

1 Laurence M. Rosen, Esq. (SBN 219683)
2 THE ROSEN LAW FIRM, P.A.
3 355 South Grand Avenue, Suite 2450
4 Los Angeles, CA 90071
5 Telephone: (213) 785-2610
6 Facsimile: (213) 226-4684
7 Email: lrosen@rosenlegal.com

8 Counsel for Plaintiff

9 UNITED STATES DISTRICT COURT
10 CENTRAL DISTRICT OF CALIFORNIA

11 ERROL BROWN, Individually and on
12 behalf of all others similarly situated,

13 Plaintiff,

14 v.

15 INNERWORKINGS, INC., ERIC D.
16 BELCHER, RYAN K. SPOHN,
17 JEFFREY P. PRITCHETT, AND
18 CHARLES HODGKINS,

19 Defendants.

Case No.

CLASS ACTION COMPLAINT FOR
VIOLATION OF THE FEDERAL
SECURITIES LAWS

JURY TRIAL DEMANDED

20
21 Plaintiff Errol Brown (“Plaintiff”), by Plaintiff’s undersigned attorneys,
22 individually and on behalf of all other persons similarly situated, alleges the
23 following based upon personal knowledge as to Plaintiff’s own acts, and
24 information and belief as to all other matters, based upon, inter alia, the
25 investigation conducted by and through Plaintiff’s attorneys, which included,
26 among other things, a review of Defendants’ public documents, conference calls
27 and announcements made by Defendants, United States Securities and Exchange
28

1 Commission (“SEC”) filings, wire and press releases published by and regarding
2 InnerWorkings, Inc. (“InnerWorkings” or the “Company”), analysts’ reports and
3 advisories about the Company, and information readily obtainable on the Internet.
4 Plaintiff believes that substantial evidentiary support will exist for the allegations
5 set forth herein after a reasonable opportunity for discovery.

6 **NATURE OF THE ACTION**

7 1. This is a federal securities class action brought on behalf of a class
8 consisting of all persons and entities, other than Defendants and their affiliates, who
9 purchased or otherwise acquired publicly traded securities of InnerWorkings from
10 August 11, 2015 through May 7, 2018, inclusive (the “Class Period”), seeking to
11 recover compensable damages caused by Defendants’ violations of federal securities
12 laws (the “Class”).

13 **JURISDICTION AND VENUE**

14 2. The claims asserted herein arise under and pursuant to §§10(b) and
15 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and §78t(a)) and Rule 10b-5
16 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5).

17 3. This Court has jurisdiction over the subject matter of this action under
18 28 U.S.C. §1331 and §27 of the Exchange Act.

19 4. Venue is proper in this judicial district pursuant to §27 of the Exchange
20 Act (15 U.S.C. §78aa) and 28 U.S.C. §1391(b) as the Company conducts business
21 and maintains an office within this judicial district.

22 5. In connection with the acts, conduct and other wrongs alleged in this
23 Complaint, Defendants, directly or indirectly, used the means and instrumentalities
24 of interstate commerce, including but not limited to, the United States mail,
25 interstate telephone communications and the facilities of the national securities
26 exchange.

PARTIES

1
2 6. Plaintiff, as set forth in the attached Certification, acquired
3 InnerWorkings securities at artificially inflated prices during the Class Period and
4 was damaged upon the revelation of the alleged corrective disclosures.

5 7. Defendant InnerWorkings provides marketing execution solutions in
6 North America and internationally. The Company’s software applications and
7 databases create an integrated solution that stores, analyzes, and tracks the
8 production capabilities of its supplier network, as well as detailed pricing
9 data. InnerWorkings is a Delaware corporation with an office located at 17032
10 Murphy Avenue, Irvine, CA 92614. InnerWorkings securities trade on the
11 NASDAQ under the ticker symbol “INWK.”

12 8. Defendant Eric D. Belcher (“Belcher”) was the Company’s Chief
13 Executive Officer (“CEO”) from the beginning of the Class Period until April 2018.
14 Belcher serves as the Company’s Executive Chairman of the Board of Directors.

15 9. Defendant Ryan K. Spohn (“Spohn”) served as the Company’s interim
16 Chief Financial Officer (“CFO”) from March 9, 2015 until August 2015.

17 10. Defendant Jeffrey P. Pritchett (“Pritchett”) served as the Company’s
18 CFO from August 2015 until his resignation in December 6, 2017.

19 11. Defendant Charles Hodgkins (“Hodgkins”) has been the Company’s
20 interim CFO since December 2017.

21 12. Defendants Belcher, Spohn, Pritchett, and Hodgkins are sometimes
22 referred to herein as the “Individual Defendants.”

- 23 13. Each of the Individual Defendants:
- 24 a. directly participated in the management of the Company;
 - 25 b. was directly involved in the day-to-day operations of the Company
 - 26 at the highest levels;
- 27
28

- c. was privy to confidential proprietary information concerning the Company and its business and operations;
- d. was directly or indirectly involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein;
- e. was directly or indirectly involved in the oversight or implementation of the Company's internal controls;
- f. was aware of or recklessly disregarded the fact that the false and misleading statements were being issued concerning the Company; and/or
- g. approved or ratified these statements in violation of the federal securities laws.

14. InnerWorkings is liable for the acts of the Individual Defendants and its employees under the doctrine of *respondeat superior* and common law principles of agency as all of the wrongful acts complained of herein were carried out within the scope of their employment with authorization.

15. The scienter of the Individual Defendants and other employees and agents of the Company is similarly imputed to InnerWorkings under *respondeat superior* and agency principles.

16. Defendant InnerWorkings and the Individual Defendants are referred to herein, collectively, as the "Defendants."

SUBSTANTIVE ALLEGATIONS

Materially False and Misleading Statements

17. On August 10, 2015, after the market closed, InnerWorkings filed a Form 10-Q for the quarter ended June 30, 2015 (the "2Q 2015 10-Q") with the SEC, which provided the Company's second quarter 2015 financial statements and position. The 2Q 2015 10-Q was signed by Defendants Belcher and Spohn. The 2Q

1 2015 10-Q contained signed certifications pursuant to the Sarbanes-Oxley Act of
2 2002 (“SOX”) by Defendants Belcher and Spohn attesting to the accuracy of
3 financial reporting, the disclosure of any material changes to the Company’s internal
4 controls over financial reporting, and the disclosure of all fraud.

5 18. On November 6, 2015, InnerWorkings filed a Form 10-Q for the quarter
6 ended September 30, 2015 (the “3Q 2015 10-Q”) with the SEC, which provided the
7 Company’s third quarter 2015 financial statements and position. The 3Q 2015 10-Q
8 was signed by Defendants Belcher and Pritchett. The 3Q 2015 10-Q contained
9 signed SOX certifications by Defendants Belcher and Pritchett attesting to the
10 accuracy of financial reporting, the disclosure of any material changes to the
11 Company’s internal controls over financial reporting, and the disclosure of all fraud.

12 19. On March 10, 2016, InnerWorkings filed an annual report on Form 10-
13 K for the fiscal year ended December 31, 2015 (the “2015 10-K”) with the SEC,
14 which provided the Company’s annual financial statements and position. The 2015
15 10-K was signed by Defendants Belcher and Pritchett. The 2015 10-K contained
16 signed SOX certifications by Defendants Belcher and Pritchett attesting to the
17 accuracy of financial reporting, the disclosure of any material changes to the
18 Company’s internal control over financial reporting and the disclosure of all fraud.

19 20. On May 10, 2016, InnerWorkings filed a Form 10-Q for the quarter
20 ended March 31, 2016 (the “1Q 2016 10-Q”) with the SEC, which provided the
21 Company’s first quarter 2016 financial statements and position. The 1Q 2016 10-Q
22 was signed by Defendants Belcher and Pritchett. The 1Q 2016 10-Q contained
23 signed SOX certifications by Defendants Belcher and Pritchett attesting to the
24 accuracy of financial reporting, the disclosure of any material changes to the
25 Company’s internal controls over financial reporting, and the disclosure of all fraud.

26 21. On August 15, 2016, InnerWorkings filed a Form 10-Q for the quarter
27 ended June 30, 2016 (the “2Q 2016 10-Q”) with the SEC, which provided the
28

1 Company's second quarter 2016 financial statements and position. The 2Q 2016 10-
2 Q was signed by Defendants Belcher and Pritchett. The 2Q 2016 10-Q contained
3 signed SOX certifications by Defendants Belcher and Pritchett attesting to the
4 accuracy of financial reporting, the disclosure of any material changes to the
5 Company's internal controls over financial reporting, and the disclosure of all fraud.

6 22. On November 6, 2016, InnerWorkings filed a Form 10-Q for the quarter
7 ended September 30, 2016 (the "3Q 2016 10-Q") with the SEC, which provided the
8 Company's third quarter 2016 financial statements and position. The 3Q 2016 10-Q
9 was signed by Defendants Belcher and Pritchett. The 3Q 2016 10-Q contained
10 signed SOX certifications by Defendants Belcher and Pritchett attesting to the
11 accuracy of financial reporting, the disclosure of any material changes to the
12 Company's internal controls over financial reporting, and the disclosure of all fraud.

13 23. On March 9, 2017, InnerWorkings filed an annual report on Form 10-
14 K for the fiscal year ended December 31, 2016 (the "2016 10-K") with the SEC,
15 which provided the Company's annual financial statements and position. The 2016
16 10-K was signed by Defendants Belcher and Pritchett. The 2016 10-K contained
17 signed SOX certifications by Defendants Belcher and Pritchett attesting to the
18 accuracy of financial reporting, the disclosure of any material changes to the
19 Company's internal control over financial reporting and the disclosure of all fraud.

20 24. On May 8, 2017, InnerWorkings filed a Form 10-Q for the quarter
21 ended March 31, 2017 (the "1Q 2017 10-Q") with the SEC, which provided the
22 Company's first quarter 2017 financial statements and position. The 1Q 2017 10-Q
23 was signed by Defendants Belcher and Pritchett. The 1Q 2017 10-Q contained
24 signed SOX certifications by Defendants Belcher and Pritchett attesting to the
25 accuracy of financial reporting, the disclosure of any material changes to the
26 Company's internal controls over financial reporting, and the disclosure of all fraud.

1 25. On August 7, 2017, InnerWorkings filed a Form 10-Q for the quarter
2 ended June 30, 2017 (the “2Q 2017 10-Q”) with the SEC, which provided the
3 Company’s second quarter 2017 financial statements and position. The 2Q 2017 10-
4 Q was signed by Defendants Belcher and Pritchett. The 2Q 2017 10-Q contained
5 signed SOX certifications by Defendants Belcher and Pritchett attesting to the
6 accuracy of financial reporting, the disclosure of any material changes to the
7 Company’s internal controls over financial reporting, and the disclosure of all fraud.

8 26. On November 7, 2017, InnerWorkings filed a Form 10-Q for the quarter
9 ended September 30, 2017 (the “3Q 2017 10-Q”) with the SEC, which provided the
10 Company’s third quarter 2017 financial statements and position. The 3Q 2017 10-Q
11 was signed by Defendants Belcher and Pritchett. The 3Q 2017 10-Q contained
12 signed SOX certifications by Defendants Belcher and Pritchett attesting to the
13 accuracy of financial reporting, the disclosure of any material changes to the
14 Company’s internal controls over financial reporting, and the disclosure of all fraud.

15 27. On March 16, 2018, InnerWorkings filed an annual report on Form 10-
16 K for the fiscal year ended December 31, 2017 (the “2017 10-K”) with the SEC,
17 which provided the Company’s annual financial statements and position. The 2017
18 10-K was signed by Defendants Belcher and Hodgkins. The 2017 10-K contained
19 signed SOX certifications by Defendants Belcher and Hodgkins attesting to the
20 accuracy of financial reporting, the disclosure of any material changes to the
21 Company’s internal control over financial reporting and the disclosure of all fraud.

22 28. The statements referenced in ¶¶17-27 above were materially false
23 and/or misleading because they misrepresented and failed to disclose the following
24 adverse facts pertaining to the Company’s business, operations, and prospects,
25 which were known to Defendants or recklessly disregarded by them. Specifically,
26 Defendants made false and/or misleading statements and/or failed to disclose that:
27 (1) InnerWorkings’ financial statements for the fiscal years ending December 31,
28

1 2017, 2016, and 2015 as well as all interim periods contained errors that required
2 restating; and (2) InnerWorkings' financial statements were materially false and
3 misleading at all relevant times.

4 The Truth Emerges

5 29. On May 7, 2018, after the market closed, InnerWorkings issued a press
6 release entitled, "InnerWorkings Postpones Release of First Quarter 2018 Financial
7 Results." The press release disclosed that many of the Company's historical financial
8 statements contained errors which required restatement, stating in relevant part:

9 CHICAGO, IL – May 7, 2018 – InnerWorkings, Inc. (NASDAQ:
10 INWK), the leading global marketing execution firm, announced that it
11 is postponing the release of its first quarter 2018 financial results and
12 conference call due to *errors in its historical financial statements*
13 *identified during the course of its first quarter financial reporting*
14 *close process. The Company will be restating its financial statements*
15 *for the years ended December 31, 2017, 2016, and 2015, and all*
16 *interim periods within those years.*

17 *The accounting errors relate primarily to recording a portion of costs*
18 *of goods sold in the wrong period*, and have no material impact on
19 InnerWorkings' cash flow, revenue, or liquidity. The restated financial
20 statements will also correct other errors identified during prior periods,
21 which were immaterial individually and in the aggregate. Based on its
22 preliminary assessment, InnerWorkings estimates the aggregate impact
23 of these corrections on income before income taxes as follows:

- 24 • For the year ended December 31, 2017, a decrease in income
25 before income taxes of \$2.5 - \$4.5 million;
- 26 • For the year ended December 31, 2016, a decrease in income
27 before income taxes of \$1.5 - \$2.5 million; and
- 28 • For the year ended December 31, 2015, an increase in income
before income taxes of \$0.5 - \$1.5 million

In order to allow sufficient time to complete its review and corrections
to the historical financial statements, InnerWorkings is delaying
reporting first quarter 2018 financial results and hosting its conference

1 call, originally scheduled for May 8, 2018. The Company expects to
2 file an amendment to its 2017 Form 10-K reflecting the corrected
3 financial statements and reschedule its first quarter 2018 earnings
4 release and conference call to no later than May 31, 2018. For more
5 information about the restatement, please see the Company's Current
6 Report on Form 8-K (Item 4.02) filed on May 7, 2018.

7 (Emphasis added).

8 30. On this news, the Company's shares fell \$0.62 per share or over 6.4%
9 to close at \$9.06 per share on May 8, 2018, damaging investors.

10 31. As a result of Defendants' wrongful acts and omissions, and the
11 precipitous decline in the market value of the Company's securities Plaintiff and
12 other Class members have suffered significant losses and damages.

13 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

14 32. Plaintiff brings this action as a class action pursuant to Federal Rule of
15 Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who
16 purchased or otherwise acquired InnerWorkings securities publicly traded on
17 NASDAQ during the Class Period (the "Class"); and were damaged upon the
18 revelation of the alleged corrective disclosures. Excluded from the Class are
19 Defendants herein, the officers and directors of the Company, at all relevant times,
20 members of their immediate families and their legal representatives, heirs,
21 successors or assigns and any entity in which Defendants have or had a controlling
22 interest.

23 33. The members of the Class are so numerous that joinder of all members
24 is impracticable. Throughout the Class Period, InnerWorkings securities were
25 actively traded on the NASDAQ. While the exact number of Class members is
26 unknown to Plaintiff at this time and can be ascertained only through appropriate
27 discovery, Plaintiff believes that there are hundreds or thousands of members in the
28

1 proposed Class. Record owners and other members of the Class may be identified
2 from records maintained by InnerWorkings or its transfer agent and may be notified
3 of the pendency of this action by mail, using the form of notice similar to that
4 customarily used in securities class actions.

5 34. Plaintiff's claims are typical of the claims of the members of the Class
6 as all members of the Class are similarly affected by Defendants' wrongful conduct
7 in violation of federal law that is complained of herein.

8 35. Plaintiff will fairly and adequately protect the interests of the members
9 of the Class and has retained counsel competent and experienced in class and
10 securities litigation. Plaintiff has no interests antagonistic to or in conflict with those
11 of the Class.

12 36. Common questions of law and fact exist as to all members of the Class
13 and predominate over any questions solely affecting individual members of the
14 Class. Among the questions of law and fact common to the Class are:

- 15 a. whether the federal securities laws were violated by Defendants' acts
16 as alleged herein;
- 17 b. whether statements made by Defendants to the investing public during
18 the Class Period misrepresented material facts about the business,
19 operations and management of InnerWorkings;
- 20 c. whether the Individual Defendants caused InnerWorkings to issue false
21 and misleading financial statements during the Class Period;
- 22 d. whether Defendants acted knowingly or recklessly in issuing false and
23 misleading financial statements;
- 24 e. whether the prices of InnerWorkings securities during the Class Period
25 were artificially inflated because of the Defendants' conduct
26 complained of herein; and

27
28

1 f. whether the members of the Class have sustained damages and, if so,
2 what is the proper measure of damages.

3 37. A class action is superior to all other available methods for the fair and
4 efficient adjudication of this controversy since joinder of all members is
5 impracticable. Furthermore, as the damages suffered by individual Class members
6 may be relatively small, the expense and burden of individual litigation make it
7 impossible for members of the Class to individually redress the wrongs done to them.
8 There will be no difficulty in the management of this action as a class action.

9 38. Plaintiff will rely, in part, upon the presumption of reliance established
10 by the fraud-on-the-market doctrine in that:

- 11 a. Defendants made public misrepresentations or failed to disclose
12 material facts during the Class Period;
- 13 b. the omissions and misrepresentations were material;
- 14 c. InnerWorkings securities are traded in an efficient market;
- 15 d. the Company's shares were liquid and traded with moderate to heavy
16 volume during the Class Period;
- 17 e. the Company traded on the NASDAQ and was covered by multiple
18 analysts;
- 19 f. the misrepresentations and omissions alleged would tend to induce a
20 reasonable investor to misjudge the value of the Company's securities;
21 and
- 22 g. Plaintiff and members of the Class purchased, acquired and/or sold
23 InnerWorkings securities between the time the Defendants failed to
24 disclose or misrepresented material facts and the time the true facts
25 were disclosed, without knowledge of the omitted or misrepresented
26 facts.

27
28

1 securities at artificially inflated prices. In furtherance of this unlawful scheme, plan
2 and course of conduct, Defendants, and each of them, took the actions set forth
3 herein.

4 44. Pursuant to the above plan, scheme, conspiracy and course of conduct,
5 each of the Defendants participated directly or indirectly in the preparation and/or
6 issuance of the quarterly and annual reports, SEC filings, press releases and other
7 statements and documents described above, including statements made to securities
8 analysts and the media that were designed to influence the market for InnerWorkings
9 securities. Such reports, filings, releases and statements were materially false and
10 misleading in that they failed to disclose material adverse information and
11 misrepresented the truth about InnerWorkings' finances and business prospects.

12 45. By virtue of their positions at InnerWorkings, Defendants had actual
13 knowledge of the materially false and misleading statements and material omissions
14 alleged herein and intended thereby to deceive Plaintiff and the other members of
15 the Class, or, in the alternative, Defendants acted with reckless disregard for the truth
16 in that they failed or refused to ascertain and disclose such facts as would reveal the
17 materially false and misleading nature of the statements made, although such facts
18 were readily available to Defendants. Said acts and omissions of Defendants were
19 committed willfully or with reckless disregard for the truth. In addition, each
20 defendant knew or recklessly disregarded that material facts were being
21 misrepresented or omitted as described above.

22 46. Defendants were personally motivated to make false statements and
23 omit material information necessary to make the statements not misleading in order
24 to personally benefit from the sale of InnerWorkings securities from their personal
25 portfolios.

26 47. InnerWorkings showing that Defendants acted knowingly or with
27 reckless disregard for the truth is peculiarly within Defendants' knowledge and
28

1 control. As the senior managers and/or directors of InnerWorkings, the Individual
2 Defendants had knowledge of the details of InnerWorkings' internal affairs.

3 48. The Individual Defendants are liable both directly and indirectly for the
4 wrongs complained of herein. Because of their positions of control and authority,
5 the Individual Defendants were able to and did, directly or indirectly, control the
6 content of the statements of InnerWorkings. As officers and/or directors of a
7 publicly-held company, the Individual Defendants had a duty to disseminate timely,
8 accurate, and truthful information with respect to InnerWorkings' businesses,
9 operations, future financial condition and future prospects. As a result of the
10 dissemination of the aforementioned false and misleading reports, releases and
11 public statements, the market price of InnerWorkings securities was artificially
12 inflated throughout the Class Period. In ignorance of the adverse facts concerning
13 InnerWorkings' business and financial condition which were concealed by
14 Defendants, Plaintiff and the other members of the Class purchased or otherwise
15 acquired InnerWorkings securities at artificially inflated prices and relied upon the
16 price of the securities, the integrity of the market for the securities and/or upon
17 statements disseminated by Defendants, and were damaged thereby.

18 49. During the Class Period, InnerWorkings securities were traded on an
19 active and efficient market. Plaintiff and the other members of the Class, relying on
20 the materially false and misleading statements described herein, which the
21 Defendants made, issued or caused to be disseminated, or relying upon the integrity
22 of the market, purchased or otherwise acquired shares of InnerWorkings securities
23 at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiff and the
24 other members of the Class known the truth, they would not have purchased or
25 otherwise acquired said securities, or would not have purchased or otherwise
26 acquired them at the inflated prices that were paid. At the time of the purchases
27 and/or acquisitions by Plaintiff and the Class, the true value of InnerWorkings
28

1 securities was substantially lower than the prices paid by Plaintiff and the other
2 members of the Class. The market price of InnerWorkings securities declined
3 sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff
4 and Class members.

5 50. By reason of the conduct alleged herein, Defendants knowingly or
6 recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act
7 and Rule 10b-5 promulgated thereunder.

8 51. As a direct and proximate result of Defendants' wrongful conduct,
9 Plaintiff and the other members of the Class suffered damages in connection with
10 their respective purchases, acquisitions and sales of the Company's securities during
11 the Class Period, upon the disclosure that the Company had been disseminating
12 misrepresented financial statements to the investing public.

13 **COUNT II**

14 **Violation of Section 20(a) of The Exchange Act**
15 **Against The Individual Defendants**

16 52. Plaintiff repeats and realleges each and every allegation contained in
17 the foregoing paragraphs as if fully set forth herein.

18 53. During the Class Period, the Individual Defendants participated in the
19 operation and management of InnerWorkings, and conducted and participated,
20 directly and indirectly, in the conduct of InnerWorkings' business affairs. Because
21 of their senior positions, they knew the adverse non-public information about
22 InnerWorkings' current financial position and future business prospects.

23 54. As officers and/or directors of a publicly owned company, the
24 Individual Defendants had a duty to disseminate accurate and truthful information
25 with respect to InnerWorkings' business practices, and to correct promptly any
26 public statements issued by InnerWorkings which had become materially false or
27 misleading.

1 B. Requiring Defendants to pay damages sustained by Plaintiff and the
2 Class by reason of the acts and transactions alleged herein;

3 C. Awarding Plaintiff and the other members of the Class prejudgment
4 and post-judgment interest, as well as their reasonable attorneys' fees, expert fees
5 and other costs; and

6 D. Awarding such other and further relief as this Court may deem just and
7 proper.

8 **DEMAND FOR TRIAL BY JURY**

9 Plaintiff hereby demands a trial by jury.

10
11 Dated: May 10, 2018

Respectfully submitted,

12 **THE ROSEN LAW FIRM, P.A.**

13
14 By: /s/ Laurence M. Rosen
15 Laurence M. Rosen, Esq. (SBN 219683)
16 355 S. Grand Avenue, Suite 2450
17 Los Angeles, CA 90071
18 Telephone: (213) 785-2610
19 Facsimile: (213) 226-4684
20 Email: lrosen@rosenlegal.com

21
22
23
24
25
26
27
28
Counsel for Plaintiff