of the above facts, the representations concerning the Company's  
11 current and future financial condition and prospects, and the extent to which they were reliant upon  
12 undisclosed business practices, did not have a reasonable basis.

13 8. Nevertheless, between November 11, 2013 and March 10, 2014, Company insiders,  
14 including the Individual Defendants, sold 1,160,910 shares of Yelp stock at prices as high as \$98.99  
15 per share for insider trading proceeds of more than \$81.5 million.

16 9. As the true facts concerning the Company's business practices began to be revealed to  
17 the market, the Company's stock price declined, falling from a Class Period high of over \$98.00 per  
18 share to \$65.76 per share at the end of the Class Period.

### 19 JURISDICTION AND VENUE

20 10. Jurisdiction is conferred by 28 U.S.C. §1331 and §27 of the 1934 Act. The claims  
21 asserted herein arise under §§10(b) and 20(a) of the 1934 Act [15 U.S.C. §§78j(b) and 78t(a)] and  
22 Rule 10b-5 promulgated thereunder [17 C.F.R. §240.10b-5].

23 11. Venue is proper in this District pursuant to 28 U.S.C. §1391(b), because Yelp is  
24 headquartered in this District and many of the acts and practices complained of herein occurred in  
25 substantial part in this District.

### 26 PARTIES

27 12. Plaintiff Joseph Curry purchased or acquired Yelp common stock as described in the  
28 attached certification and was damaged by the conduct alleged herein.

1 13. Defendant Yelp is incorporated in the state of Delaware and trades on the NYSE  
2 under the symbol “YELP.” The Company’s corporate headquarters are located at 140 New  
3 Montgomery Street, San Francisco, California.

4 14. Defendant Stoppelman is, and was at all relevant times, CEO of the Company.  
5 During the Class Period, defendant Stoppelman sold 132,350 shares of Yelp stock for proceeds of  
6 \$8,493,479.

7 15. Defendant Krolik is, and was at all relevant times, CFO of the Company. During the  
8 Class Period, defendant Krolik sold 35,000 shares of Yelp stock for proceeds of \$2,556,917.

9 16. Defendant Donaker is, and was at all relevant times, COO of the Company. During  
10 the Class Period, defendant Donaker sold 117,640 shares of Yelp stock for proceeds of \$9,877,471.

11 17. The defendants named in ¶¶14-16 are referred to herein as the “Individual  
12 Defendants.”

### 13 CONTROL PERSONS

14 18. As officers and controlling persons of a publicly held company whose common stock  
15 was and is traded on the NYSE and is governed by the provisions of the federal securities laws, the  
16 Individual Defendants each had a duty to promptly disseminate accurate and truthful information  
17 with respect to the Company’s financial condition, performance, growth, operations, financial  
18 statements, business, markets, management, earnings and present and future business prospects, and  
19 to correct any previously issued statements that had become materially misleading or untrue, so that  
20 the market price of the Company’s common stock would be based upon truthful and accurate  
21 information. The Individual Defendants’ misrepresentations and omissions during the Class Period  
22 violated these specific requirements and obligations.

23 19. The Individual Defendants participated in the drafting, preparation, and/or approval  
24 of the various public, shareholder and investor reports and other communications complained of  
25 herein and were aware of, or recklessly disregarded, the misstatements contained therein and  
26 omissions therefrom, and were aware of their materially false and misleading nature. Because of  
27 their Board membership and/or executive and managerial positions with Yelp, each of the Individual  
28 Defendants had access to the adverse undisclosed information about the Company’s financial

1 condition and performance as particularized herein and knew (or recklessly disregarded) that these  
2 adverse facts rendered the positive representations made by or about Yelp and its business or  
3 adopted by the Company materially false and misleading.

4 20. The Individual Defendants, because of their positions of control and authority as  
5 officers and/or directors of the Company, were able to and did control the content of the various SEC  
6 filings, press releases and other public statements pertaining to the Company issued during the Class  
7 Period. Each Individual Defendant was provided with copies of the documents alleged herein to be  
8 misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent  
9 their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is  
10 responsible for the accuracy of the public reports and releases detailed herein and is therefore  
11 primarily liable for the representations contained therein.

12 21. The Company and the Individual Defendants are liable as participants in a fraudulent  
13 scheme and course of business that operated as a fraud or deceit on purchasers of Yelp common  
14 stock by disseminating materially false and misleading statements and/or concealing material  
15 adverse facts. The scheme: (i) deceived the investing public regarding Yelp's business, operations,  
16 management and the intrinsic value of Yelp common stock; (ii) allowed Yelp insiders, including the  
17 Individual Defendants, to sell over 1.16 million shares of their Yelp stock at artificially inflated  
18 prices for insider trading proceeds of more than \$81.5 million; and (iii) caused plaintiff and other  
19 members of the Class to purchase Yelp common stock at artificially inflated prices.

#### 20 **SUBSTANTIVE ALLEGATIONS**

21 22. On October 29, 2013, the Company issued a press release announcing its financial  
22 results for the third quarter of 2013:

#### 23 **Local Revenue Accelerates to 80% Over Third Quarter 2012**

24 . . . Yelp Inc., the company that connects consumers with great local  
25 businesses, today announced financial results for the third quarter ended September  
30, 2013.

- 26 • Net revenue was \$61.2 million in the third quarter of 2013, reflecting 68%  
27 growth in net revenue from the third quarter of 2012
- 28 • Cumulative reviews grew 42% year over year to more than 47.3 million

- 1 • Average monthly unique visitors grew 41% year over year to approximately 117 million
- 2
- 3 • Active local business accounts grew 61% year over year to approximately 57,200

4 Net loss in the third quarter of 2013 was \$(2.3) million, or \$(0.04) per share, compared to a net loss of \$(2.0) million, or \$(0.03) per share, in the third quarter of 5 2012. Adjusted EBITDA for the third quarter of 2013 was approximately \$8.1 million, compared to \$2.2 million for the third quarter of 2012.

6 Net revenue for the nine months ended September 30, 2013 was \$162.3 million, an increase of 68% compared to \$96.4 million in the same period last year. 7 Net loss for the nine months ended September 30, 2013 was \$(8.0) million, or \$(0.12) per share, compared to a net loss of \$(13.8) million, or \$(0.27) per share, in 8 the comparable period in 2012. Adjusted EBITDA for the first nine months of this 9 year was approximately \$19.0 million compared to \$2.8 million for the first nine months last year.

10 “We saw another quarter of strong momentum *thanks to the high-quality, authentic content contributed by Yelpers around the world,*” said Jeremy 11 Stoppelman, Yelp’s chief executive officer. . . .

12 “We continue to deliver outstanding results, with year over year revenue 13 growth of 68%,” added Rob Krolik, Yelp’s chief financial officer. . . .

#### 14 **Business Highlights**

- 15 • **Yelp mobile:** Consumer engagement with Yelp mobile continues to grow. In 16 the third quarter, approximately 46% of local ads were shown on mobile devices, approximately 62% of searches were on mobile, and mobile app 17 usage increased to approximately 11.2 million unique devices on a monthly average basis. Additionally, Yelp added a number of mobile features 18 including the ability to write and post reviews.
- 19 • **Closing the loop with businesses:** In July, Yelp launched Yelp Platform, 20 which enables consumers to transact with businesses directly on its site, and acquired SeatMe, a web and iPad-app based reservation solution for the restaurant and nightlife categories.

21 \* \* \*

#### 22 **Business Outlook**

23 As of today, Yelp is initiating guidance for the fourth quarter of 2013 and 24 raising its full year 2013 revenue and adjusted EBITDA guidance.

- 25 • For the fourth quarter of 2013, net revenue is expected to be in the range of \$66 million to \$67 million, representing growth of approximately 62% 26 compared to the fourth quarter of 2012. Adjusted EBITDA is expected to be in the range of \$9 million to \$10 million.
- 27 • For the full year of 2013, net revenue is expected to be in the range of \$228 28 million to \$229 million, representing growth of approximately 66%

1 compared to the full year of 2012. Adjusted EBITDA is expected to be in the  
2 range of \$28 million to \$29 million.

3 (Footnote omitted.)

4 23. On October 30, 2013, the Company announced the pricing of 3.75 million shares of  
5 its Class A common stock at \$67.00 per share and that the registration statement for the offering had  
6 been declared effective on October 29, 2013:

7 . . . Yelp Inc. announced today the pricing of its underwritten registered  
8 public offering of 3,750,000 shares of Class A common stock at a price to the public  
9 of \$67.00 per share, for a total of approximately \$251.3 million. In addition, Yelp  
10 has granted the underwriters a 30-day option to purchase up to 562,500 additional  
11 shares of Class A common stock.

12 \* \* \*

13 Goldman, Sachs & Co., Citigroup Global Markets Inc. and Jefferies LLC are  
14 the bookrunning managers for the offering. Oppenheimer & Co. Inc. and Cowen and  
15 Company are co-managers for the offering.

16 24. On November 5, 2013, the Company issued a press release announcing that it had  
17 closed the secondary offering and that the Company had raised \$288 million:

18 Yelp Inc. announced today the closing of its underwritten registered public offering  
19 of an aggregate of 4,312,500 shares of Class A common stock, including 562,500  
20 shares of Class A common stock sold pursuant to the full exercise by the  
21 underwriters of their option to purchase additional shares. All of the shares were  
22 sold at a price to the public of \$67.00 per share, for a total of approximately \$288.9  
23 million.

24 \* \* \*

25 Goldman, Sachs & Co., Citigroup Global Markets Inc. and Jefferies LLC  
26 were the bookrunning managers for the offering. Oppenheimer & Co. Inc. and  
27 Cowen and Company were co-managers for the offering.

28 25. On November 5, 2013, after the report of the closing of the Company's secondary  
offering, the Company's stock closed at \$71.13 per share.

23 26. On January 7, 2014, the Virginia Court of Appeals issued a ruling in a case titled  
24 *Yelp, Inc. v. Hadeed Carpet Cleaning Inc.*, No. 0116-13-4. The ruling required Yelp to disclose the  
25 identities of anonymous Yelp reviewers who had written negative reviews about Hadeed Carpet  
26 Cleaning.





- 1 • Cumulative reviews grew 47% year over year to approximately 53 million
- 2 • Average monthly unique visitors grew 39% year over year to approximately 120 million
- 3
- 4 • Active local business accounts grew 69% year over year to approximately 67 thousand

5 Net loss in the fourth quarter of 2013 was \$(2.1) million, or \$(0.03) per share, compared to a net loss of \$(5.3) million, or \$(0.08) per share, in the fourth quarter of 6 2012. Adjusted EBITDA for the fourth quarter of 2013 was approximately \$10.4 million, compared to \$1.8 million for the fourth quarter of 2012.

7  
8 Net revenue for the full year ended December 31, 2013 was \$233.0 million, an increase of 69% compared to \$137.6 million in 2012. Net loss for the full year ended December 31, 2013 was \$(10.1) million, or \$(0.15) per share, compared to a net loss of \$(19.1) million, or \$(0.35) per share, for 2012. Adjusted EBITDA for the full year 2013 was approximately \$29.4 million compared to Adjusted EBITDA of \$4.6 million for the prior year.

11 \* \* \*

12 “We are very pleased with our performance in 2013,” added Rob Krolik, Yelp’s chief financial officer. “Full year revenue growth accelerated to 69% over 13 2012 while we demonstrated leverage in the model with more than a six-fold increase in adjusted EBITDA.”

14 \* \* \*

### 15 **Business Outlook**

16 As of today, Yelp is providing its outlook for the first quarter of 2014 and full year 2014.

- 18 • For the first quarter of 2014, net revenue is expected to be in the range of \$73.5 million to \$74.5 million, **representing growth of approximately 60% compared to the first quarter of 2013.** Adjusted EBITDA is expected to be in the range of \$8 million to \$9 million. Stock-based compensation is expected to be in the range of \$10 million to \$11 million, and depreciation **and amortization is expected to be approximately 5% of revenue.**
- 22 • **For the full year of 2014, net revenue is expected to be in the range of \$353 million to \$358 million,** representing growth of approximately 53% compared to the full year of 2013. Adjusted EBITDA is expected to be in the range of \$54 million to \$58 million.

24 (Footnote omitted.)

25 31. After the Company’s February 5, 2014 financial results and increased financial  
26 guidance, Yelp’s share price spiked nearly 20%, from \$75.23 per share on February 5, 2014 to  
27 \$89.46 per share on February 6, 2014.

1           32.     On March 3, 2014, the Company filed its Form 10-K for the fiscal year ended  
 2 December 31, 2013. The Form 10-K was signed by defendants Stoppelman, Krolik and Donaker  
 3 and all of the Company's directors. With respect to the Company's business practices and online  
 4 business reviews, the Company stated that its contributors posted *first-hand* reviews of local  
 5 business, and boasted of the quality of its reviews and the robust nature of the Company's  
 6 recommendation software, which was purportedly designed to screen unreliable reviews:

7                     Yelp connects people with great local businesses. Our users have contributed  
 8 a total of approximately 52.8 million cumulative reviews of almost every type of  
 9 local business, from restaurants, boutiques and salons to dentists, mechanics,  
 10 plumbers and more. ***These reviews are written by people using Yelp to share their***  
 11 ***everyday local business experiences, giving voice to consumers and bringing "word***  
 12 ***of mouth" online. . . .***

13                     ***Contributors. . . . These contributors provide rich, firsthand information***  
 14 ***about local businesses, such as reviews, tips, ratings and photos.***

15                     ***Consumers. . . . Our strong brand and the quality of the reviews and other***  
 16 ***content on our platform have enabled us to attract this large audience with almost***  
 17 ***no traffic acquisition costs.***

18                     ***Local Businesses.*** Our platform provides businesses with a variety of free  
 19 and paid services that help them engage with consumers at the critical moment when  
 20 they are deciding where to spend their money. . . . ***Businesses can also pay for***  
 21 ***premium services to promote themselves through targeted search advertising,***  
 22 ***discounted offers and further enhancements to their business page.***

23   \*           \*           \*

- 24           •     ***Our Recommendation Software.*** In order to maintain and enhance the  
 25 quality, authenticity and integrity of the reviews on our platform, ***we employ***  
 26 ***our proprietary automated recommendation software to analyze and screen***  
 27 ***all of our reviews.*** Our recommendation software looks at a wide range of  
 28 data associated with each review and reviewer in order to determine the  
 review's relevance and reliability. Our recommendation software operates  
 continually, and the results of its determinations with respect to particular  
 reviews may change over time as it factors in new information. This can  
 result in reviews that were previously recommended becoming not  
 recommended and reviews that were previously not recommended being  
 restored to recommended status. Reviews that are not recommended do not  
 factor into a business's overall star rating and are segregated from  
 recommended reviews on our website. By clicking on a link on a reviewed  
 business's page on our website, users can access reviews that are not  
 recommended for that business, as well as the star rating and other  
 information about reviews that we have removed for violation of our terms of  
 service. We believe our recommendation technology is one of the key  
 contributors to the quality, authenticity and integrity of the reviews on our  
 platform and the success of our service.

1           33. Each of the defendants' Class Period statements set forth above concerning the  
2 Company's current business and financial condition was materially false and misleading when made  
3 and caused the Company's stock price to trade at artificially inflated prices because defendants  
4 knew, or recklessly disregarded, the following true facts:

5           (a) Reviews, including anonymous reviews, appearing on the Company's website  
6 were not all authentic "firsthand" reviews, but instead included fraudulent reviews by reviewers who  
7 did not have first-hand experience with the business being reviewed;

8           (b) Algorithms purportedly designed to screen unreliable reviews did not  
9 comprehensively do so, and instead, the Company allowed such unreliable reviews to remain  
10 prominent while the Company tried to sell services designed to suppress negative reviews or make  
11 them go away; and

12           (c) In light of the above facts, the representations concerning the Company's  
13 current and future financial condition and prospects, and the extent to which they were reliant upon  
14 undisclosed business practices, did not have a reasonable basis.

15           34. Nevertheless, between November 11, 2013 and March 10, 2014, Company insiders,  
16 including the Individual Defendants, sold 1,160,910 shares of Yelp stock at prices as high as \$98.99  
17 per share for insider trading proceeds of more than \$81.5 million.

18           35. On March 31, 2014, the *Los Angeles Times* published an article entitled "Yelp's  
19 practices sound to some like extortion." The article discussed the Company's practice of offering  
20 customers a service to suppress negative reviews for a fee and compared the practice to extortion:

21           *A merchant is told by Yelp that for a fee, troubling ads on the site can be*  
22 *made to go away. A Yelp spokesman says what was meant is that the merchant*  
23 *"could buy out the ad space on your own page."*

24           Yelp just can't stop living the thug life.

25           Five years ago, I asked whether the popular review site was a shakedown  
26 racket for merchants. I quoted a number of small-business owners who said Yelp  
27 had threatened to run negative reviews more prominently if they didn't pay for  
28 advertising.

          Jeremy Stoppelman, Yelp's chief executive, told me at the time that the San  
Francisco company doesn't strong-arm merchants. He blamed talk of shakedowns  
on disgruntled business owners spreading "false rumors."

1 I guess this is another one of those.

2 Rick Fonger, 62, decided a few years ago to end a career in journalism and  
3 move from Canada to Alhambra, where he opened a jewelry store.

4 \* \* \*

5 To give his shop, called 58 Facets Jewelry, a little social-media boost, Fonger  
6 spent about \$300 a month advertising on Yelp. "It worked OK, not great," he said.

7 After six months, he decided to shift his limited marketing budget to direct  
8 mail. He canceled his Yelp ad in February.

9 The very next day, Fonger said, a Yelp employee called to say she wanted to  
10 help. She pointed out that competitors' ads were now appearing above the reviews  
11 for his store.

12 ***"She said that for \$75 a month, she could make those ads go away," Fonger  
13 recalled.***

14 ***He responded that this sounded a lot like extortion.***

15 ***"She said she could understand why I'd think that," Fonger said. "But she  
16 said they do it to everyone."***

17 As if that makes it OK. ***"It certainly sounds like extortion,"*** said Kevin  
18 Dean, president of WSI Net Advantage, a Fremont, Calif., Internet marketing firm.

19 "If Yelp just sold the ad space to someone else, fine," he said. "But to then  
20 call up and offer to make the ad go away for a price, that seems like an unscrupulous  
21 business practice."

22 \* \* \*

23 Yelp is a for-profit business itself, and it makes the bulk of its money from  
24 neighborhood merchants. About 83% of the company's nearly \$71 million in  
25 revenue in the most recent quarter came from local ads.

26 This gives Yelp a powerful incentive to turn the screws on small businesses  
27 as much as it can.

28 Vince Sollitto, a Yelp spokesman, said that when the company's rep told  
Fonger that she could make competitors' ads go away for \$75 a month, what she  
meant was that "you could buy out the ad space on your own page."

He said Yelp is doing the same thing that phone books do: selling ads that  
accompany related business listings.

***The difference, of course, is that the Yellow Pages never told businesses  
they could pay extra to get rid of someone else's ad.***

By offering this service, Yelp has introduced a more cutthroat approach to  
marketing, with itself as the broker for whose pitch is seen first by users of the site.

1 \* \* \*

2 Sollitto said he was surprised that Fonger likened the company's practices to  
3 extortion. He said Yelp is "all about connecting local businesses and consumers."

4 I asked how offering businesses a chance to pay a monthly fee for erasing a  
5 rival's ad was different from websites that post people's mug shots from arrests and  
6 then charge a fee to take them down.

7 Sollitto seemed offended that I'd even make such a comparison.

8 "Yelp has created a platform for sharing information," he said. "It's a  
9 discovery engine for small businesses."

10 And maybe he believes that. ***The reality, however, is that Yelp has created  
11 an online venue at which a merchant's competitors can post negative reviews and  
12 run their own ads.***

13 ***Yelp then makes money by charging to downplay others' negative reviews  
14 and to keep rivals' ads away.***

15 \* \* \*

16 This strikes me as an unfair business practice. But, so far, Yelp has  
17 weathered various lawsuits challenging its policies. "Their claims keep getting  
18 dismissed for lack of any fact-based evidence," Sollitto wrote last year on Yelp's  
19 blog.

20 ***I'm no lawyer, but I know a racket when I see one.*** Anybody who calls to  
21 say that you now have a problem but that they can make that problem go away for  
22 \$75 a month isn't your friend.

23 \* \* \*

24 I asked Fonger how Yelp's tactics differed from, say, Tony Soprano's or  
25 Michael Corleone's.

26 "Well," he answered, "no one's come by to break my legs."

27 Then he thought about it a moment. "At least not yet."

28 36. On or around April 2, 2014, it was publicly disclosed and reported that the Federal Trade Commission had received more than 2,000 complaints about Yelp, many contending that Yelp would solicit businesses to buy advertisements on the Company's website and would retaliate if businesses declined by deleting positive reviews and claiming the deletions were due to an updated "automated algorithm."

37. On April 4, 2014, Zack's issued a report on this disclosure and its impact on the Company's stock price:

1 Shares of *Yelp Inc. (YELP)* fell \$5.02 (6.6%) to close at \$70.61 on Apr 3,  
2 2014, after the Federal Trade Commission said that it received an overwhelming  
3 number of complaints about the company's business review practices over the last  
4 five years.

5 The FTC recently announced that it received more than 2,046 complaints  
6 against Yelp. *According to The Wall Street Journal, most of the complaints were*  
7 *lodged by small business owners alleging that Yelp posts fraudulent reviews that*  
8 *defame their reputation.*

9 *Most of these business owners said that the negative reviews posted on the*  
10 *website appeared after they declined to pay Yelp for sponsorship.*

11 38. These disclosures cause the Company's stock price to suffer sharp declines, as  
12 between April 1, 2014 and April 4, 2014, Yelp's stock price dropped from a close of \$80.18 per  
13 share on April 1, 2014 to a close of \$65.76 per share on April 4, 2014.

#### 14 **LOSS CAUSATION/ECONOMIC LOSS**

15 39. During the Class Period, as detailed herein, defendants made false and misleading  
16 statements about the strength of the Company's business and prospects and engaged in a scheme to  
17 deceive the market. This artificially inflated Yelp's stock price and operated as a fraud or deceit on  
18 Class Period purchasers of Yelp common stock. Later, when defendants' prior misrepresentations  
19 and fraudulent conduct became apparent to the market, Yelp's stock price fell precipitously, as the  
20 prior artificial inflation came out of the stock price over time. As a result of their purchases of Yelp  
21 common stock during the Class Period, plaintiff and other members of the Class (as defined below)  
22 suffered economic loss, *i.e.*, damages, under the federal securities laws.

#### 23 **NO SAFE HARBOR**

24 40. Yelp's verbal "Safe Harbor" warnings accompanying its oral forward-looking  
25 statements ("FLS") issued during the Class Period were ineffective to shield those statements from  
26 liability.

27 41. The defendants are also liable for any false or misleading FLS pleaded because, at the  
28 time each FLS was made, the speaker knew the FLS was false or misleading and the FLS was  
authorized and/or approved by an executive officer of Yelp who knew that the FLS was false. None  
of the historic or present tense statements made by defendants were assumptions underlying or  
relating to any plan, projection or statement of future economic performance, as they were not stated

1 to be such assumptions underlying or relating to any projection or statement of future economic  
2 performance when made, nor were any of the projections or forecasts made by defendants expressly  
3 related to or stated to be dependent on those historic or present tense statements when made.

4 **APPLICABILITY OF PRESUMPTION OF RELIANCE:**  
5 **FRAUD ON THE MARKET**

6 42. Plaintiff will rely upon the presumption of reliance established by the fraud-on-the-  
7 market doctrine in that, among other things:

8 (a) Defendants made public misrepresentations or failed to disclose material facts  
9 during the Class Period;

10 (b) The omissions and misrepresentations were material;

11 (c) The Company's stock traded in an efficient market;

12 (d) The misrepresentations alleged would tend to induce a reasonable investor to  
13 misjudge the value of the Company's stock; and

14 (e) Plaintiff and other members of the Class purchased Yelp common stock  
15 between the time defendants misrepresented or failed to disclose material facts and the time the true  
16 facts were disclosed, without knowledge of the misrepresented or omitted facts.

17 43. At all relevant times, the market for Yelp's common stock was efficient for the  
18 following reasons, among others:

19 (a) As a regulated issuer, Yelp filed periodic public reports with the SEC; and

20 (b) Yelp regularly communicated with public investors via established market  
21 communication mechanisms, including through regular dissemination of press releases on the major  
22 news wire services and through other wide-ranging public disclosures, such as communications with  
23 the financial press, securities analysts and other similar reporting services.

24 **CLASS ACTION ALLEGATIONS**

25 44. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules  
26 of Civil Procedure on behalf of all persons who purchased Yelp common stock during the Class  
27 Period (the "Class"). Excluded from the Class are defendants and their families, and directors and  
28 officers of Yelp and their families and affiliates.

1 45. The members of the Class are so numerous that joinder of all members is  
2 impracticable. The disposition of their claims in a class action will provide substantial benefits to  
3 the parties and the Court. Yelp has more than 59 million shares of stock outstanding, owned by  
4 hundreds if not thousands of persons.

5 46. There is a well-defined community of interest in the questions of law and fact  
6 involved in this case. Questions of law and fact common to the members of the Class that  
7 predominate over questions that may affect individual Class members include:

- 8 (a) Whether the 1934 Act was violated by defendants;  
9 (b) Whether defendants omitted and/or misrepresented material facts;  
10 (c) Whether defendants' statements omitted material facts necessary in order to  
11 make the statements made, in light of the circumstances under which they were made, not  
12 misleading;  
13 (d) Whether defendants knew or recklessly disregarded that their statements were  
14 false and misleading;  
15 (e) Whether the price of Yelp common stock was artificially inflated; and  
16 (f) The extent of damage sustained by Class members and the appropriate  
17 measure of damages.

18 47. Plaintiff's claims are typical of those of the Class because plaintiff and the Class  
19 sustained damages from defendants' wrongful conduct.

20 48. Plaintiff will adequately protect the interests of the Class and has retained counsel  
21 who are experienced in class action securities litigation. Plaintiff has no interests which conflict  
22 with those of the Class.

23 49. A class action is superior to other available methods for the fair and efficient  
24 adjudication of this controversy.

25 **COUNT I**

26 **For Violation of §10(b) of the 1934 Act**  
27 **and Rule 10b-5 Against All Defendants**

28 50. Plaintiff incorporates ¶¶1-49 by reference.



1 employees. Yelp controlled the Individual Defendants and its other officers and employees. By  
2 reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

3 **PRAYER FOR RELIEF**

4 WHEREFORE, plaintiff prays for judgment as follows:

5 A. Determining that this action is a proper class action, designating plaintiff as Lead  
6 Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil  
7 Procedure and plaintiff's counsel as Lead Counsel;

8 B. Awarding plaintiff and the members of the Class damages and interest;

9 C. Awarding plaintiff's reasonable costs, including attorneys' fees; and

10 D. Awarding such equitable/injunctive or other relief as the Court may deem just and  
11 proper.

12 **JURY DEMAND**

13 Plaintiff demands a trial by jury.

14 DATED: August 6, 2014

ROBBINS GELLER RUDMAN  
& DOWD LLP  
SHAWN A. WILLIAMS

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18 \_\_\_\_\_  
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