

1 **SAXENA WHITE P.A.**
2 David R. Kaplan (SBN 230144)
3 dkaplan@saxenawhite.com
4 505 Lomas Santa Fe Dr., Suite #180
5 Solana Beach, CA 92075
6 Telephone: (858) 997-0860
7 Facsimile: (858) 369-0096

8 **MOTLEY RICE LLC**
9 Max N. Gruetzmacher (*pro hac vice*)
10 mgruetzmacher@motleyrice.com
11 Christopher F. Moriarty (*pro hac vice*)
12 cmoriarty@motleyrice.com
13 28 Bridgeside Blvd.
14 Mt. Pleasant, SC 29464
15 Telephone: (843) 216-9000

16 *Counsel for Lead Plaintiffs and*
17 *Lead Counsel for the Class*

18 *[Additional Counsel Listed on Signature Page]*

19 **UNITED STATES DISTRICT COURT**
20 **NORTHERN DISTRICT OF CALIFORNIA**

21 STEVEN LEVENTHAL, Individually and on
22 Behalf of All Others Similarly Situated,

23 Plaintiff,

24 vs.

25 CHEGG, INC., DANIEL L. ROSENSWEIG,
26 ANDREW J. BROWN, and NATHAN
27 SCHULTZ,

28 Defendants.

Case No.: 5:21-cv-09953-EJD

CLASS ACTION

**CONSOLIDATED CLASS ACTION
COMPLAINT FOR VIOLATIONS OF
THE FEDERAL SECURITIES LAWS**

DEMAND FOR JURY TRIAL

TABLE OF CONTENTS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

I. INTRODUCTION 1

II. JURISDICTION AND VENUE 8

III. PARTIES 9

 A. Lead Plaintiffs 9

 B. Defendants 9

IV. SUBSTANTIVE ALLEGATIONS..... 12

 A. Chegg Purports To Offer Critical Online Academic Support That Students Desperately Need To “Master” And “Learn” Their Coursework 12

 B. During The Class Period, Defendants Represented To Investors That Chegg’s “Unprecedented Growth” During The COVID Pandemic Was Attributable To Accelerated Adoption Of Its Online “Learning Platform” And Other Legitimate Business Factors, And Emphasized That The Switch To Remote Learning Was “Completely Irrelevant” To Chegg’s Long-Term Success..... 15

 C. Defendants Repeatedly Deny That Chegg’s Remarkable Growth During The Pandemic Was Due To Student Cheating, Claiming That The “Overwhelming Majority” Of Its Customers Do Not Use Chegg To Cheat..... 20

 D. In Truth, Defendants Knew Throughout The Class Period That Chegg’s Growth During The Pandemic Was Predicated Upon Widespread Student Cheating And Was Not Sustainable..... 25

 1. Documents Provided In Response To FOIA Requests By Universities Across The Country Confirm That Student Cheating On Chegg’s Platform Was Rampant, Chegg Was Repeatedly Informed About It, And Chegg Failed To Implement Effective Procedures To Stop It..... 26

 2. The Accounts of High-Ranking University Officials And Faculty From Across The Nation Confirm That Student Cheating On Chegg’s Platform Was Rampant, Chegg Was Repeatedly Informed About It, And Chegg Failed To Implement Effective Procedures To Stop It..... 39

 3. The Accounts Of Former Chegg Employees Confirm Defendants’ Fraud 51

 4. Lead Counsel’s Empirical Analysis Confirms That Chegg’s Growth Was Attributable To Rampant Student Cheating During Remote Learning, Which Was Blatantly Obvious To Chegg 58

 5. Chegg Refused To Implement Obvious Steps That Would Have Prevented Cheating 62

1 E. Defendants Capitalize On The Fraud Through Massive Insider Sales With
 2 Shares Trading At Record Highs And The End Of Remote Learning
 Approaching 66

3 F. The Truth Regarding Chegg’s Unsustainable Growth Emerges As
 4 Students Return To Campus And Stop Using Chegg To Cheat, Reversing
 The Company’s Explosive Growth And Causing Its Stock Price to Crater 68

5 V. DEFENDANTS’ MATERIALLY FALSE AND MISLEADING STATEMENTS 70

6 VI. LOSS CAUSATION 103

7 VII. ADDITIONAL ALLEGATIONS OF DEFENDANTS’ SCIENTER 104

8 A. Defendants Meticulously Tracked User Engagement Across Chegg’s
 9 Online Platform, Including Expert Q&A 105

10 B. Chegg Study And The Expert Q&A Service Constituted Chegg’s Core
 Operations And “Flagship Service” 107

11 C. Throughout the Class Period, Defendants Were Repeatedly Informed of
 12 Cheating Scandals Involving Chegg At Universities Across the Country 108

13 D. Defendants Made Highly Specific Statements Minimizing And Denying
 Student Use Of The Platform To Cheat In Response To Repeated Analyst
 14 Questioning 109

15 E. Chegg Designed Expert Q&A To Make Cheating Faster And Easier 112

16 F. The Gross Disparity Between The Individual Defendants’ Words And
 Reality Reinforces Scienter 113

17 G. Lead Counsel’s Empirical Analysis Confirmed The Existence of
 18 Widespread, Blatant Cheating On Chegg’s Website 114

19 H. Chegg’s Officers And Directors Capitalized On The Fraud By Selling
 Nearly \$100 Million Of Their Personally Held Shares At Inflated Prices 115

20 VIII. PRESUMPTION OF RELIANCE 117

21 IX. INAPPLICABILITY OF THE STATUTORY SAFE HARBOR AND THE
 22 BESPEAKS CAUTION DOCTRINE 118

23 X. CLASS ACTION ALLEGATIONS 119

24 XI. CLAIMS FOR RELIEF 120

25 XII. PRAYER FOR RELIEF 126

26 XIII. JURY DEMAND 126

27

28

1 1. Court-appointed Lead Plaintiffs Pompano Beach Police and Firefighters’
2 Retirement System (“Pompano”) and KBC Asset Management NV (“KBC”) (together, “Lead
3 Plaintiffs” or “Plaintiffs”), on behalf of themselves and all others similarly situated, allege the
4 following upon personal knowledge as to themselves and their acts, and upon information and
5 belief as to all other matters, based upon the ongoing investigation of the undersigned Lead
6 Counsel. Lead Counsel’s investigation included, among other things, review and analysis of: (i)
7 public filings made by Chegg, Inc. (“Chegg” or the “Company”) with the U.S. Securities and
8 Exchange Commission (the “SEC”); (ii) transcripts of Chegg’s conference calls with analysts and
9 investors; (iii) presentations, press releases, media reports and publications concerning Chegg, and
10 postings on and data available through Chegg’s website; (iv) interviews with former Chegg
11 employees as well as professors, deans, and academic administrators at colleges and universities
12 across the United States; (v) documents produced by colleges and universities in response to
13 requests made pursuant to public records laws, including the Freedom of Information Act (together,
14 “FOIA Requests”); (vi) research reports by securities and financial analysts concerning Chegg; (vii)
15 consultation with industry and financial experts; (viii) data reflecting Chegg’s stock price; and (ix)
16 review of other publicly available information concerning the Company. Plaintiffs believe that
17 substantial additional evidentiary support for their allegations will be developed after a reasonable
18 opportunity for discovery, as many of the facts related to Plaintiffs’ allegations are known only by
19 Defendants (defined below) or are exclusively within their custody or control.

20 2. Lead Plaintiffs assert claims under Section 10(b) of the Securities Exchange Act of
21 1934 (“Exchange Act”) and Rule 10b-5 promulgated thereunder, Section 20(a) of the Exchange
22 Act, and Section 20A of the Exchange Act on behalf of all persons or entities who purchased, or
23 otherwise acquired Chegg common stock between May 5, 2020, and November 1, 2021, inclusive
24 (the “Class Period”), and who were damaged thereby (the “Class”).

25 **I. INTRODUCTION**

26 3. Chegg is a subscription online “learning platform” that purports to “help students
27 master their subjects, better understand their course material, and have better outcomes on their
28 learning journey.” Chegg claims to serve a \$1.3 trillion education industry by providing

1 purportedly critical “academic support” to students desperately in need of help due to schools’
2 strapped budgets, unwillingness to provide needed support, and failure of foresight. As Chegg’s
3 Chief Executive Officer (“CEO”), Daniel L. Rosensweig (“Rosenweig”), crowed during one of
4 his many interviews on CNBC during the Class Period, online learning “is the wave of the future”
5 and Chegg provides services that “every student around the world clearly needs.”

6 4. In particular, Chegg Study and its featured “Expert Q&A” service were purportedly
7 designed to “help[] students master challenging concepts on their own” in courses spanning the
8 fields of science, math, and English, among others. For as little as \$15 per month, the Expert Q&A
9 feature allowed subscribers to ask a pool of 70,000 to 100,000 experts (mostly freelance workers
10 in India) with advanced-level degrees for an “instantaneous step-by-step solution” to “homework”
11 questions that “come back [] usually in less than an hour” and were often “almost immediate.”
12 Chegg relentlessly promoted its Expert Q&A feature as a key reason to invest in the Company,
13 emphasizing that Chegg “already ha[d]” a searchable archive of “35 million academic questions
14 asked and answered” as of the start of the Class Period, which provided a “huge” and “incredible
15 competitive moat” that grew to 70 million questions and answers by the end of the Class Period.
16 Chegg referred to the Expert Q&A tool as the “Uber” and “Amazon Prime” of the education world
17 due to how quickly students could receive comprehensive homework answers— “the real magic to
18 our model.”

19 5. The Class Period tracks the arc of the COVID-19 pandemic, which shut down
20 college campuses across the country and forced students into distance learning. During this period,
21 Chegg reported rapidly escalating “record” subscriber numbers that more than doubled by the end
22 of 2020, with accompanying “unprecedented” and “fantastic” financial results. Indeed, Chegg’s
23 total revenues surged by nearly 50% from Q1 2020 to Q2 2021, and for each and every quarter in
24 the Class Period, Chegg reported large and consistent growth in year-over-year revenue and
25 earnings,¹ ranging between 35% at the onset of the pandemic and approaching 90% by Q4 2020—
26 the first final exam period after a full semester of remote learning. Defendants continually raved

27 _____
28 ¹ Earnings refers to the Company’s adjusted EBITDA – earnings before interest, taxes, depreciation
and amortization – which Chegg highlighted as a key performance metric in its earnings releases
and presentations to investors during the Class Period.

1 about these “tremendous” results, touting that Chegg had “outperformed even our most enthusiastic
2 expectations,” and repeatedly raised the Company’s full-year revenue and earnings guidance in
3 2020 and 2021. The market applauded Chegg’s unprecedented growth, and the Company’s stock
4 price soared to all-time highs.

5 6. Significantly, as Chegg reported quarter after quarter of record subscriber numbers
6 and strong financial performance, industry observers and short sellers questioned whether Chegg’s
7 online platform was being used by students to cheat, rather than for legitimate educational purposes.
8 As a result, investors were hyper-focused on the reasons for Chegg’s growth during the Class
9 Period—namely, whether it was due to rising and sustainable student demand for online academic
10 support, or was the result of large numbers of students opportunistically using Chegg to cheat
11 during a fleeting period of distance learning. Naturally, investors wondered whether Chegg’s
12 explosive growth would continue once in-person instruction resumed.

13 7. To silence those concerns, Defendants reassured investors in nearly two dozen
14 earnings calls and investor conference calls during the Class Period—including in direct response
15 to analyst questions on the matter—that Chegg’s “unprecedented” and “dramatic” growth was
16 indeed “sustainable” because it was due to the “inevitable” adoption of online learning and other
17 legitimate business factors, and wholly unrelated to the temporary effects of remote learning or use
18 of the platform to cheat. At every opportunity, Defendants assured investors that the Company’s
19 success was predicated on a variety of legitimate business factors, such as the Company’s efforts
20 to prevent students from casually sharing their Chegg accounts without paying for additional
21 subscriptions, and repeatedly underscored that Chegg’s sharp growth trajectory during remote
22 learning was “not a result of people being on campus or not being on campus”—a factor Defendant
23 Rosensweig proclaimed was “completely irrelevant to Chegg.”

24 8. Moreover, Defendants assured investors that Chegg took every effort to prevent and
25 address any cheating on its platform. Thus, in response to several articles and reports during the
26 Class Period alleging that Chegg’s growth was due to student cheating, Defendants repeatedly
27 issued vehement denials and asserted that cheating did not contribute to Chegg’s success in any
28 meaningful way. Defendants also pointed to Chegg’s “Honor Code,” which avowed that Chegg

1 strictly prohibited cheating, and declared that “[t]he vast majority of Chegg students use our
2 services to help them learn and understand,” and that “misuse of our platform represents an
3 extremely small portion of the activity on our platform.” Chegg responded to reports accusing the
4 Company of facilitating cheating with strong public denials, repeatedly emphasizing that the
5 Company supported academic integrity and hadn’t seen “any relative increase in Honor Code issues
6 since the COVID-19 crisis began”; that cheating was “not what Chegg was built for”; and that only
7 a “tiny fraction” of students used Chegg’s platform to cheat. Halfway through the Class Period, in
8 January 2021, Chegg also announced that it had launched an “Honor Shield” initiative that was
9 purportedly geared toward curbing even the purportedly tiny number of students who may have
10 been using Chegg to cheat.

11 9. Investors and analysts fully credited Defendants’ statements. For example,
12 Northland Capital Markets reported that “the vast majority of students use [Chegg] to assist with
13 learning difficult concepts” while only “some students” used Chegg “to misuse the platform for
14 help during quizzes/exams.” Analysts also favorably reported on Chegg’s implementation of the
15 “Honor Shield” program, which would “assuage[] bear concerns around cheating,” and credited
16 Chegg’s growth to the legitimate business practices emphasized by Defendants. For example,
17 analysts at Craig-Hallum reported that Chegg’s “cracking down on students sharing passwords”
18 would “help[] to boost (paid) membership and should continue to do so for years to come.”

19 10. In response to Defendants’ representations, Chegg’s stock price skyrocketed, nearly
20 tripling from a closing price of \$43.79 per share immediately prior to the Class Period to an all-
21 time high of over \$113 per share on February 12, 2021.

22 11. Company insiders wasted no time in capitalizing on Chegg’s inflated stock price.
23 Overall, Chegg insiders reaped nearly **\$100 million** in proceeds from suspiciously timed insider
24 stock sales and, in February 2021, only days after Chegg’s stock reached its all-time high,
25 Defendants conducted a **\$1 billion** secondary public offering (“SPO”) in which Defendant
26 Rosensweig alone pocketed over **\$30 million**. In total, Defendants Rosensweig and Nathan Schultz
27 (“Schultz”) (Chegg’s President of Learning Services) collectively pocketed a staggering **\$74**
28 **million** from their insider stock sales in suspiciously timed sales during the Class Period. Indeed,

1 as Defendants knew full well, the impending end of remote learning meant that students would no
2 longer have the unbridled opportunity to cheat using Chegg’s platform, and thus the Company’s
3 financial results would soon crater.

4 12. Defendants’ representations to investors regarding the reasons for Chegg’s
5 remarkable growth were utterly false. Lead Counsel’s investigation confirms that Chegg’s
6 remarkable growth during the Class Period was unquestionably due to rampant use of Chegg’s
7 “Expert Q&A tool” for cheating during distance learning, and not legitimate “academic support”
8 as Defendants publicly proclaimed. As set forth below, this extensive investigation included (i)
9 review of over 1,000 pages of documents provided in response to FOIA Requests by many of the
10 nation’s most respected institutions of higher learning, (ii) interviews and surveys of over twenty
11 professors, deans, and officials from universities across the nation, (iii) the corroborating accounts
12 of numerous former Chegg employees, and (iv) a comprehensive empirical analysis of archived
13 Expert Q&A data. In essence, students posting questions on Chegg were paying experts in India
14 to take tests for them—or as students called it, “Chegging.”

15 13. *First*, documents provided by prominent universities, including The University of
16 California, Los Angeles (“UCLA”), Georgia Institute of Technology (“Georgia Tech”), The
17 University of Nebraska, and the United States Air Force Academy (“Air Force Academy”), among
18 others, in response to FOIA Requests show not only students’ widespread use of Chegg for cheating
19 during the Class Period, but also the universities’ repeated desperate pleas to Chegg for help in
20 combating the “*raining cases*” of academic integrity violations involving Chegg. Those documents
21 describe in specific detail Chegg’s “*professional cheating operation*” with students “accessing
22 Chegg during the final exam” and getting “solutions directly” from Chegg experts. Indeed,
23 professor emails repeatedly described students “*posting the entire test to Cheng [sic] and*
24 *submitting answers completely copied from the solutions provided by Chegg.*” The documents
25 also show that Defendants’ vaunted “Honor Code” and “Honor Shield” programs were little more
26 than corporate propaganda: empty promises by Defendants to prevent cheating that instead erected
27 onerous “hurdles” for professors investigating blatant academic integrity violations— “*a master*
28 *class in misdirection and frustration,*” as one professor put it. Chegg’s systems to prevent cheating

1 provided schools with largely useless information even when Chegg’s onerous guidelines were
2 followed, and *never* the actual names of the students/Chegg subscribers who cheated. As two
3 Georgia Tech deans noted, these extraordinary circumstances put the onus squarely on universities
4 to make exams, quizzes, and homework “*Chegg-proof*.”

5 14. *Second*, Lead Counsel’s own interviews and written correspondence with over
6 twenty professors, deans, and university officials across the country confirmed that, based on their
7 personal experiences with students and Chegg, and despite Defendants’ staunch assertions to the
8 contrary, “*a vast majority of students using Chegg did so for illegitimate reasons*” and
9 overwhelmingly, these educators were “*not personally aware of any students that use [Chegg] for*
10 *genuine learning purposes*.” Professors’ damning, firsthand accounts were confirmed by deans
11 and high-level university officials charged with enforcing academic integrity standards. These
12 administrators similarly described how their institutions grappled with a surge in academic
13 misconduct cases during remote learning with Chegg at the center—including exams being posted
14 to Chegg within moments of going live—and finding after thorough investigations and direct
15 communications with Chegg that “*our students used Chegg to cheat, and not for other aspects of*
16 *the platform*.” As one Vice Provost declared, the level of student cheating that occurred via Chegg
17 during the period of remote learning “*was insane*.”

18 15. *Third*, numerous former Chegg employees—including former high-ranking Vice
19 Presidents who personally attended weekly meetings with Defendants Rosensweig, Schultz, and
20 Andrew J. Brown (“Brown”) during which cheating was regularly discussed—confirmed that
21 account sharing “*was not the driver*” behind Chegg’s growth during the Class Period, and that it
22 was instead “*the cheating business*.” Former Chegg employees specifically confirmed that
23 Chegg’s Expert Q&A service was the Company’s “*main moneymaker*,” and that student use of
24 Expert Q&A to cheat “*absolutely accelerated*” during remote learning. Former employees further
25 confirmed that Chegg management closely tracked user engagement, including during weekly “all-
26 hands meetings” attended by Defendants Rosensweig, Brown, and Schultz (among others), that
27 executives “*always had access to data*,” and that Rosensweig and Schultz “*knew everything, they*
28 *were micromanagers*.” Not surprisingly, then, the cheating issues were “*absolutely well*

1 *understood*” internally. The former employees also described how these Defendants were
2 completely uninterested in preventing cheating. As one former employee stated, Chegg “*didn’t*
3 *really put any effort into stopping [cheating] because it was putting money into their pocket[s].*”

4 16. *Fourth*, Lead Counsel’s empirical analysis of the Chegg Expert Q&A service shows
5 that Defendants understood that the Company’s “unprecedented growth” during the pandemic was
6 predicated on rampant student cheating. As an initial matter, Lead Counsel’s review of non-public,
7 archived, and proprietary Expert Q&A data demonstrates that student usage of the tool for
8 instantaneous answers surged during remote learning, with students submitting *twice* as many
9 questions to “Chegg Experts” in April 2020 as they had during the same exam period in 2019. By
10 the end of May 2020, as finals wrapped up for the first semester of remote learning, these questions
11 had almost *quadrupled*. Lead Counsel’s empirical analysis further shows that this surge in
12 questions to Chegg during remote learning was driven by obvious student cheating. Indeed, Lead
13 Counsel’s random sampling of over 6,000 questions from Chegg’s Q&A database confirmed clear
14 and blatant indicia of cheating in the middle of actual exams, including hundreds of photos
15 demonstrating that Defendants were keenly aware of, and failed to take any effort to meaningfully
16 prevent, cheating on Chegg. The findings of Lead Counsel’s empirical analysis are extraordinary:
17 approximately *one-quarter* of all questions submitted to the Expert Q&A platform during the Class
18 Period contained clear indicia of cheating. Indeed, Lead Counsel uncovered photos of “homework”
19 questions uploaded by Chegg in which users explicitly stated: “*This is a test question and any use*
20 *of online resources ... is considered academic dishonesty*” and others begging experts “*Please*
21 *help as soon as possible, I have 30 minutes to answer*” and “*please solve this question urgently,*
22 *its exam questions.*”

23 17. The truth about the reasons for Chegg’s record growth during the period of remote
24 learning emerged on November 1, 2021. On that day, the Company reported its third quarter
25 results—the first quarter in which the majority of college students had returned to campus to attend
26 classes for the fall semester—and disclosed a sudden *10% decline* in subscribers, marking an abrupt
27 180-degree reversal from the “dramatic” subscriber growth Defendants had reported throughout
28 the Class Period. Beyond this decimation in subscribers, and despite the fact that the fourth quarter

1 was historically Chegg’s most profitable quarter, the Company further stunned investors by issuing
2 fourth-quarter revenue guidance that was over **20% below** Wall Street expectations, and **entirely**
3 **postponed** the issuance of its revenue guidance for 2022. On this news, Chegg’s stock price
4 plunged nearly **50%**, from \$62.76 per share on November 1, 2021, to \$32.12 per share on November
5 2, 2021—wiping out a staggering **\$4 billion** in shareholder market capitalization in a single day.

6 18. In the aftermath of this debacle, Defendants attempted to blame the Company’s poor
7 results on a “combination of variants,” including an “industry-wide” slowdown, “increased
8 employment opportunities and compensation,” and student “fatigue,” all of which purportedly led
9 to “fewer enrollments than expected this semester.” However, analysts rejected these excuses as
10 inconsistent with actual enrollment trends, and instead attributed Chegg’s faltering performance on
11 students’ diminished ability to easily use Chegg’s platform to cheat on exams upon the widespread
12 return to in-person instruction. For example, *Forbes* explained that “**the enrollment excuse makes**
13 **no sense** ... enrollment declines this year were smaller than they were last year, when Chegg’s
14 revenue and stock were soaring,” and noted that “**most students use Chegg to cheat on exams,**
15 **quizzes and homework,**” and “[n]ow that students are back in the classroom, they can’t easily
16 use Chegg to cheat.” Morgan Stanley also saw past Defendants’ false explanations for Chegg’s
17 sudden decline: “as students returned to campus for in person learning, they did not return to the
18 Chegg platform,” as there were “more graded assignments in class where Chegg would not be
19 helpful.”

20 19. Significantly, since the end of the Class Period, Chegg’s subscriber growth and
21 financial performance have **never** come close to the levels they reached during the Class Period.
22 Chegg’s stock price has also never recovered. As of the date of this filing, Chegg stock continues
23 to trade below \$30 per share, a fraction of its price during the Class Period.

24 **II. JURISDICTION AND VENUE**

25 20. The claims asserted herein arise under Sections 10(b), 20(a), and 20A of the
26 Exchange Act, 15 U.S.C. §§ 78j(b), 78t(a), and 78t-1(a), and SEC Rule 10b-5 promulgated
27 thereunder, 17 C.F.R. § 240.10b-5. This Court has jurisdiction over the subject matter of this action
28 pursuant to 28 U.S.C. §§ 1331 and 1337, and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

1 21. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28
2 U.S.C. § 1391(b). Chegg maintains its corporate headquarters in Santa Clara, California, which is
3 situated in this District, conducts substantial business in this District, and many of the acts and
4 conduct that constitute the violations of law complained of herein, including the preparation and
5 dissemination to the public of materially false and misleading information, occurred in this District.
6 In connection with the acts alleged in this Complaint, Defendants, directly or indirectly, used the
7 means and instrumentalities of interstate commerce, including, but not limited to, the mails,
8 interstate telephone communications, and the facilities of the national securities markets.

9 **III. PARTIES**

10 **A. Lead Plaintiffs**

11 22. Lead Plaintiff Pompano Beach Police and Firefighters' Retirement System is a
12 defined-benefit public employee retirement system providing benefits for police officers and
13 firefighters in Pompano Beach, Florida. As of October 1, 2021, Pompano managed approximately
14 \$245 million in assets on behalf of 600 members. As set forth in its PSLRA certification (ECF No.
15 41-1), Pompano purchased Chegg common stock during the Class Period, and suffered damages as
16 a result of the federal securities law violations alleged herein.

17 23. Lead Plaintiff KBC Asset Management NV is an asset management company
18 headquartered in Brussels, Belgium. As part of KBC's asset management services, it is responsible
19 for managing mutual funds, private funds, and institutional funds. KBC manages assets in excess
20 of €200 billion. As set forth in its PSLRA certification (ECF No. 41-1), KBC's funds purchased
21 Chegg common stock during the Class Period, and suffered damages as a result of the federal
22 securities law violations alleged herein.

23 **B. Defendants**

24 24. Defendant Chegg is incorporated under the laws of Delaware with its principal
25 executive offices located in Santa Clara, California. Chegg's common stock trades on the New
26 York Stock Exchange (the "NYSE") under the ticker symbol "CHGG."

27 25. Defendant Rosensweig has served as Chegg's President and CEO since 2010. He
28 also has served as the Co-Chairperson of Chegg's Board of Directors (the "Board") since July 2018,

1 having previously served as the Chairperson of the Board from March 2010 to July 2018.² During
2 the Class Period, Defendant Rosensweig reviewed, approved, signed and certified Chegg's
3 quarterly and annual filings with the SEC on Forms 10-Q and 10-K, including on May 4, 2020,
4 August 3, 2020, October 26, 2020, February 22, 2021, May 3, 2021, August 9, 2021, and November
5 1, 2021.

6 26. Defendant Brown has served as Chegg's Chief Financial Officer since 2011. During
7 the Class Period, Defendant Brown reviewed, approved, signed and certified Chegg's quarterly and
8 annual filings with the SEC on Forms 10-Q and 10-K, including the same Forms 10-Q and 10-K
9 listed above for Defendant Rosensweig.

10 27. Defendant Schultz is currently Chegg's Chief Operating Officer ("COO") and
11 throughout the Class Period served as the Company's President of Learning Services. Schultz
12 became Chegg's President of Learning Services in 2018, and before that served in a variety of roles
13 at Chegg for approximately ten years. As President of Learning Services, Schultz was responsible
14 for student achievement, overseeing all aspects of Chegg's self-directed "learning tools," which
15 includes content development and publisher relations.

16 28. Defendants Rosensweig, Brown, and Schultz (collectively, the "Individual
17 Defendants," and together with Chegg, "Defendants"), because of their positions with the
18 Company, possessed the power and authority to control the contents of the Company's reports to
19 the SEC, press releases, and presentations to securities analysts, money and portfolio managers,
20 and retail and institutional investors, i.e., the market. The Individual Defendants were provided
21 with copies of the Company's reports and press releases alleged herein to be misleading prior to,
22 or shortly after, their issuance, and thus the Individual Defendants had the ability and opportunity
23 to prevent the issuance of these reports and press releases or cause them to be corrected. Because
24 of their positions and access to material non-public information available to them, the Individual
25 Defendants knew that the adverse facts specified herein had not been disclosed to, and were being
26

27 ² Prior to joining Chegg, Rosensweig did not have relevant employment experience in the education
28 industry. Indeed, before joining Chegg as President and CEO, Rosensweig served as President and
CEO of Activision's *Guitar Hero*, a video game where players use a guitar-shaped game controller
to simulate playing popular music.

1 concealed from, the public, and that the positive representations that were being made were then
2 materially false and/or misleading. The Individual Defendants are liable for the false and
3 misleading statements pleaded herein.

4 29. During the Class Period, the Individual Defendants, as senior executive officers
5 and/or directors of Chegg, were privy to confidential, proprietary, and material adverse non-public
6 information concerning Chegg, its operations, finances, financial condition, and present and future
7 business prospects via access to internal corporate documents, conversations and connections with
8 other corporate officers and employees, attendance at management and/or board of directors
9 meetings and committees thereof, and via reports and other information provided to them in
10 connection therewith. Because of their possession of such information, the Individual Defendants
11 knew or recklessly disregarded that the adverse facts specified herein had not been disclosed to,
12 and were being concealed from, the investing public.

13 30. The Individual Defendants are liable as direct participants in the wrongs complained
14 of herein. In addition, the Individual Defendants, by reason of their status as senior executive
15 officers and/or directors, were “controlling persons” within the meaning of Section 20(a) of the
16 Exchange Act and had the power and influence to cause the Company to engage in the unlawful
17 conduct complained of herein. Because of their positions of control, the Individual Defendants
18 were able to and did, directly or indirectly, control the conduct of Chegg’s business.

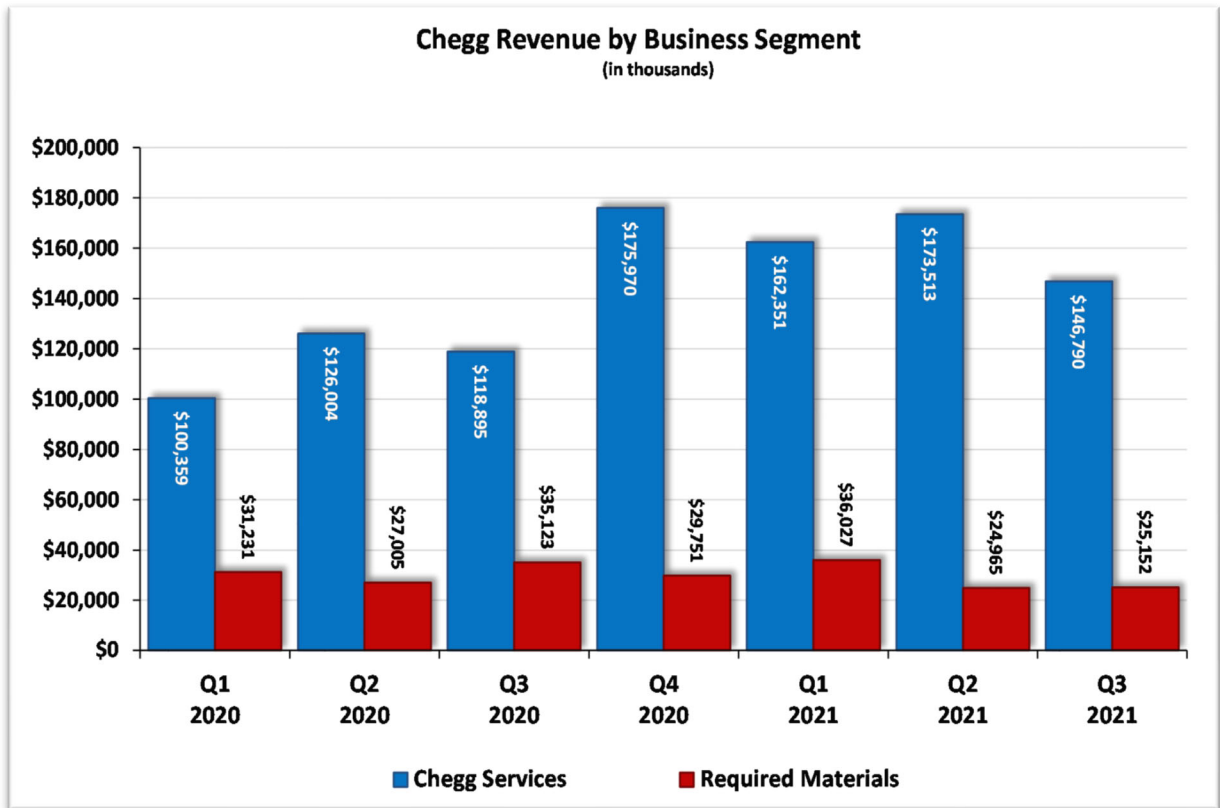
19 31. As senior executive officers and/or directors and as controlling persons of a publicly
20 traded company whose securities were, and are, registered with the SEC pursuant to the Exchange
21 Act, and were traded on the NYSE and governed by the federal securities laws, the Individual
22 Defendants had a duty to disseminate promptly accurate and truthful information with respect to
23 Chegg’s financial condition and performance, growth, operations, financial statements, business,
24 products, markets, management, earnings, and present and future business prospects, to correct any
25 previously issued statements that had become materially misleading or untrue, so the market price
26 of Chegg’s securities would be based on truthful and accurate information. The Individual
27 Defendants’ misrepresentations and omissions during the Class Period violated these specific
28 requirements and obligations.

1 **IV. SUBSTANTIVE ALLEGATIONS**

2 **A. Chegg Purports To Offer Critical Online Academic Support That Students**
3 **Desperately Need To “Master” And “Learn” Their Coursework**

4 32. Chegg purports to be an online provider of educational study services. Both prior
5 to and during the Class Period, Chegg marketed itself as a “leading direct-to-student” online
6 “learning platform” providing a range of educational services, otherwise unavailable to students, to
7 “enhance students’ ability to master their subjects, to learn [and to] get better grades.” According
8 to Chegg, students worldwide are desperately in need of this academic support, as higher education
9 is on the brink of a momentous transition to online learning—an “inevitable” trend that was only
10 accelerated by the COVID pandemic. Indeed, as Defendant Rosensweig declared during an
11 interview on CNBC’s *Mad Money*, online learning “is the wave of the future” with “institutions,
12 governments, educations, their budgets are going down, [and] their willingness to support is going
13 down.” Chegg was therefore uniquely poised to benefit, given its comprehensive suite of study
14 services that “every student around the world clearly needs.”

15 33. Chegg, which bills itself as a “Smarter Way To Student,” is comprised of two main
16 business segments: (1) “Chegg Services,” which consists of the Company’s online subscription
17 products, including Chegg Study (the Company’s flagship product that includes the “Expert Q&A”
18 tool), Chegg Writing, and Chegg Math Solver, among others; and (2) “Required Materials,”
19 consisting of Chegg’s print and e-textbook offerings. As provided below, the vast majority of the
20 Company’s revenues during the Class Period came from the Chegg Services segment. By the end
21 of the Class Period, Chegg Services accounted for nearly 90% of the Company’s total revenues.



15 34. Significantly, Chegg reports revenues only for its Chegg Services and Required
16 Materials segments and does not break out the relative financial contribution of the constituent
17 products within either segment. Accordingly, there was no way for investors to know during the
18 Class Period how much of the Company's growth and financial success was driven by its core
19 Chegg Study product and its "Expert Q&A" tool, compared to the Company's other online
20 offerings. Similarly, while the Company updated investors every quarter of the Class Period on the
21 total number of "content views" on its "integrated platform," Chegg did not break out the number
22 of content views per service, instead reporting only the total number of content views across the
23 entire platform or the entire Chegg Study service offering. As a result of Chegg's opaque method
24 of reporting, there was no way for investors to evaluate how students used the platform and break
25 out which features were driving demand.

26 35. Defendant Brown admitted during a May 19, 2021 investor conference that Chegg's
27 refusal to provide this information was deliberate, purportedly because Chegg was "more of a
28 platform company" such that "breaking out things gets awfully messy." The refusal was made in

1 the face of repeated inquiries from analysts for greater transparency into Chegg’s operations. As
2 Defendant Brown acknowledged, “I know we get questions about this a lot,” but Brown insisted
3 that Chegg was “better served reporting how we’re reporting.” Thus, despite analysts’ questions
4 seeking additional detail about which aspects of Chegg’s platform were driving customer demand
5 (and, in turn, the Company’s financial performance), Defendants refused to provide such
6 transparency.

7 36. Nevertheless, Defendants acknowledged during the Class Period that Chegg Study
8 was by far the most widely used feature of Chegg Services—and within Chegg Study, Expert Q&A
9 was the most popular feature, comprising 90% of Chegg Study’s proprietary content. Chegg’s
10 management, including the Individual Defendants, repeatedly noted how critically important
11 Expert Q&A was to Chegg’s financial performance and prospects, describing the Company’s huge
12 and growing archive of Expert Q&As as its “strong,” “giant,” “huge,” “actually massive,” and
13 “incredible competitive moat.”

14 37. The Company’s flagship “Expert Q&A” service allowed subscribers to submit
15 “homework” questions to a pool of 70,000 to 100,000 experts worldwide and receive “almost
16 immediate” answers. It also allowed users to access a searchable database of millions of previously
17 submitted questions. Non-paying users could search it to see if their question had been asked, but
18 only paying customers could access the answers. The Company charged subscribers \$14.95 per
19 month for access to Chegg Study which included textbook solutions, 20 Expert Q&A submissions
20 per month, and unlimited access to archived Expert Q&A questions. For \$19.95 per month,
21 students could subscribe to the Chegg Study Pack that included everything offered by Chegg Study
22 plus additional access to Chegg Math Solver, Chegg Writing, and Chegg Practice. Both
23 subscriptions included a maximum of 20 expert answers per month, with the option for students to
24 purchase additional answers to unique questions for a flat fee of \$3 per question. Each quarter, the
25 Company updated investors on the size of the Q&A database, which grew from approximately 30
26 million “step-by-step solutions” at the start of the Class Period, to 70 million by the end.

27 38. Chegg built its massive searchable database of expert answers by engaging between
28 70,000 to 100,000 “Chegg Experts” worldwide. These experts, almost all freelance workers in

1 India, typically held advanced degrees in various subject matters and were available around the
2 clock to quickly provide answers to questions uploaded by users.³ The questions could be
3 submitted by users in text or, as Chegg encouraged, by simply uploading photos taken from cell
4 phones. Defendants touted that “Chegg Experts” would provide answers “instantaneous[ly],” in
5 no more than two hours, and sometimes in as little as five minutes.

6 39. During the Class Period, Defendants dubbed Expert Q&A the “Uber” and “Amazon
7 Prime” of the education industry because when students would ask a question, if it was not already
8 in the Company’s massive archive, it would “get[] sent out to tutors that are available around the
9 world, that are available now” and that “can answer that question” on an “almost immediate” basis.
10 Defendants thus described Expert Q&A as “the real magic to our model” that distinguished Chegg
11 from its competitors and constituted the primary way Chegg would attract new subscribers to the
12 platform. As Defendant Rosensweig told investors in May 2021 while touting the Expert Q&A
13 database, “[t]he more expert-generated content we offer and the higher the quality, the better our
14 growth, renewals and retention for students in the US and around the world.” Or, as Defendant
15 Brown reiterated to investors in September 2021, “it’s super-important for folks to understand that
16 . . . how we acquire students, it’s primarily through actually our Expert Q&A.”

17 **B. During The Class Period, Defendants Represented To Investors That Chegg’s**
18 **“Unprecedented Growth” During The COVID Pandemic Was Attributable**
19 **To Accelerated Adoption Of Its Online “Learning Platform” And Other**
20 **Legitimate Business Factors, And Emphasized That The Transition To**
21 **Remote Learning Was “Completely Irrelevant” To Chegg’s Long-Term**
22 **Success**

21 40. At the outset of the Class Period, COVID-19-related lockdowns forced colleges
22 across the country into remote learning. Defendants thereafter proclaimed that Chegg’s
23 “subscriptions have exploded,” and described how subscriptions “accelerat[ed] dramatically”
24 during the Class Period. Indeed, Chegg subscriptions increased by 70% from 3.9 million in 2019

25 ³ According to the Company, throughout the Class Period, Chegg maintained three offices in the
26 United States. However, the heart of Chegg’s operations was in India where it engaged, largely
27 through its “Chegg India” affiliate, a pool of 70,000 to 100,000 individuals with advanced math,
28 science, technology, and engineering degrees. According to Chegg India, these “subject matter
experts” or “SMEs” are engaged on a “freelance, contractual, or full-time basis to answer questions
pertaining to their subject which are posted by students,” and are paid “lucrative” compensation
with “top performers earning “upwards of 80k [rupees] in a month.” See
www.cheggindia.com/earn-online/what-does-a-subject-matter-expert-do-roles-responsibilities/.

1 to 6.6 million in 2020, and Chegg’s content views grew from 810 million in 2019 to 1.3 billion in
2 2020—an increase of over 65%. As a result, the database of Expert Q&As increased by more than
3 55% over the same period, from 30 million expert answered questions to approximately 47 million
4 by the end of 2020. Chegg’s annual revenues soared by 60% due to the increased subscriptions,
5 growing from \$411 million in 2019 to over \$640 million in 2020. Chegg’s annual earnings also
6 surged, nearly doubling from \$68 million in 2019 to approximately \$128 million in 2020. As news
7 of Chegg’s “dramatic growth” reached the market, the Company’s stock price followed suit,
8 increasing more than 32%, from a close of \$43.79 on May 4, 2020, to close at \$57.92 the following
9 day.

10 41. In response to this “unprecedented growth,” investors became hyper-focused on the
11 reasons for Chegg’s sudden acquisition of millions of new online subscribers, and whether it was
12 due to legitimate and sustainable reasons—*i.e.*, students genuinely seeking academic support in a
13 wide variety of STEM-B (science, technology, engineering, and math, plus business) courses on
14 which Chegg purports to focus—rather than students using Chegg to cheat, a phenomenon made
15 easier by the widespread shift to remote learning during the pandemic. As a former Columbia
16 University student who extensively researched and reported on Chegg explained, “pre-pandemic,
17 people would get a Chegg account to get answers to their homework, graded homework; not on
18 tests, because that wasn’t possible when you were taking tests in person.” Thus, throughout the
19 Class Period, Defendants repeatedly assured investors that the Company’s “explo[sive]” growth
20 during the period of remote learning was attributable to students’ legitimate use of Chegg’s online
21 educational services and the Company’s other legitimate business strategies.

22 42. Specifically, Defendants asserted during nearly two dozen earnings calls and
23 investor conference calls in the 18-month Class Period that Chegg’s “dramatic” and “record”
24 growth during remote learning was due to legitimate and sustainable factors, and *not* to any increase
25 in student cheating. According to Defendants, Chegg was acquiring millions of new subscribers
26 due to two principal factors: (1) students in the United States and internationally were increasingly
27 turning to Chegg’s “leading direct-to-student learning platform” for critical academic support to
28 “get help with their education” and “master their subject matter and get better grades,” which was

1 unavailable at their colleges and universities due to, among other things, lack of funding or failure
2 of planning and preparation by their institutions; and (2) Chegg was having greater success in
3 “clamping down” on “account sharing,” *i.e.*, limiting students’ ability to casually share their Chegg
4 passwords with each other without paying for additional subscriptions.

5 43. Defendants repeatedly emphasized that because Chegg’s sudden growth was due to
6 legitimate uses, it had merely been “accelerated” by the shift to remote learning, rather than being
7 dependent upon it—and that, as a result, the Company’s sudden growth was sustainable and would
8 continue even after COVID restrictions were lifted and students returned to on-campus, in-person
9 education. Indeed, Defendant Rosensweig strongly reassured investors, including in direct
10 response to numerous analyst questions on the matter, that “COVID [was] just an acceleration” of
11 the Company’s “inevitable” growth due to the “overwhelming” value of its “on demand” online
12 services; that students’ return to campus would have no “meaningful impact” on the Company’s
13 growth; that the reason for Chegg’s growth “was never [based on] whether you’re physically on a
14 campus or at home” but rather “an acknowledgement that what we do is what students need and
15 schools cannot offer”; and that, in fact, students being on or off campus was “completely irrelevant
16 to Chegg.” Defendant Rosensweig specifically assured investors that Chegg’s growth during
17 remote learning was not “temporary,” but instead a “permanent situation.”

18 44. Defendants supported their statements by asserting that Chegg had been
19 meticulously tracking how students were using the Company’s online platform. For example,
20 during the Company’s October 26, 2020, Q3 earnings call, Defendant Rosensweig proclaimed that,
21 based on the real-time data Defendants were observing, the Company “now ha[d] proof” that
22 students were purportedly “subscrib[ing] and us[ing] Chegg [in] very similar ways,” regardless of
23 whether they were on or off campus. Indeed, Defendants were “comfortable” in concluding that
24 the Company’s “extraordinary growth” was largely due to “our efforts around [reducing] account
25 sharing” and the increasing number of students using Chegg’s educational services to help them
26 “master their subject matter.”

27 45. Defendant Rosensweig similarly represented during the Company’s May 3, 2021,
28 earnings call that Defendants had “looked at all of the data,” which showed that regardless of

1 whether students were on or off campus, students’ “conversion levels, [] engagement levels, [] [and]
2 renewal levels [were] almost identical.” Rosensweig unequivocally proclaimed that, as a result, “as
3 we come to an end of COVID, it’s not going to affect us negatively at all.” He also explained that
4 Chegg was most certainly “not a COVID stock” that would be affected by “the behavior that
5 happens post-COVID” because the Company’s data confirmed that the drivers of the Company’s
6 “extraordinary growth” and “incredible profitability” were all legitimate factors that would
7 continue post-pandemic:

8 ***[W]e are not a COVID stock.*** If we were a COVID stock, we would have to
9 question the behavior that happens post COVID. But because we are not a COVID
10 stock, we don’t have [to] question it. ***We have the trends. We have the patterns.***
We are a very data-driven company. We track every single action, every single
sale, every single renewal.

11 46. Even as late as September 3, 2021—just two months before Defendants would
12 reveal the truth that Chegg’s growth was, in fact, highly dependent upon remote learning—
13 Defendant Rosensweig told investors that Chegg was “different” from other online companies that
14 saw sharp growth during the pandemic because “what we do isn’t dependent on where you are
15 physically” but rather “on whether or not you need help with learning.” Defendant Rosensweig
16 proclaimed that, as a result, Chegg “did incredibly well through the pandemic, and we will continue
17 to do extraordinarily well post-pandemic.”

18 47. Investors and analysts fully credited Defendants’ explanations of the drivers for the
19 Company’s growth and that these drivers would be sustainable after COVID restrictions ended.
20 Craig-Hallum reported that Chegg benefitted from several “ongoing catalysts,” including “cracking
21 down on students sharing passwords” and “impressive” “[i]nternational growth,” and noted that
22 Chegg’s strong growth would continue “whether students are on campus or not.” Similarly, Lake
23 Street Capital Markets posited that the Company’s “[g]rowth highlights included international
24 expansion and efforts to limit account sharing and we believe both trends should sustain.” Citi
25 commented that “[t]o a large extent the traction in the US is independent of COVID and is in fact
26 being driven by the crackdown on account sharing,” leading it to conclude that “[t]his trend should
27 persist independent of how the pandemic progresses.” Because management had “found that
28 students show similar usage and take rates regardless of whether they are on or off campus,”

1 analysts at Needham concluded that the “rapid rise in [Chegg’s] subscriber base is likely to remain
2 long after the pandemic has subsided.” William Blair also found that it was “fair to assume that
3 more of the acceleration in 2020 has been driven by Chegg’s underlying growth levers
4 (international expansion, bundle rollout, limiting account sharing) rather than any one-time benefits
5 from the pandemic.”

6 48. Given its surging userbase, Chegg consistently reported strong top- and bottom-line
7 financial results during the Class Period. Total revenues grew nearly 50%, from almost \$132
8 million in Q1 2020, when the COVID pandemic began its sweep across America, to \$198 million
9 in Q2 2021, the last full quarter before restrictions were eased and students widely returned to
10 classrooms. The impact to profits was even greater. Chegg’s earnings nearly tripled during the
11 period of remote learning, climbing from almost \$32 million in Q1 2020 to over \$84 million in Q2
12 2021. Indeed, throughout the Class Period, Chegg reported remarkable year-over-year growth
13 (“YoY”)⁴ in both revenues and earnings, as provided below.

| Period | Total Revenue | YoY Revenue Change | YoY Revenue Change in % | Adjusted EBITDA | YoY Adj. EBITDA Change | YoY Adj. EBITDA Change in % |
|----------------|----------------|--------------------|-------------------------|-----------------|------------------------|-----------------------------|
| Q1 2020 | \$131.6 | \$34.2 | 35.1% | \$31.8 | \$7.9 | 33.0% |
| Q2 2020 | \$153.0 | \$59.1 | 63.0% | \$55.5 | \$24.4 | 78.6% |
| Q3 2020 | \$154.0 | \$59.9 | 63.6% | \$31.9 | \$8.9 | 38.5% |
| Q4 2020 | \$205.7 | \$80.2 | 63.9% | \$87.9 | \$40.9 | 87.0% |
| FY 2020 | \$644.3 | \$233.4 | 56.8% | \$207.1 | \$82.0 | 65.6% |
| Q1 2021 | \$198.4 | \$66.8 | 50.8% | \$57.1 | \$25.4 | 79.7% |
| Q2 2021 | \$198.5 | \$45.5 | 29.7% | \$84.4 | \$28.9 | 52.1% |

21 All dollar figures in millions, rounded to the nearest million.

22
23
24
25
26 ⁴ Throughout the Class Period, Chegg and the Individual Defendants repeatedly highlighted year-
27 over-year growth metrics as critical in evaluating the Company’s financial performance due to the
28 “seasonality” in Chegg’s business. For example, at the start of the Class Period, Defendant Brown
responded to an analyst question during the Q1 2020 earnings call about how investors should
analyze margin growth, stating that “it’s the seasonality, right?” He noted that results would be
lower in “Q1 and in Q3” and higher “in Q2 and Q4” “because you got a bigger percentage of overall
services revenue associated with those quarters.”

1 49. Chegg’s explosive growth during remote learning enabled Defendants to raise the
2 Company’s financial forecasts repeatedly, further stoking investor demand. In August 2020,
3 following the widespread implementation of distance learning, Defendants promptly raised the
4 Company’s 2020 full year revenue guidance by 14% and full-year earnings guidance by nearly
5 20%. In October 2020, with the year-end approaching, Chegg again raised 2020 full-year revenue
6 guidance by 3% and full-year earnings guidance by nearly 5%. In 2021, Defendants raised Chegg’s
7 2021 full-year revenue guidance and earnings guidance three times.

8 50. In response to Defendants’ numerous representations regarding the purportedly
9 legitimate drivers of Chegg’s explosive subscriber growth, the Company’s stock price skyrocketed,
10 from \$43.79 per share immediately prior to the Class Period to a Class Period-high of \$113.51 per
11 share on February 12, 2021—a staggering increase of over 150% in under one year.

12 51. Significantly, and as set forth further below, Company insiders wasted no time
13 capitalizing on Chegg’s inflated stock price, pocketing nearly \$100 million in suspiciously timed
14 insider sales at or near historic highs—with Defendants Rosensweig and Schultz alone reaping over
15 \$74 million in ill-gotten insider trading proceeds.

16 **C. Defendants Repeatedly Deny That Chegg’s Remarkable Growth During The**
17 **Pandemic Was Due To Student Cheating, Claiming That The “Overwhelming**
18 **Majority” Of Its Customers Do Not Use Chegg To Cheat**

19 52. Chegg’s steep growth trajectory during remote learning prompted concerns that
20 Chegg’s success might be predicated, in part, on students using Chegg to cheat. In response,
21 Defendants not only repeatedly assured investors that Chegg’s “record” subscriber growth and
22 “fantastic” financial performance during the Class Period was attributable to the Company’s own
23 legitimate business strategies, but also vehemently denied that the growth had anything to do with
24 student cheating or other violations of academic integrity. Defendants stressed that they had not
25 observed *any* increase in cheating as a result of the COVID pandemic and distance learning.

26 53. For example, on January 28, 2021, *Forbes* published an article about Chegg titled,
27 “This \$12 Billion Company is Getting Rich Off Students Cheating Their Way Through Covid.”
28 According to the article, *Forbes* interviewed 52 students who used Chegg Study, including
undergraduate and graduate students from some of the most prestigious universities in the nation.

1 Of those interviewed, all but four admitted they used the site to cheat (aside from the half-dozen
2 students specifically referred to *Forbes* by Chegg).

3 54. A week later, on February 4, 2021, a study in the *International Journal for*
4 *Educational Integrity* (“IJEI”) concluded, after observing an excess of “exam style questions” that
5 had been submitted to Chegg’s Expert Q&A service, that it “appear[ed] highly likely that students
6 are using this site as an easy way to breach academic integrity by obtaining outside help.” The
7 article noted that while Chegg was not promoting itself “as a service designed to help students []
8 cheat,” it suspected Chegg was offering a service “where you can get your answers completed
9 quickly by a tutor, and the answers are delivered within the short time frame which matches an
10 exam.”

11 55. Then, in April and May 2020, media outlets reported on a burgeoning number of
12 cheating scandals involving online learning services, including Chegg. The coverage included
13 major news outlets such as *The Boston Globe* and *The Atlanta Journal Constitution*, as well as
14 university publications such as *The Daily Princetonian*.

15 56. Chegg quickly responded to these reports, and vehemently denied that Chegg was
16 being used by students to cheat in any meaningful way. The Company emphasized that it was fully
17 committed to halting the use of its platform to cheat, and was in fact undertaking extensive efforts
18 in that respect. Indeed, in the same *Forbes* article accusing Chegg of “getting rich off students
19 cheating their way through COVID,” Chegg’s President, Defendant Schultz, was quoted as saying
20 that while Chegg was “not naïve” that cheating had increased during remote learning, the Company
21 “**remain[ed] 100% committed to addressing it and are investing considerable resources to do so.**”
22 In his written statement to *Forbes*, Defendant Schultz further claimed that Chegg was actively
23 cooperating with universities and professors to stop cheating, stating that “[w]e **cannot do it alone**
24 **and are working with faculty and institutions and will continue to do more, including educating**
25 **students.**”

26 57. Chegg went even further in response to the IJEI study, issuing another strongly
27 worded written statement that was published the very next day. In it, the Company’s Director of
28 Academic Relations, Candace Sue (“Sue”), declared that the authors of the IJEI study had

1 ***“mistakenly implied] – without any evidence – that increased usage of Chegg has correlate[d]***
2 ***to an increase in cheating.”*** Instead, Sue attributed Chegg’s dramatic growth in subscribers during
3 remote learning to students’ legitimate need for Chegg to ***“provide[] much needed learning***
4 ***support”*** due to the loss of ***“valuable on-campus and faculty support services”*** as a result of the
5 pandemic. In her written statement, which was published by the influential industry newsletter
6 *Insider Higher Ed*,⁵ Sue reiterated that ***“[w]e take extremely seriously any attempts to cheat by***
7 ***those who abuse our offerings, and we invest heavily to prevent misuse of our learning platform.”***
8 Chegg cast further doubt on the IJEI study during the Company’s earnings call on February 8, 2021,
9 when CEO Defendant Rosensweig dismissed the study as biased, stating that it was ***“written by***
10 ***somebody who works for one of our competitors.”*** During the same earnings call, Rosensweig
11 described the results of a different ***“blind study of students who used Chegg for more than two***
12 ***months”*** and ***“found that 90% reported that Chegg Study ‘helps them better understand their***
13 ***schoolwork.’”***

14 58. Following articles in April and May 2020 from *The Boston Globe*, *The Atlanta*
15 *Journal Constitution*, and *The Daily Princetonian* regarding cheating scandals involving Chegg at
16 Boston University, Georgia Tech, North Carolina State University, and Princeton, on June 12,
17 2020, Defendant Rosensweig gave an interview to *The New York Times* in which he dismissed the
18 notion Chegg in any way contributed to cheating stating, ***“It’s always been a problem for colleges,***
19 ***Let’s face it: Students have always found a way to cheat,”*** and unequivocally stated: ***“Chegg is***
20 ***not built for [cheating].”*** Similarly, in an August 7, 2020 *Washington Post* article about the rise
21 of online cheating, a Company spokesperson stated that it supported academic integrity and hadn’t
22 seen ***“any relative increase in Honor Code issues since the COVID-19 crises began.”*** A Chegg
23 spokesperson even responded to an article in *Teen Vogue* discussing a cheating scandal at North
24 Carolina State University, dismissing the report as anecdotal because ***“the vast majority of Chegg***
25 ***users are honest and use our platform to supplement their learning.”***
26
27

28 ⁵ *Inside Higher Ed* provides news and analysis for the higher education community, and claims to have the “largest online audience in higher ed” with 2.3 million monthly readers.

1 59. In addition to Defendants’ repeated, staunch public denials that Chegg’s remarkable
2 growth during remote learning was in any way due to student cheating, Chegg attempted to silence
3 any concerns that its success was due to anything other than legitimate and sustainable purposes by
4 rolling out new initiatives that were purportedly designed to eliminate any possibility of cheating.
5 For example, on January 13, 2021, Chegg announced in a press release that it was launching “Honor
6 Shield,” a new initiative that would empower professors to prevent any cheating via Chegg. (Honor
7 Shield allowed professors to pre-submit exam questions; Chegg asserted it would then use
8 advanced software to block those questions from being answered by Chegg Experts during exam
9 periods.) In announcing Honor Shield, Defendant Schultz nonetheless went out of his way to
10 minimize the recent cheating allegations, stressing that only “*a small number of students*” had
11 “*misused our platform in ways it wasn’t designed for*” as a result of the pandemic:

12 *The overwhelming majority of students use our platform to get the support they*
13 *need to learn and master their subjects.* The sudden impact of the Covid-19
14 pandemic forced many schools to go online, almost overnight, creating
15 understandable confusion, stress, and the loss of many on-campus support services.
16 *As a result, a small number of students have misused our platform in ways it*
17 *wasn’t designed for,* which we believe is not in the spirit of the majority of hard-
18 working students.

19 60. In addition to the Honor Shield program, Defendants told investors that Chegg had
20 implemented a variety of other safeguards to eliminate cheating on its website. For example, during
21 the Company’s February 8, 2021 earnings call, Defendant Rosensweig described how “if we ever
22 got contacted by schools” regarding cheating, Company policy was to take the question down
23 immediately, investigate the matter, and then “actually build technology that blocks people” from
24 asking “specific questions” that educators do not want to appear on Chegg, and students from
25 “submit[ting] a test all at once.” During the same earnings call, Rosensweig went so far as to tell
26 investors that, given Chegg’s sophisticated processes to prevent cheating—including “AI and
27 Machine Learning”—it was colleges and universities that were to blame for any cheating occurring
28 on Chegg’s platform because, unlike Chegg, “*they were woefully underinvested in technology,*”
“*didn’t prepare to teach online,*” and students had “*no scalable support from their institutions.*”

1 61. Through the end of the Class Period, Defendants unequivocally reaffirmed that
2 Chegg’s dramatic subscriber growth was not because of the popularity of the platform’s cheating
3 abilities, and continued to emphasize Chegg’s sophisticated processes to eliminate any cheating.
4 For example, during a June 17, 2021 investor conference, an analyst asked Defendant Brown about
5 how Chegg was “curbing cheating on the platform.” Brown responded by reasserting that it was
6 only “*a very small group of folks that would potentially want to cheat on the platform.*”
7 Nonetheless, Brown emphasized that Chegg had implemented a variety of anti-cheating measures
8 such as Honor Shield: “*just one more way of many ways that we . . . discourage and really [do]*
9 *not allow cheating for those students who decide they want to do that.*” Similarly, in his August
10 7, 2022 interview in *The New York Times*, Defendant Rosensweig explained that Honor Shield and
11 the Company’s other sophisticated technology would curb any cheating: “*We have built technology*
12 *that removes copyrighted material before it even gets posted. If we’re notified by a professor or*
13 *a school that there’s copyrighted material, it immediately gets flagged and then removed.*”

14 62. Just as analysts had fully credited Defendants’ statements attributing the Company’s
15 dramatic subscriber growth to legitimate factors, they again credited Chegg’s vehement denials of
16 rampant cheating on Chegg’s platform. For example, on January 14, 2021, Northland Capital
17 Markets noted that “the vast majority of students use [Chegg] to assist with difficult learning
18 concepts,” while only “some” were “mis[using] the platform for help during quizzes/exams.” A
19 February 9, 2021 William Blair report stated that Chegg was being “more proactive” to “limit the
20 way students can use Chegg to cheat on exams” through the launching of Honor Shield and
21 implementation of artificial intelligence programs. A June 2, 2021 Morgan Stanley report observed
22 that Chegg’s “[t]ighter relationship with educators,” as evidenced by its launching of the Honor
23 Shield, “assuages bear concerns around cheating.” Additionally, a September 23, 2021 William
24 Blair report recounting a “Fireside Chat” with Defendant Rosensweig highlighted Rosensweig’s
25 comments that “Chegg does more than its part to prevent dishonest conduct and promote academic
26 integrity,” and also quoted Rosensweig as significantly downplaying cheating on the platform by
27 claiming that schools’ low use of the Company’s “Honor Shield” indicated that professors were
28 “not [] as concerned with students using Chegg to cheat as most may think.”

1 63. Defendants’ representations were utterly false. Chegg’s explosive subscriber
2 growth and financial performance were *not* due to the legitimate factors that Defendants repeatedly
3 represented to investors. Contrary to Defendants’ repeated public statements and vehement denials,
4 it was in fact students’ use of Chegg’s platform for rampant cheating during the pandemic which
5 fueled the Company’s Class Period Success. Lead Counsel’s investigation (detailed below) has
6 confirmed that Chegg’s subscribers were, in fact, widely using the platform to cheat, and that the
7 Company failed to implement effective procedures to stop rampant cheating on its platform during
8 remote learning. As a result, when COVID restrictions lifted and students returned to in-person
9 learning, Chegg’s “record” growth abruptly reversed, shocking investors and devastating the
10 Company’s stock price.

11 **D. In Truth, Defendants Knew Throughout The Class Period That Chegg’s**
12 **Growth During The Pandemic Was Predicated Upon Widespread Student**
13 **Cheating And Was Not Sustainable**

14 64. Lead Counsel’s comprehensive investigation has confirmed that despite Chegg’s
15 repeated denials and vehement assertions that only an “extremely small portion” of its platform
16 was being used by students to cheat, cheating was in fact widespread on Chegg’s online platform
17 and was what attracted students in record numbers during the Class Period. This investigation
18 reveals myriad facts diametrically opposed to Defendants’ repeated public statements that Chegg’s
19 “dramatic” subscriber growth during the Class Period was attributable to legitimate uses of Chegg’s
20 platform as an educational tool and had nothing to do with cheating. It also reveals that the
21 legitimate business initiatives to increase paying subscribers by limiting their ability to share
22 accounts was little more than a smokescreen touted by Defendants to mask the true source of the
23 Company’s growth. Lead Counsel’s investigation further confirms that demand for Chegg
24 plummeted after students returned to in-person learning, which made it much more difficult for
25 them to use Chegg to cheat—particularly given academia’s heightened awareness and scathing
criticism of Chegg as “*a very professional cheating operation.*”

26 65. Lead Counsel’s investigation is based on the following: (i) responses to FOIA
27 Requests from multiple prominent universities, which included Chegg’s own internal documents
28 and spreadsheets, showing that Defendants were repeatedly notified of students’ widespread use of

1 Chegg for cheating in the midst of taking remote exams; (ii) interviews of professors, deans, and
2 officials at prominent universities across the country who similarly described their firsthand
3 accounts of widespread student cheating using Chegg, and their conclusions that (a) the main
4 purpose their students used Chegg was to cheat (as they were in fact unaware of any legitimate
5 reason their students used Chegg), (b) that Chegg was informed of the rampant cheating at their
6 institutions and, (c) rather than implementing effective procedures to curb cheating, Chegg placed
7 obstacles in the way of school investigations and persistently refused to identify cheaters by name;
8 (iii) accounts from former Chegg employees with direct knowledge of Chegg’s business during the
9 Class Period who confirmed that it was well known internally that the Company’s “record”
10 subscriber growth was primarily due to cheating and not the legitimate reasons Defendants cited;
11 and (iv) Lead Counsel’s own empirical analysis of thousands of questions submitted to Chegg’s
12 Expert Q&A during the Class Period, which similarly confirmed that students blatantly used Chegg
13 to cheat, including by submitting final exam questions *while in the midst of taking those very*
14 *exams* for Chegg Experts to answer.

15 **1. Documents Provided In Response To FOIA Requests By**
16 **Universities Across The Country Confirm That Student**
17 **Cheating On Chegg’s Platform Was Rampant, Chegg**
18 **Was Repeatedly Informed About It, And Chegg Failed**
19 **To Implement Effective Procedures To Stop It**

20 66. Lead Counsel have reviewed more than 1,500 pages of documents produced by four
21 separate public universities and the Air Force Academy in response to FOIA Requests and other
22 public records laws. Those documents uniformly paint a picture of university professors, deans,
23 and officials across the country—including at several of the nation’s most respected institutions of
24 higher learning and service academies—discovering rampant student cheating using Chegg on
25 remote learning exams, tests, and homework assignments. Significantly, despite these universities’
26 exhaustive reporting to Chegg that its platform was being used by their students to cheat on an
27 unprecedented scale and repeated pleas to the Company for help, Chegg refused to implement even
28 the most basic safeguards suggested by schools. Instead, Chegg erected pointless and time-
consuming obstacles to delay or discourage academic integrity investigations involving its online

1 platform, and to protect students' ability to cheat that rendered the Company's touted "Honor Code"
2 meaningless and put the onus on professors to make exams "*Chegg-proof*."

3 67. **UCLA.** UCLA, the nation's highest-ranked public university by U.S. News &
4 World Report, produced 445 pages of documents in response to a FOIA Request regarding Chegg,
5 including internal faculty emails detailing rampant cheating during the Class Period. These same
6 faculty further made clear that when Chegg was informed of the extensive cheating, Chegg erected
7 numerous "hurdle[s] for faculty" who diligently tried to work with the Company to address the
8 serious issues. Indeed, notwithstanding Chegg's repeated assurances that it was committed to
9 academic integrity, Chegg refused to remove exam questions and answers from its website unless
10 the university complied with formal procedures set forth in the Company's "Honor Code," which
11 dictated everything from who at the university the request needed to come from down to the
12 letterhead of the request—requirements that, notably, served no purpose other than to deter, delay,
13 and complicate investigations into students using its platform to cheat. Worse yet, even after UCLA
14 complied with all of Chegg's guidelines, Chegg staunchly refused to reveal the names of the
15 university students who blatantly used its Expert Q&A service to cheat.

16 68. Internal faculty emails produced by UCLA described use of Chegg to cheat as a
17 "*severe issue*," and that the university was experiencing "*raining cases*" of academic integrity
18 violations attributable to Chegg. For example, in a June 4, 2020 email, UCLA's Dean of Students
19 Maria Blandizzi detailed to its Associate Dean of Students & Director, Office of Student Conduct,
20 Jasmine J. Rush, the significant increase in academic misconduct cases immediately after UCLA
21 went to remote learning as a result of students' use of Chegg. Dean Blandizzi compared how
22 between "March-May in 2019 and 2020 [UCLA] experienced a *44% increase* in academic
23 misconduct reports" and explained that over 250 academic misconduct cases were reported at the
24 university in only a *10-week* period between March to May 2020, compared to 287 such cases over
25 a *35-week* period in 2018-2019—in other words, as Dean Blandizzi put it in her email, "*its raining*
26 *cases*." Significantly, Dean Blandizzi tied the cheating directly to Chegg, stating that "Chegg.com
27 allows user[s] to pose questions of an academic nature for response on its website," however,
28 students were "posting actual questions of current homework assignments and exams" on Chegg.

1 69. The UCLA documents further show that students were not just using Chegg to cheat
2 on isolated questions, but entire exams. For example, in a May 18, 2020, email to Associate Dean
3 Rush and other faculty, UCLA Assistant Professor, Dr. Sylvester Eriksson-Bique, wrote, “*my*
4 *midterms have been compromised severely by Chegg.com. Nearly all questions have been posted,*
5 *sometimes many times.*” He noted that this “almost renders all of my assessments meaningless,”
6 adding that “*the assessment[s] that are tainted so far are almost 80% of my course grade.*”

7 70. Significantly, though UCLA directly informed Chegg of rampant cheating among
8 its students using Chegg, the Company took steps to make it *more* difficult to deter cheating, rather
9 than less. For example, in May 2020, professors in the Department of Chemistry & Biochemistry
10 discovered “several cases of potential academic misconduct related to exams being uploaded to
11 Chegg.com”—including for midterm and final exams across several different courses (namely,
12 CHEM 110B, CHEM 153A, and CHEM 172). A professor in the department then contacted Chegg,
13 informed the Company of the cheating, and specifically requested that the exam questions and
14 answers be removed from the Chegg website. Remarkably, Chegg refused to remove the exam
15 questions and answers from the Company’s website. In so doing, Chegg told the requesting
16 professor that, in accordance with the Company’s “Honor Code,” the takedown request had to come
17 “directly from the office of the dean or the body in charge of handling matters of academic
18 investigation at the university,” had to be “made on university letterhead,” and had to be “dated,
19 signed and include URLs” to the exam questions and answers. In internal emails, Associate Dean
20 Rush characterized Chegg’s requirement that the request come from the Dean of Students Office
21 “*concerning,*” as it unnecessarily “*create[d] a hurdle for faculty*” on a time-sensitive issue.

22 71. Even when UCLA complied with Chegg’s Honor Code requirements, Chegg would
23 go out of its way to protect the identity of students who were using its platform to cheat.
24 Specifically, Chegg refused to provide schools with the names or addresses students used to open
25 their accounts, and even though Chegg occasionally provided the students’ email addresses, this
26 was essentially useless in conducting Honor Code investigations because Chegg did not require
27 students to use their school email addresses—meaning Chegg freely allowed students to provide
28 non-school emails that did not include their first name, last name, initials, or any other information

1 that could be used to identify them. Thus, in an April 30, 2020 email from UCLA’s Office of
2 Student Conduct to Chegg’s official Honor Code email address, UCLA reported numerous
3 questions that had been posted to Chegg’s website from a midterm exam administered in a Life
4 Sciences 7A course taught by UCLA Assistant Teaching Professor Dr. Jeffrey Maloy and, although
5 UCLA complied with Chegg’s tedious Honor Code guidelines, the Company did not provide
6 UCLA with names or *any* other information that would have allowed the university to determine
7 the identities of the students involved.

8 72. Associate Dean Rush sent Chegg *more than ten letters* in May 2020 reporting
9 students’ use of Chegg to cheat and specifically requested Chegg provide information regarding
10 who posted the problems, when they were posted, and when Chegg provided the solutions. Only
11 after Associate Dean Rush’s repeated and extensive efforts did Chegg finally provide Excel
12 spreadsheets that included usernames, email addresses, and dates and times the questions were
13 asked and answered. Notably, however, the student email addresses provided to educators were
14 meaningless because Chegg allowed students to use third-party email addresses (such as Gmail)
15 when signing up for its services that did not reveal any personally identifying information. Chegg
16 did so because it understood full well that to require students to use their student emails would
17 allow universities to identify them, and that such a policy would obviously greatly reduce (if not
18 eliminate entirely) the ability of students to cheat undetected. As Associate Dean Rush lamented
19 when her requests were stonewalled, “the unfortunate news [is] that email addresses are included
20 rather than names,” significantly hampering the university’s investigations.

21 73. Throughout the Class Period, UCLA faculty continued to raise concerns to Chegg
22 about students using its platform to engage in widespread cheating, including for final exams. Yet,
23 Chegg continued to put up hurdles to the university’s efforts to stop the cheating. For instance, on
24 June 11, 2020, Dr. Mi-Hyun Park, a professor in UCLA’s Department of Civil and Environmental
25 Engineering, emailed Chegg via its dedicated Honor Code e-mail address regarding reports of
26 cheating on a final exam for a Probability and Statistics course. Professor Park told Chegg in her
27 email that “*all of the final exam problems (and solutions by the 3rd party?) were posted to your*
28 *website,*” and asked Chegg to provide information regarding who posted the problems, when they

1 were posted, and when the “solutions” were provided. In response, Chegg *admitted* that the
2 questions and answers were posted on its website and provided specific times the questions and
3 answers were posted. A frustrated Professor Park wrote an internal email decrying that the
4 “*problems were posted right after the exam began.*” Regardless, Chegg *still did not* provide the
5 names of the students who posted the questions or viewed the questions or answers. Instead, Chegg
6 informed her it would not provide any names because Professor Park had failed to follow Chegg’s
7 Honor Code procedures dutifully, noting that her request had not come directly from the Dean and
8 was not on official university letterhead.

9 74. Chegg’s excuse was complete nonsense. Dr. Park later complied with Chegg’s
10 onerous Honor Code requirements, but Chegg *still* did not provide student names. Dr. Park
11 forwarded Chegg’s response to Associate Dean Rush and noted that “Chegg asked the Dean to
12 request an honor code investigation.” She copied a link to Chegg’s Honor Code, which, she stated,
13 “shows that they will fully cooperate in the investigation.” In response, Associate Dean Rush
14 informed Dr. Park that she had submitted a request to Chegg for information on the students
15 involved in the cheating but that, in her experience, they “provide email addresses, *but not names.*”
16 Chegg’s refusal to identify these suspected cheaters had ramifications for Dr. Park’s whole class.
17 Indeed, “without enough evidence” to identify the “specific students” who cheated using Chegg,
18 Dr. Park did not record the final exam grade for the “*entire class.*”

19 75. **Georgia Tech.** Chegg also facilitated widespread cheating on exams during remote
20 learning by students at Georgia Tech, which U.S. News & World Report ranks as one of the nation’s
21 top public universities. The more than 800 pages of documents produced by Georgia Tech in
22 response to a FOIA Request regarding Chegg show “widespread use of Chegg” to cheat by the
23 university’s students during the Class Period. Indeed, student use of Chegg to cheat was so
24 pervasive at Georgia Tech that the school’s leadership actually discussed internally how to make
25 the upcoming school year “Chegg-proof.”

26 76. Emails between Georgia Tech faculty show numerous distinguished and prominent
27 professors at one of the nation’s most respected engineering schools repeatedly complaining about
28 massive cheating facilitated by Chegg. For instance, Dr. Jonathan S. Colton, a professor in the

1 Mechanical Engineering School, which has nearly 3,000 students enrolled, stated in a May 4, 2020,
 2 e-mail to the university’s Vice President of Student Life and Dean of Students Chair, John M. Stein,
 3 that “*the questions to my [] ME 3210 take home exam were on Chegg. How do I find out who*
 4 *cheated?*” Similarly, in a May 7, 2020 email among faculty in the School of Mechanical
 5 Engineering, Professor Colton noted that “a quick poll in [Mechanical Engineering] showed
 6 *widespread use of Chegg this semester.*” Incredibly, Chegg required professors to purchase a
 7 Chegg subscription to investigate cheating in their classes and refused to respond to “informal”
 8 inquiries from professors; yet another unnecessary hurdle the Company imposed on universities
 9 attempting to curb cheating using Chegg. Professor Colton thus inquired about the school obtaining
 10 an account for the faculty “*so that [they] can monitor cheating in [their] classes*” and “*determine*
 11 *the magnitude of the problem.*”

12 77. Similarly, numerous emails between Georgia Tech faculty discuss the discovery of
 13 hundreds of Georgia Tech students in the physics department using Chegg to cheat on the first
 14 exams taken during remote learning. For example:

- 15 • An April 27, 2020, email from physics professor Dr. Jennifer E. Curtis
 16 described “*rampant cheating*” by Georgia Tech students. Professor Curtis
 17 found *four out of five* of the problems on her April 2020 final exam on
 18 Chegg’s website. After this troubling discovery, Professor Curtis contacted
 19 Chegg and requested information regarding who accessed the questions and
 20 answers during the 24-hour exam period. When Professor Curtis informed
 21 her colleagues that she had requested this information but had not received
 22 a response from Chegg, the overwhelming sentiment expressed by her
 23 colleagues was that Chegg would not provide the information or take action
 24 to curb the abuses. As one fellow faculty member expressed, “*[I]’m not*
 25 *optimistic about timely action on [Chegg’s] part*” and the only solution
 26 would have to be a return to in-person, proctored exams.
- 27 • An April 29, 2020, email from Georgia Tech physics professor Martin M.
 28 Jarrío to Georgia Tech’s Office of Student Integrity reported an extensive
 “problem with students posting copies of the exam question—*during the*
exam itself—to Chegg.” Professor Jarrío later emailed the same Office of
 Student Integrity, writing: “*[A]ll of my test questions had been posted*” and
 that, “*just about everything [one student] submitted for the exam was*
drawn from the Chegg web site.”
- An April 30, 2020, email from Georgia Tech Professor of Physics, Dr.
 Michael Schatz to Georgia Tech’s Assistant Vice Provost for Advocacy and

1 Conflict Resolution, Dr. Kyla Turpin Ross, explained: “[T]here are **multiple**
 2 **instances [of cheating] spread across multiple sections of both PHYS2211**
 3 **and PHYS2212**” and, while “the numbers [were] still rolling in,” roughly
 4 “**125 students out of 900 in selected sections**” had already **self-reported**
 5 accessing Chegg during their physics final exam. “[I]n many cases,”
 6 Professor Schatz exclaimed, “questions and solutions directly from the
 7 **ongoing exam** were showing up on [C]hegg.”

8 78. Use of Chegg to cheat was also widespread in Georgia Tech’s College of
 9 Computing, as evidenced by numerous emails between Georgia Tech faculty. For example:

- 10 • Brian Hrolenok, an instructor in the School of Interactive Computing,
 11 reported to the university’s Assistant Director of Student Integrity in an
 12 April 6, 2020 email that the **entirety of an online quiz** in his CS 4641 class
 13 was posted to Chegg. Professor Hrolenok noted that while this was a clear
 14 violation of the university’s honor code, he did not fill out an incident report
 15 since he did not have any information on who posted the quiz and did not
 16 want to pay Chegg to find out more. He also provided a link to Chegg’s
 17 Honor Code policy and lamented that Chegg required “**a signed letter on**
 18 **letterhead before they’ll do anything.**”⁶
- 19 • In a May 1, 2020 email to the Office of Student Integrity, Professor Monica
 20 Sweat described how one student in her Computer Science 2050 class
 21 **posted about half** of the questions from an April 2020 online exam to Chegg
 22 and **received answers to all of the questions** from Chegg Experts. Professor
 23 Sweat emphasized that this exposed all of the exam questions and answers
 24 to other students searching the internet and undermined the integrity of the
 25 exam for roughly 500 students.
- 26 • A May 5, 2020 e-mail from Cedric Stallworth, Assistant Dean of the
 27 College of Computing at Georgia Tech, to the university’s Assistant
 28 Director of Student Integrity, Andrew K. Lawrence, explained that during
 the Computing for Engineers Spring 2020 online final exam, students were
 given a 24-hour window to take their final exam and, once started, each
 student had 2 hours and 50 minutes to complete the exam. After teaching
 assistants grading the exams noted similarities in the coding responses for
 many students, Assistant Dean Stallworth investigated and determined that
 at least **44 of the 350** students who took the exam had copied answers posted
 on Chegg—over **12%** of the class.

6 Professor Garrett Schieber of Georgia Tech’s School of Mechanical Engineering faced similar obstacles when attempting to investigate cheating in one of his classes. In response to Professor Schieber’s request that Chegg identify the students who posted his exam questions on Chegg during a take home final exam, Chegg told him the request needed to come directly from the office of the dean or the body in charge of handling matters of academic investigation at the university. Further, according to Chegg, the written request needed to be “made on university letterhead and indicate that the information is needed as part of an official school investigation into academic integrity.”

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- College of Computing Professor Olufisayo A. Omojokun noted in a May 6, 2020 email to the university’s Assistant Director that cheating increased dramatically when the university ceased digital proctoring. He began the email stating, ***“I’m sure you received lots of emails from instructors about honor code violations over the past couple of weeks. Here’s another one!”*** He went on to explain that “[f]or my spring course, we had been using a digital proctoring tool for the first two tests and things were quite good,” however, “[a]fter the COVID switch, the Provost sent an announcement that no one is allowed to use digital proctoring, so I turned it off for my third exam and final.” Professor Omojokun then detailed the troubling results: ***“It turns out that my test questions were posted on Chegg.com and answers were provided on the site during the testing periods.”***

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

79. Georgia Tech repeatedly reported to Chegg that students were using its platform to cheat, yet Chegg failed to mitigate or prevent the cheating from continuing to occur, and worse yet, imposed a number of hurdles to hinder any investigation of the misconduct. Specifically, Dr. Marguerite Matherne, an instructor in Georgia Tech’s School of Mechanical Engineering, sent an email to the Chegg Honor Code email address on June 3, 2020, to report cheating in her ME 3340 class. The email explained she had discovered ***“all three of [her] exam problems posted on Chegg Study”*** and caught one student cheating because ***“his answer was a carbon copy of the Chegg solution.”*** She also: (1) provided Chegg links to the problems posted on Chegg’s website; (2) attached her exam showing that the problems posted to Chegg were directly copied and pasted from her exam; and (3) requested access to the solutions posted on Chegg. While Chegg ***admitted*** the questions were posted on its website and provided a spreadsheet with dates and times the questions were accessed, the Company refused to provide student names or other identifying information, telling Dr. Matherne that the request would have to come directly from the office of the Dean, had to be made on official university letterhead, ***“indicate that the information is needed as part of an official school investigation into academic integrity,”*** and be signed and dated. Even then, Chegg still would not provide the university with names of the students/Chegg subscribers at issue.

25

26

27

28

80. Similarly, on April 6, 2020, Georgia Tech Associate Professor of Mechanical Engineering Dr. Marta Hatzell reported to Chegg that ***“[i]t was recently brought to my attention that my exam problems were posted on Chegg. This is in violation of the academic code as students were not supposed to use outside help.”*** Like Professor Matherne, Associate Professor

1 Hatzell provided links to the questions on Chegg’s platform that were posted from her take home
2 exam and requested Chegg’s assistance in investigating the misconduct. Once again, Chegg
3 *admitted* that the exam questions were posted on its website but refused to provide information
4 necessary for Dr. Hatzell to investigate without an official request from the office of the dean or
5 body in charge of handling academic investigations at the university.

6 81. Chegg’s refusal to meaningfully assist professors adversely impacted thousands of
7 students. Dr. Antonia Antoniou, an Associate Professor in the School of Mechanical Engineering,
8 for example, assigned final grades for her ME4214 course without taking the final exam into
9 account. Dr. Antoniou was forced to forgo any reliance on her final exam “*because solutions of*
10 *the exam were posted on Chegg during the 26 hour window where the exam was available.*”

11 82. Remarkably, “Chegging” was so prevalent at Georgia Tech that some of the
12 university’s most senior officials internally discussed how to make the next school year “*Chegg-*
13 *proof.*” In an email to the Vice President of Student Life and Brandt-Fritz Dean of Students Chair,
14 John M. Stein, the Dean of the College of Sciences asked, “looking beyond this particular case,
15 what guidance can be provided to faculty regarding exams for summer. . . . Synchronous exams
16 are still not cheat-proof, but what else can we do to equip faculty to set assignments that are *Chegg-*
17 *proof?*” In response, Mr. Stein stated that “we need to talk more about how to proceed this summer
18 and beyond *with testing,*” and noted multiple examples of students accessing Chegg’s website
19 “*with the sole purpose of cheating.*”

20 83. **University of Nebraska.** The University of Nebraska produced fifty-five pages of
21 documents in response to a FOIA Request including internal faculty emails and other documents
22 describing the use of Chegg to cheat. The documents from this major national research university
23 repeated a familiar refrain: that use of Chegg to cheat was rampant on its campus; that Chegg knew
24 students were routinely using its platform to cheat; and that Chegg refused to turn over the names
25 of students using the Chegg platform to cheat.

26 84. In internal emails, University of Nebraska faculty discussed the extensive use of
27 Chegg by students to cheat on remote exams. For example, as Allan Donsig, Professor and Vice
28 Chair of the Department of Mathematics, described in an April 9, 2020 email: “We’ve had a number

1 of students cheating on take-home tests, i.e., *posting the entire test to Cheng [sic] and submitting*
2 *answers completely copied from the solutions provided by Chegg. The current circumstances*
3 *are exceptional. . . .”*

4 85. As with the other universities discussed above, during the Class Period the
5 University of Nebraska’s Office of Student Conduct sent Chegg numerous letters and emails
6 regarding the increasing use of Chegg to cheat and requested Chegg’s assistance with the
7 university’s investigations, yet Chegg did nothing to deter students from using its platform to cheat
8 or meaningfully assist the university in investigating the academic misconduct. Indeed, between
9 April 24 and May 12, 2020, the Office of Student Conduct sent Chegg at least *five letters* regarding
10 students cheating using Chegg’s website, specifically identifying exam questions that had been
11 posted on Chegg.com and answered by Chegg’s experts. The letters were sent on April 24, April
12 25, May 1, May 2, and May 12, 2020, via Chegg’s dedicated Honor Code e-mail address. Chegg
13 once again provided wholly deficient responses; *admitting* the content was posted on its website
14 and reiterating that it “takes academic integrity very seriously” yet only provided spreadsheets of
15 the content that had been posted and *refused to provide names of the students who posted the*
16 *questions and/or viewed the answers.*

17 86. **California State University, Fullerton.** California State University at Fullerton
18 (“Cal State Fullerton”), which enrolls nearly 40,000 students, produced numerous documents in
19 response to a FOIA Request regarding Chegg. The documents produced by Cal State Fullerton
20 similarly confirm that its students’ utilization of Chegg to cheat exponentially escalated during
21 remote learning. As with UCLA, Georgia Tech, and the University of Nebraska, Chegg knew about
22 the rampant student cheating at Cal State Fullerton but again erected obstacles for faculty seeking
23 to investigate and curb the cheating, rather than working with them to address the cheating.

24 87. For example, on May 5, 2020, Christopher Lyons, Associate Professor of
25 Mathematics at Cal State Fullerton, emailed Matt Waid, a Student Conduct Investigator at the
26 university, regarding an exam for his course that was posted on Chegg “during the test.”
27 Specifically, Associate Professor Lyons noted that “*one of my students posted my exam on Chegg*
28 *to ‘ask an expert’ during the exam window, and I’m guessing that several students (who weren’t*

1 *so good at covering their tracks) accessed this during the test, even though this was explicitly*
2 *forbidden in the directions.”* Associate Professor Lyons described Chegg’s onerous procedures
3 for obtaining information about suspected cheaters to Mr. Waid: “Chegg’s policy regarding
4 investigations, and the request for information needs to come from a Dean or from an official
5 academic investigation that’s already underway *Worse yet, when you read the fine print under*
6 *the student section, it says they might actually terminate the student’s account and remove the*
7 *offending material. . . thus covering up the evidence!”* Associate Professor Lyons commented:
8 *“It really is a very professional cheating operation they run.”*

9 88. Even when Cal State Fullerton personnel did comply with Chegg’s onerous Honor
10 Code procedures, Chegg refused to identify the student cheaters involved, citing purported concern
11 for the cheaters’ “privacy.” Mr. Waid sent Chegg multiple letters between June 11 and June 13,
12 2020, in compliance with Chegg’s Honor Code, requesting Chegg provide “available information
13 about these links and associated user accounts, including, but not limited to, date & time uploaded,
14 email and name of the uploading party, content of the Expert Answers, and emails and names of
15 others who accessed the Expert Answers and when.” Mr. Waid sent Chegg another request on June
16 18, 2020, for viewer details for 42 questions, noting that “[a]t this stage in the investigation, it
17 seems there are several additional individuals involved who accessed the respective answers during
18 this time frame.”

19 89. Once again, Chegg provided an excel spreadsheet including the dates and times
20 users accessed the referenced questions but did *not* provide Mr. Waid with any substantive response
21 to his request for identifying information of the students who had viewed the posted questions. In
22 response to yet another request by Mr. Waid on June 30, 2020, Chegg responded: “[f]or privacy
23 reasons, we may not investigate user id or email addresses.” Instead, Chegg would only provide
24 the requested information if the account owner—*i.e., the cheating student*—requested it directly,
25 and provided *verification* that they were in fact the owner of the account.

26 90. **United States Air Force Academy.** Chegg also facilitated massive cheating at the
27 United States Air Force Academy, in Colorado Springs, Colorado. The Air Force Academy
28 produced more than 100 pages of documents in response to a FOIA Request regarding Chegg,

1 which demonstrate widespread use of Chegg to cheat by Air Force Academy cadets during the
2 Class Period. Despite being governed by a strict honor code (akin to those at the nation’s other
3 service academies) which states, “We will not lie, steal, or cheat, nor tolerate among us anyone who
4 does,” the Air Force Academy found that **249 cadets** used Chegg to cheat while the academy held
5 remote learning in Spring 2020—and of those, a staggering **228 admitted using Chegg to cheat**.

6 91. Once again, the Air Force Academy documents show Chegg was aware of rampant
7 cheating at the elite institution but refused to assist in the Air Force Academy’s investigation in any
8 meaningful way. For example, on July 10 and 14, 2020, the Academy requested from Chegg
9 information on cadets using Chegg to cheat on remotely proctored exams. Chegg turned over
10 information that included students’ user IDs, email addresses, and dates and times certain questions
11 were viewed by Air Force Academy cadets—but, notably, did not provide any of their names. The
12 Air Force Academy sent Chegg another request for information on July 14, 2020, regarding
13 cheating during Math and Engineering Mechanics exams, asking Chegg to merely “verify” if
14 certain specified cadets “accessed any math related content on Chegg” or “Engineer[ing]
15 Mechanics related content on Chegg” during the period of the exams. Remarkably, in a July 15,
16 2020 response, Chegg refused to provide the information, writing: “For privacy reasons, we may
17 not investigate email addresses.”

18 92. ***Other Student Cheating Scandals:*** The five academic institutions that responded to
19 these FOIA Requests were far from alone in enduring rampant cheating during distance learning.
20 Reports of cheating scandals directly tied to Chegg emerged from colleges and universities across
21 the country. For example:

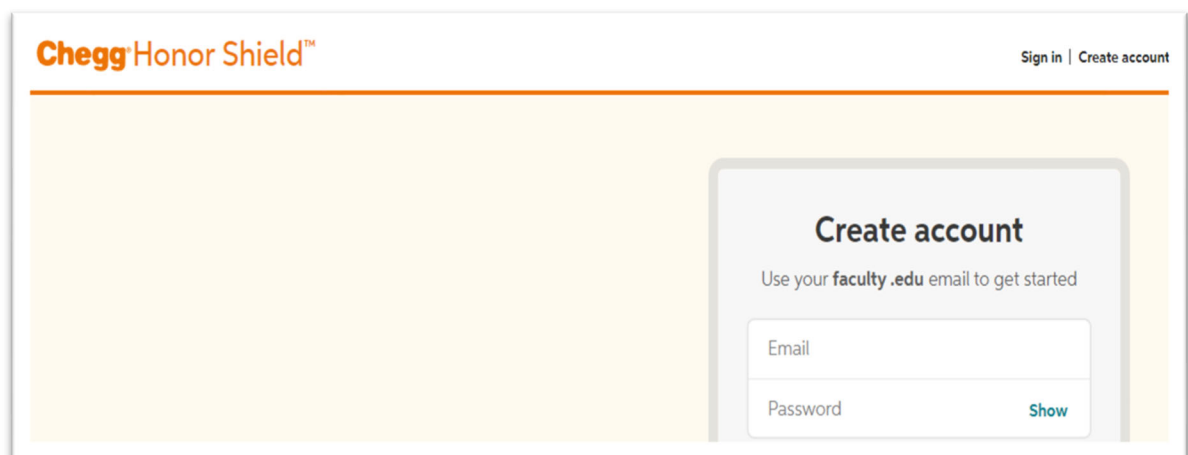
- 22 • In April 2020, **Boston University** was rocked by a cheating scandal where
23 chemistry students were caught using Chegg to cheat on exams and quizzes.
24 In December 2020, Boston University experienced another cheating scandal
25 where engineering students used Chegg to cheat on an exam. Both times,
Boston University informed Chegg.
- 26 • In May 2020, **Princeton University** was hit with a Chegg-related cheating
27 scandal in which numerous linear algebra students used Chegg to cheat on
28 homework assignments. Chegg was informed of the suspected cheating.

- 1 • In May 2020, **North Carolina State University** suffered a cheating scandal
2 in which over 200 students (out of 800 total in the class) were accused of
3 using Chegg to cheat on final exams in a statistics course. Chegg was
4 informed of this cheating scandal by the university.
- 5 • In December 2020, **Texas A&M** discovered widespread cheating involving
6 Chegg. Hundreds of finance students were accused of cheating on multiple
7 online exams after submitting answers quicker than it would have taken to
8 read the questions. Moreover, Texas A&M faculty discovered entire exams
9 posted on Chegg. Chegg was contacted by multiple parties regarding the
10 cheating scandal, including university officials and even students who self-
11 reported their misuse of Chegg's services.
- 12 • In January 2021, the **University of Oregon** suffered a cheating scandal
13 where biology students used Chegg Study to cheat on exams. According to
14 university officials, the cheating was obvious, with some students' scores
15 increasing from 50% to nearly 100%, before plummeting again when the
16 professors took measures to stop cheating. Chegg was informed of this
17 scandal by the university.
- 18 • In March 2021, the **University of Minnesota** experienced a Chegg-related
19 cheating scandal where math and science students copied directly from
20 online sites, including Chegg. Chegg was informed of the cheating by
21 university officials.
- 22 • In March 2021, **Boise State University** was hit with a Chegg-related
23 cheating scandal, where numerous students used Chegg to cheat on take-
24 home exams in mechanical and biomedical engineering courses. Once
25 again, Chegg was informed of the cheating scandal.
- 26 • Cheating scandals involving Chegg were not limited to the United States.
27 Indeed, in April 2021, the **University of Cape Town** and the **University of**
28 **Witwatersrand** in South Africa were rocked by cheating scandals in which
large amounts of students were caught uploading and receiving exam
answers from Chegg. Again, Chegg was informed of the cheating by the
universities.

93. Despite the ubiquitousness of cheating scandals implicating Chegg, the Company refused to implement easy, obvious, and straight-forward measures recommended to them by professors and others in academia that would have drastically curtailed cheating. As just one example (nine other examples are discussed below), Chegg could have immediately tamped down cheating on its platform by simply requiring subscribers to register the student e-mail address issued by their academic institution. Indeed, the founder of a prominent online newsletter dedicated to academic integrity and cheating, *The Cheat Sheet* (<https://thecheatsheet.substack.com>), Derek

1 Newton, stated that he “raised this issue with Chegg” and in response “they’ve said - more or less
 2 - that such a change is implausible because of non-standard educational e-mail addresses around
 3 the world.” Newton noted how patently frivolous this argument was, noting that “[i]t’s hard to
 4 imagine that a company worth something like \$12 billion is flummoxed by non-standard official e-
 5 mail addresses.” Moreover, it did not provide any justification for not requiring students enrolled
 6 at U.S.-based institutions—all of whom are assigned standard educational (*.edu) email addresses
 7 by their schools—to provide such information.

8 94. Indeed, Chegg’s stated excuse for why it could not require students to sign up using
 9 their school email address is blatantly contradicted by its requirement that *professors* who wish to
 10 use Honor Shield register using their official university email. As seen in the image below, Chegg’s
 11 website instructed professors to “[u]se your faculty .edu email to get started” with Honor Shield.



20 95. Furthermore, as described below (*see* IV.D.2), faculty that used Honor Shield found
 21 that it did not even work properly, and that students were *still* able to have exam questions answered
 22 during the exam, even when they availed themselves of Chegg’s supposed anti-cheating
 23 technology.

24 **2. The Accounts of High-Ranking University Officials And**
 25 **Faculty From Across The Nation Confirm That Student**
 26 **Cheating On Chegg’s Platform Was Rampant, Chegg**
 27 **Was Repeatedly Informed About It, And Chegg Failed**
 28 **To Implement Effective Procedures To Stop It**

96. Lead Counsel also gathered information from direct interviews and surveys of over
 twenty professors, deans, and officials from numerous colleges and universities across the country.

1 Their firsthand accounts of the difficulties educational institutions faced struggling to combat
2 rampant cheating during the period of remote learning are fully consistent with the FOIA responses
3 discussed above. They also further confirm that students' use of Chegg to cheat increased
4 dramatically during the Class Period and resulted in numerous academic integrity investigations
5 and violations at colleges and universities across the nation. These professors, deans, and
6 administrators routinely discovered that *up to 40%* of students in their classes used Chegg—and
7 that, based on their experiences, *virtually all students who used Chegg used it to cheat; indeed,*
8 *most were unaware of any students that used Chegg for legitimate educational purposes.*

9 97. Remarkably, these distinguished officials and faculty implored the Company to
10 curtail the use of Chegg's platform to cheat at their respective institutions. However, they
11 uniformly described Chegg's response as being focused far more on protecting students' ability to
12 cheat rather than attempting to stop it, and described how Chegg's Honor Shield program, Honor
13 Code investigation process, and the Company's other purported methods of preventing or
14 addressing cheating were ineffective and illusory. Indeed, these professors, deans, and university
15 officials stated that even after bringing specific cheating incidences to Chegg's attention, the
16 Company often declined to take any action at all, or instituted obstacles to investigations—and,
17 even more troubling, consistently protected the identities of students who used Chegg to cheat,
18 apparently loathe to kill their golden goose.

19 98. The accounts of ten deans and other high-ranking faculty members at major
20 universities around the world are provided below, followed by the accounts of twelve professors.

21 99. The former Director of the Honor System Office at **Texas A&M University** was
22 specifically charged with educating students, faculty, and staff about the Aggie Code of Honor as
23 it relates to academic misconduct on campus, training and supervising the operations of the Honor
24 Council and the Aggie Honor System Office and generating assessment-driven educational
25 opportunities for students and training for faculty. This individual, who served in that role from
26 July 2011 through January 2022,⁷ explained that Texas A&M's academic misconduct cases

27
28 ⁷ To maintain their confidentiality, and for ease of comprehension and readability, the Complaint

1 *doubled* in 2020-2021 to 1,700 cases and estimated that a staggering *80-85% of that massive*
2 *increase involved Chegg*. She noted that *exams were being posted to Chegg within moments of*
3 *going live and students used the Expert Q&A service to broadcast answers to everyone in the*
4 *class*. Moreover, Chegg refused to deal with professor complaints without further support from
5 their institutions. After a cheating outbreak in Fall 2020, the former Director of the Honor System
6 Office at Texas A&M University was “*fed up with Chegg*,” and *emailed Defendant Rosensweig*
7 *directly at danlr@chegg.com*. No fewer than three high-level Chegg representatives responded to
8 her email: Sue (Chegg’s Head of Academic Relations); Kimberly Quach (Operations Leader at
9 Chegg); and Kelly Cutforth (Chegg’s Director of Customer Service). Incredibly, they dismissed
10 her concerns, replying that the use of Chegg to cheat “was an anomaly and the vast majority of
11 students are using it legitimately.” Despite her email directly to Defendant Rosensweig, and the
12 response of three high-level Chegg representatives minimizing the cheating scandal, Texas A&M
13 continued to struggle with students using Chegg to cheat until the Fall of 2021, when students
14 largely returned to in-person classes and academic misconduct cases dropped nearly to pre-
15 pandemic levels.

16 100. **Virginia Tech** maintains a comprehensive academic integrity program, including a
17 written Honor Code and Honor Code pledge that each member of the university community must
18 agree to abide by; “success modules” for students to complete to demonstrate their understanding
19 of the university’s academic integrity standards; and course syllabi providing specific academic
20 integrity guidelines and expectations for all Hokies (which “are the same in an online class as they
21 are in an in-person class”). The university’s Director of Academic Integrity⁸ explained that, in a
22 typical year, her office received between 700 and 750 academic integrity cases, but during the
23 2020–2021 academic year when Virginia Tech went to remote learning, her caseload *almost*
24

25 _____
26 uses the pronoun “she” and possessive “her” in referencing the professors, deans, and
27 administrators. However, this convention is not meant to identify the actual gender of any of the
28 professors, deans, or administrators.

⁸ The Director of Academic Integrity joined Virginia Tech in January 2019 as the Senior Associate
27 Director for Undergraduate Academic Integrity, where she oversaw a team that supported
28 the Undergraduate Honor System and was responsible for, among other things, overseeing the
academic integrity adjudication process and providing campus-wide education on academic
integrity.

1 *doubled* to 1,297 cases. She added that Virginia Tech “*did attribute the rise in cases largely to*
2 *Chegg, as more and more faculty were identifying materials placed online.*” She also described
3 “faculty frustrations with Chegg regarding responsiveness and lack of complete information,”
4 describing one instance where a “faculty member [] attempted to use the Chegg Honor Lock
5 program (where they provided a watermarked exam beforehand and Chegg promises it will not
6 allow students to place the exam on the site or have questions answered).” Remarkably, the
7 Director of Academic Integrity found the exam that had been watermarked on Chegg while students
8 were taking the same exam, which she described as “a frustrating experience for the faculty.” Based
9 on her experience, she stated that “*outside of using Chegg for textbook purchase/rentals, I do not*
10 *know of any students who use Chegg for a legitimate purpose that does not violate university*
11 *policies.*”

12 101. The Director of Academic Honesty, Policy & Education at the **University of**
13 **Rochester**⁹—whose responsibilities include making policy recommendations to the university
14 governing bodies and administrators regarding academic integrity issues, offering confidential
15 counseling to students and faculty about how the academic honesty process works, and providing
16 academic integrity educational outreach to the entire university community—reported that
17 academic integrity issues at the university increased nearly **70%** due to students’ use of Chegg
18 during the pandemic. Despite this huge increase in cheating, she explained that Chegg’s
19 responsiveness to academic integrity investigations actually *worsened* as the pandemic progressed.
20 “Chegg previously provided email addresses of account holders (with no further information). Now
21 ... Chegg no longer provides this information to us or to other institutions.” She added that “[w]hile
22 there may have been some confusion during the early days of the pandemic about legitimate
23 services Chegg provides, such as textbook rental, **90-98% of students who accessed Chegg did so**
24 ***either with specific intent to deceive or because they knew Chegg’s hands-off policies meant they***
25 ***wouldn’t ask too many questions.***”
26

27 _____
28 ⁹ She was promoted to this role in March 2021, having previously served as the University of
Rochester’s Assistant Director of Faculty Development and Director of Academic Honesty since
April 2019.

1 102. The Associate Dean of Students in the Office of Student Rights and Responsibilities
2 at **Purdue University**—which promotes responsibility and encourages honesty, integrity, and
3 respect among Purdue students, including with respect to academic integrity—questioned whether
4 *any* Purdue students used Chegg for “legitimate purposes.” She stated frankly, “*our students used*
5 *Chegg to cheat, and not for the other aspects of the platform.*” In fact, the majority of students
6 interviewed for academic integrity investigations confirmed to her that they only used Chegg to
7 cheat and “*not for any legitimate purposes.*” Moreover, students routinely told her that they
8 decided the “legitimate” aspects of the Chegg platform were simply “*not worth it*” as students were
9 offered “*similar or better resources on campus for free.*” The Associate Dean “doesn’t deal with
10 people at Chegg” as inquiries to the Company regarding cheating were “all handled via an
11 automated response.” Because Chegg refused to personally engage with professors or deans, she
12 developed a form letter. However, after the Class Period, she stopped sending even the form letter
13 to Chegg because the Company ceased providing any personally identifying information to
14 universities for students suspected of using Chegg to cheat.

15 103. The Head of Complaints, Appeals, and Misconduct at **Macquarie University** in
16 Sydney, Australia¹⁰—responsible for the handling of complaints, appeals and disciplinary
17 processes for the university concerning “contract cheating” websites (such as Chegg) and other
18 violations of academic integrity—similarly relayed that prior to the pandemic, her unit dealt with
19 roughly 250 academic integrity cases per year. During the pandemic, that figure grew to
20 approximately 1,200, a nearly *fivefold* increase. She also described experiencing declining support
21 from Chegg in connection with academic integrity investigations as the pandemic progressed.
22 “*They have basically reduced the info they provide under their ‘Honor Code’ to nothing.*”
23 Regarding how students used Chegg, she stated that “*a vast majority of students using Chegg did*
24 *so for illegitimate reasons*” and that she was “*not personally aware of any students that use*
25 *[Chegg] for genuine learning purposes.*”

26 _____
27 ¹⁰ She was promoted to this role in May 2022, after serving as Macquarie University’s Head of
28 Student Conduct and the Integrity Unit since June 2017 where she was responsible for a team
handling allegations of serious academic integrity violations and related misconduct across the
university community, and proactively worked to stay ahead of trends in academic integrity. While
at Macquarie University, she pioneered new methods to detect contract cheating.

1 104. The Director of Academic Integrity at **The State University of New York at**
2 **Buffalo** (“SUNY Buffalo”) —which promotes the university’s fundamental value of integrity in
3 the academic enterprise by holding students accountable to honesty in the learning and research
4 processes, supporting faculty in creating academically sound learning environments, and working
5 with the campus community to enforce academic policies fairly and consistently—described having
6 direct contact with Chegg in 2020 about the Company’s academic integrity processes. She asked
7 Chegg if the Company “could require students to use school-affiliated email addresses” in order to
8 help identify cheaters, but inexplicably “was told [by Chegg] this was impossible.” She further
9 stated, “*I really believe that the vast majority of Chegg use from [SUNY Buffalo] students is to*
10 *look up assignment or test problems/questions that they cannot figure out on their own – a*
11 *violation of our policy.*”

12 105. A Vice Provost for Online and Innovation Education and the Center for Learning
13 and Teaching at the **State University of New York at Binghamton** (“SUNY-Binghamton”) ¹¹—
14 which supports student-centered learning at the university, including by providing technological
15 support for classrooms and courses, tutorial services, support for instructors, and support for testing
16 accommodations—originally thought Chegg was merely a textbook rental service until a student
17 corrected her, stating it was “where you can get answers to homework.” She noted that pre-
18 pandemic, students could not cheat on exams with Chegg but after the pandemic hit, students began
19 using Chegg to cheat on exams. She also found that “*during the pandemic the main use [of Chegg]*
20 *was illegitimate – for answers on exams.*” Indeed, according to students she has spoken to, “*80*
21 *percent or more*” of students used Chegg to cheat on homework and “*maybe a quarter of the class,*
22 *maybe more*” used Chegg to cheat on exams. “*It was insane.*” She noted that since students
23 returned to the classroom, cheating has gone “*way, way down*” and Chegg is “*not much of a*
24 *problem now.*”

25
26
27
28 ¹¹ She has served as Vice Provost at SUNY-Binghamton since 2013 and is also a Professor of Mechanical Engineering at the university.

1 106. The Director and Associate Director of the Office for Community Standards at the
2 **University of Minnesota**¹²—which is charged with handling academic integrity matters and
3 student disciplinary processes—stated that the use of Chegg to cheat was so pervasive that it
4 *updated the Student Conduct Code to explicitly include reference to Chegg*. The updated Student
5 Conduct Code warns students in bold lettering “*Beware of homework help websites*” including
6 “*Chegg*,” which purport to be offering “*harmless tutoring or homework help*,” but may “*actually*
7 *be considered cheating*.”¹³ The Director and Associate Director also described how Chegg “made
8 it cumbersome to request this data [on investigating student cheating on Chegg] or to remove
9 content” and that Chegg “*added multiple steps [that] took more time (and more people) than it*
10 *needed to.*”

11 107. An Associate Dean of Undergraduate Programs and Student Affairs Faculty of
12 Science at the **University of Calgary**—which holds academic integrity as a “core value” of the
13 school, maintains a comprehensive academic integrity policy, and offers robust educational
14 opportunities concerning academic misconduct—stated she dealt with a lot of academic misconduct
15 that involved Chegg, and described the obstacles Chegg put in place preventing professors, deans,
16 and other high-ranking university officials from easily investigating cases of academic dishonesty.
17 She stated that through Chegg’s Honor Code, University of Calgary professors at one point were
18 able to request data about who posted questions to Chegg, and when it was posted, adding that
19 Chegg also gave professors the same information about the answers to questions posted to Chegg.
20 However, Chegg changed its Honor Code policy during the pandemic, requiring professors to
21 supply a letter directly from the Dean or Associate Dean indicating there is a formal investigation
22 ongoing in order to receive information. Later Chegg again changed its policy, requiring the Dean
23 or Associate Dean make the data request themselves along with a letter containing more specific
24

25 ¹² The Director and Associate Director of the Office for Community Standards at the University of
26 Minnesota have served in these roles since July 2017 and December 2018, respectively.

27 ¹³[https://conduct.d.umn.edu/conduct-procedures/scholastic-dishonesty-procedures/avoid-](https://conduct.d.umn.edu/conduct-procedures/scholastic-dishonesty-procedures/avoid-scholastic-dishonesty)
28 [scholastic-dishonesty](https://conduct.d.umn.edu/conduct-procedures/scholastic-dishonesty-procedures/avoid-scholastic-dishonesty). Like the University of Minnesota, other universities have also updated their
student codes of conduct to explicitly warn students against using Chegg. For example, UCLA
updated its Student Conduct Code on January 15, 2021 to include: “Cheating includes, but is not
limited to, the use of unauthorized materials” including “online sources such as . . . Chegg.”

1 information. Now, Chegg will *only* give the dates and times for when the questions and solutions
2 are posted if requested directly by the Dean and will not provide *any* other information.

3 108. College professors around the country provided accounts akin to those of the deans
4 and other high-level university officials set forth above. They described how cheating on Chegg
5 was rampant during remote learning, students overwhelmingly used Chegg to cheat, and Chegg
6 erected hurdles that stifled academic integrity investigations. The accounts of eleven of these
7 professors are set forth below.

8 109. A Professor of Mechanical Engineering at **Purdue University** reported that “*what*
9 *distinguished Chegg [from competitors] was that it was on-demand.*” “*Solutions got out there*
10 *very, very quickly; I found this egregious.*” She stated that before the pandemic, the Department
11 of Mechanical Engineering would catch approximately 10 to 15 cheaters in a class of approximately
12 300 students. During the pandemic, those figures dramatically increased, at least doubling and
13 perhaps tripling. For example, in one of her classes of 300-400 students, on the first two tests after
14 students went remote, *well over 100 people cheated during the test by copying a solution uploaded*
15 *to Chegg*. She was not alone. When other Purdue faculty members searched for individual exam
16 questions on Chegg, they found solutions for the exact questions that appeared on the exam.

17 110. This Purdue professor explained that during COVID, while there were some
18 homework integrity violations, they were not as bad as exams. She further explained that Chegg
19 promised to provide solutions to questions asked by students quickly, within one or two hours, and
20 at that time (she suspected) it realized it had a gold mine on its hands because the biggest cheating
21 incidents had to do with exams. The same Purdue professor was never able to track down students
22 that submitted questions to Chegg, as Chegg inexplicably claimed it did not even know who the
23 users were. She believed that Chegg was acting in “bad faith” with respect to the Honor Shield,
24 stating that *the Company knew it was not going to work*.

25 111. Significantly, the same Purdue professor *communicated with Chegg about once a*
26 *week—both to report incidents and to request blocking of content*. It bothered her that Chegg
27 knew the Honor Shield system was not going to work. Remarkably, Chegg eventually stopped
28 responding to requests from her colleagues to take down questions from the platform altogether.

1 The Purdue professor surmised that Chegg did not provide resources from which students can learn;
2 it was instead an opportunity to sell a product with the students getting no gain. When asked if
3 Chegg had any legitimate uses, the Purdue Professor laughed, stating, “*I am not aware of any*
4 *students using Chegg for legitimate purposes.*”

5 112. A Professor of Chemistry at **Boston University** described Chegg as “*a cheating*
6 *site*” and specifically equated the Company’s growth during the pandemic to students using the
7 platform to post exam questions and get answers. She initially heard rumblings that students were
8 using Chegg more because they were not taking exams in person, and then she found her exam
9 questions on Chegg by searching online. She contacted Chegg about the cheating, but the Company
10 put up roadblocks, such as making her go through the dean’s office, and even then, provided
11 minimal information about the cheaters. Instead, Chegg provided a spreadsheet of account names
12 and when the accounts accessed specific pages, which she described as “*basically useless*” since it
13 did not help identify the students who had cheated. Regarding the Honor Shield program, the
14 Boston University Professor recalled thinking “these guys are full of it” and that she did not want
15 to provide Chegg—which “*I have no doubt [] engaged in unethical practices*”—with her content.
16 She explained: “you don’t need Chegg to get homework help, there are free resources; *the reason*
17 *Chegg ballooned during the pandemic was cheating during timed exams,*” “*everything they offer*
18 *is useless for learning,*” and “*nothing about their business model is legit.*”

19 113. A Statistics Instructor at **North Carolina State University** found *hundreds* of
20 students used Chegg to cheat on the midterm and final exam in her introductory statistics course
21 during remote learning. On the midterm exam, she noticed a handful of students answered one
22 question with the same 3-4 sentence response, in broken English. In total, she found 10-15 students
23 with the same answer. She googled a phrase from the common answer and saw that it was posted
24 to Chegg, but she needed a paid subscription to Chegg in order to read the answer that was uploaded
25 to Chegg in full. She identified approximately 20 students who cheated on the midterm using
26 Chegg. The Statistics Instructor stated that she tried to flag the posts that came from her exam and
27 contact Chegg, but she did not hear anything from the Company. For the spring 2020 final exam,
28 the North Carolina State University instructor and her teaching assistants (“TAs”) monitored Chegg

1 during the exam for test questions appearing on the site. When they found questions from the
2 ongoing exam posted to Chegg, the Statistics Instructor attempted to remove the posts using the
3 link that says “flag this post for removal.” However, Chegg either was not monitoring the site or
4 simply did not care because she was not able to get anything removed during the exam, leaving her
5 to conclude “*there was no active moderation going on.*”

6 114. In the spring of 2020, the same Statistics Instructor submitted a record number of
7 cases to the academic integrity office—*the most the office had ever seen from a single course*—
8 and stated that *95% of cheating cases at North Carolina State University that semester involved*
9 *Chegg*. Indeed, she determined that in her class of 800 students, almost half—380 accounts—
10 accessed posts on Chegg with answers to the spring 2020 final exam. Tellingly, when she asked
11 Chegg to provide the names of students, it refused. The same Statistics Instructor also heard about
12 other cheating incidents from colleagues. For example, one of her colleagues at **Duke University**
13 had a situation where *half the class—35 students in a 70-student course—used Chegg to cheat*.
14 When asked if students used Chegg for legitimate educational purposes, the Statistics Instructor
15 stated “*definitely not,*” as she had never received a solid description of a student using Chegg for
16 legitimate educational purposes.

17 115. A former Senior Instructor of Biology at the **University of Oregon** first learned of
18 cheating on Chegg in the fall of 2020 after she searched for her own exam questions and *found all*
19 *of them on Chegg’s website*. Similar to other professors Lead Counsel interviewed or surveyed,
20 based on her experiences, she “*was not aware of students using Chegg for legitimate purposes.*”

21 116. A Professor of Economics at **Oswego State University of New York** also observed
22 an increase in academic integrity cases during the pandemic. The Professor of Economics said she
23 begrudgingly purchased a Chegg account in order to more easily search the site, adding that she
24 sent at least two DMCA [Digital Millennium Copyright Act] takedown requests to Chegg per
25 semester, with multiple questions in each request. The Professor of Economics stated that overall,
26 she spent 15-20 hours per semester checking Chegg for questions posted on the site and dealing
27 with academic dishonesty cases, adding that she has changed the way she assesses students and the
28 kinds of questions she writes as a result of Chegg. Based on her review of the site, and her

1 conversations with colleagues and students, *almost all students used Chegg for illegitimate*
2 *purposes*. She further stated that she “*know[s] of no students that subscribe to this service without*
3 *the intent to find answers to questions in their graded work.*”

4 117. A Teaching Assistant Professor at **Kansas State University** found that Chegg was
5 “misused by students [and] [the Company was] *misleading shareholders* about what it is REALLY
6 being used for.” She described Chegg as “*unethical.*” For this professor member, it remains “*very*
7 *difficult to actually ‘catch’ students that submit solutions from Chegg because [professors] need*
8 *to pay for an account to get the solution,*” and “*cross check that solution with students’*
9 *submissions, which is very time consuming.*”

10 118. Professors also willingly shared their experiences about student cheating using
11 Chegg through a dedicated online message board for professors.¹⁴ In response to Lead Counsel’s
12 questions about professors’ experiences with Chegg, a half-dozen professors provided a similar
13 refrain: academic integrity cases sharply increased during the pandemic, Chegg made it difficult
14 for professors to combat cheating on its online platform, Chegg had zero, or near zero, legitimate
15 use, and students overwhelmingly used its platform to cheat.

16 119. For example, a former Professor at the **University of California, Santa Cruz**, wrote
17 “*Every use of Chegg that I have observed has been clearly an academic-integrity violation.*”

18 120. A Computer Science Professor in New York similarly stated “during COVID
19 (basically students taking exams online). *Students used chegg [sic] DURING THE EXAM and*
20 *were able to get answers back during the exam time.* This is obviously not possible in-person
21 when I can walk around and see what everyone is doing.” The Computer Science Professor also
22 stated “Chegg could stop the site being useful for cheating (during exams) *by simply adding a 3*
23 *hour delay.* Essentially if someone [sic] posts something, do not even have it show up to be answered
24 by anyone for 3 hours. Literally just update an SQL [Structured Query Language] query to have
25 posted time + 3 hours. *Done.*”
26
27

28 ¹⁴ Lead Counsel followed-up via direct message to each individual who responded on to the
message board to confirm they were a professor and additional details about their employment.

1 21. Another STEM professor described how she “deal[s] with one to five academic
2 integrity issues every semester, most of which involve students using Chegg to cheat on lab
3 assignments or exams.” The STEM professor explained that “[a]cademic integrity issues have
4 doubled at our community college since 2020,” with a significant portion (e.g., one-third) involving
5 Chegg. Discussing her efforts to combat cheating on the site and Chegg’s inability or refusal to
6 comply, the STEM professor stated that “*I’ve sent over thirty [Digital Millennium Copyright Act]
7 takedown notices to Chegg. Each one requested that they remove multiple postings on their site
8 that infringe on my copyrighted intellectual property. Often, the exact same items are posted on
9 their site the following semester.*”

10 22. A professor at the **College of San Mateo** in California stated that “during the past
11 couple of years, waning now of course, the number of students cheating *exploded.*” She added that
12 “during shelter in place, everyone seemingly learned of various sites. . . and saw the opportunities
13 they allowed.” She described Chegg as “*a cheat site, pure and simple.*” According to the
14 professor, “*nobody actually used this to ‘study’ and now that we’re (sort of) back in class, I don’t
15 see any of my students using it.*” Despite living “down the road from [Chegg] hq,” the professor
16 saw no benefit from interacting with the Company because Chegg was “very good at responding
17 and yet not responding. I’ve had peers try that route, and *it’s a master class in misdirection and
18 frustration.*” She added that, as for trying to get information from Chegg about suspected cheating,
19 it was more productive to “*see paint drying*”

20 23. Another professor posted about her fruitless efforts to contact the Company about
21 her students cheating using Chegg, stating “I worked with Chegg but found their response
22 inadequate. To make a request for info was deliberately convoluted and difficult and their response
23 was no [sic] helpful.” The professor stated, “I met *1 student* who used Chegg as per the intended
24 purpose,” adding that “the rest used it to cheat on exams by submitting the questions live during
25 online exams and copying the result. Using original questions did not help. So as a percentage?
26 5% using it in the manner that Chegg describes.” “*My opinion: Chegg is used nearly exclusively
27 for cheating. All original questions that I’ve ever written have been posted on there. It is a shady*
28

1 *site. All of my colleagues['] experiences were the same as mine; we struggled to get it under*
2 *control.”*

3 124. Another professor referred to “Chegg and its ilk as ‘academic dishonesty sites’ in
4 official documentation for my course.” The professor stated that all her experiences of students
5 using Chegg were “severely negative (as in, a student illicitly got a copy of the exam ahead of time,
6 posted it on Chegg, and provided those somewhat-incorrect answers verbatim on the exam).” The
7 professor further stated that “*100% of the interactions with Chegg I have had - whether directly*
8 *due to an academic honesty issue, or casual mention by students in conversation - were illicitly*
9 *obtaining the solutions to problems, often to online homework systems.* The way it works is that
10 students pay the publishers for access to the online homework systems, and pay Chegg for the
11 answers, *thereby paying for 100% grades on their homework. Naturally, this is an extremely*
12 *popular service, accounting for Chegg’s huge growth.”*

13 125. As for her attempts to get Chegg to remove her coursework from the site, the same
14 professor stated that Chegg “*host[s] tons of my content which they are literally pirating.*
15 *Homework sets, tests, etc. All those are copyright me, and despite my contacting them and*
16 *providing emailed notice with specific links to the assignments, the assignments remained up.*
17 They replied with some form I had to fill out for each individual assignment, which process *is*
18 *clearly designed to slow the removal down to where it’s not manageable for a single person.”*
19 The professor added that the removal process she described “*is not a good-faith effort . . . it’s*
20 *easier for me to design around Chegg than to fight them.”*

21 126. A student commenting on the message board put it bluntly: “*Honestly as a college*
22 *student, I thought Chegg was for cheating. I had zero clue it had ANY legitimate uses. I know*
23 *at least 30 people who sailed through classes with it.”*

24 **3. The Accounts Of Former Chegg Employees Confirm** 25 **Defendants’ Fraud**

26 127. Lead Counsel’s investigation of Defendants’ fraud included interviews with
27 numerous former Chegg employees who had direct knowledge of Chegg’s business, including the
28

1 Expert Q&A tool—*i.e.*, its “cheating business.”¹⁵ The accounts of these former employees further
 2 confirm that (1) Chegg’s explosive growth during the Class Period was driven by students’
 3 widespread use of Chegg’s Expert Q&A to cheat during remote learning—so much so, in fact, that
 4 Chegg launched an internal initiative dubbed the “Big Egg” project to make it more efficient for
 5 students to cheat; (2) the Individual Defendants knew widespread student cheating was driving
 6 subscriber and revenue growth—its “main moneymaker” and “main driver for revenues”; (3)
 7 Chegg management deliberately failed to take action to prevent students from cheating; and (4)
 8 Defendants’ claims that its growth was largely due to limits on account sharing were false.

9 **a. The Expert Q&A Service Fueled Chegg’s Growth**

10 128. Multiple former Chegg employees confirmed that the Expert Q&A service drove
 11 Chegg’s growth during the pandemic, to the point that the Company designed its marketing around
 12 Expert Q&A and continued to refine Expert Q&A to make student cheating more efficient. As FE
 13 1¹⁶ explained, Expert Q&A and Homework Help (which includes the Expert Q&A database and
 14 other tools for students to get answers to coursework, such as a math problem solver) were Chegg’s
 15 main source of revenue—the “*main moneymaker*” and “*the main reason for people to subscribe,*
 16 *it was driving [growth].*” FE 2¹⁷ similarly described Expert Q&A as “*absolutely number one*” in
 17 terms of the Company’s most popular product. She explained the “*number one way that students*
 18 *found Chegg was by looking for a particular question, so Q&A is what drove the most traffic.*”
 19 FE 3¹⁸ confirmed that Chegg’s Exam Prep business “did not contribute much to subscriber growth”
 20 and “was not a main driver for revenues.” Rather, it was “*the cheating business*” that drove the
 21 growth.
 22
 23

24 ¹⁵ Former employees of Chegg are referred to herein as “FE ___” and are referenced in the feminine
 25 form to maintain their confidentiality.

26 ¹⁶ FE 1 worked as an engineer at Chegg from 2018 to 2022.

27 ¹⁷ FE 2 worked as a Customer Relationship Management (“CRM”) Manager at Chegg from Q3
 28 2019 to Q1 2022. In this role, she worked with CRM modeling technology to lead Chegg marketing
 campaigns. The Chegg Study Pack and a more comprehensive product bundling project were two
 of FE 2’s primary projects.

¹⁸ FE 3 worked as a project manager at Chegg from 2018 to mid-2021. In this role, FE 3 worked
 with and helped various teams, including the Exam Prep team on the “study” side of the business.

1 129. Expert Q&A and Homework Help were so instrumental to the Company’s growth
2 that the Company designed the Chegg Study Pack around these products. Indeed, FE 2 described
3 Expert Q&A and Homework Help as the “*pillars*” of the Chegg Study Pack. Chegg simply added
4 “some of the ancillary products, and some of the newly acquired products” to Expert Q&A and
5 Homework Help when designing the Chegg Study Pack, and then sold it as a special deal even
6 though it included services subscribers already received for free.

7 130. Moreover, Chegg launched an internal initiative dubbed the “*Big Egg*” project, to
8 modify the Chegg Study Pack to make Chegg’s Expert Q&A tool even more efficient for cheating
9 than it already was. Ordinarily, a Chegg user could quickly find an answer to an exam or homework
10 question by running a general search by subject matter across Chegg’s massive database of 35
11 million to 70 million questions. However, according to FE 3, during the Class Period, the Company
12 launched an internal project, known as the “Big Egg,” which, according to FE 2, attempted to make
13 Expert Q&A even more efficient by allowing students to search by the specific university and
14 university course they were taking rather than by general subject matter. This made it far easier for
15 students to immediately find answers to their specific exam or homework questions in the Expert
16 Q&A database. Indeed, referencing the “Big Egg” project, FE 2 stated that she and her coworkers
17 recognized that tailoring Chegg Study to specific courses—which the executive team had told FE
18 2 would “create a better experience” for users—could make cheating easier such that, from a
19 marketing standpoint, “we were asking questions like how is this going to work when we were
20 already dealing with bad press [regarding cheating].” However, FE 2 explained that the Company
21 felt the need to implement Big Egg in order “to do something radical with the product,” because
22 Chegg recognized that things “would likely not go well [for its business] when students returned to
23 campus.”

24 **b. Former Chegg Employees Confirm Defendants Were**
25 **Aware of Widespread Student Cheating Using Chegg**

26 131. Chegg knew that students were using Chegg to cheat, even prior to the pandemic.
27 FE 4 cited complaints from universities and professors, like those detailed in Sections IV.D.1-2,
28

1 *supra*, to confirm the Company’s knowledge of students’ use of the platform to cheat. FE 4¹⁹
2 further reported that, in her role, she saw students’ posts on social media in which the students
3 plainly acknowledged using Chegg to cheat. According to FE 4, college professors were
4 uncomfortable partnering with Chegg because they associated Chegg with cheating. FE 4 pointed
5 to photos of tests being posted to Expert Q&A as something that would particularly upset
6 professors. FE 4 asked and answered her own question, stating “Is Chegg a good product versus
7 did they mislead people? I would say they embellished a lot on their story.”

8 132. FE 1 added that “*our CEO would sometimes talk about*” student cheating “*during*
9 *all-hands [meetings].*” She confirmed the Company and its employees were aware students used
10 Chegg to cheat, emphasizing, “*Yes, that was known.*” According to FE 5,²⁰ cheating was also
11 discussed during *weekly meetings of Chegg executives*. These meetings were held on either
12 Monday or Tuesday at 10:00 a.m. or 11:00 a.m. and took place in what FE 5 described as a
13 classroom type conference room to the right of reception on the first floor in the Company’s
14 headquarters. *Defendants Rosensweig, Brown, and Schultz and a variety of Vice Presidents*
15 *attended those meetings*. In reference to the discussions of cheating during these weekly meetings,
16 FE 5 explained that Company executives “*always had access to data*” and that Defendants
17 Rosensweig and Schultz “knew everything, *they were micromanagers.*”

18 133. FE 2 corroborated that “all [Chegg employees] knew it at some level” that students
19 used Chegg to cheat. FE 2 even saw evidence of students cheating when “working on campaigns
20 and testing things” and she noted of cheating “*absolutely it was accelerated*” during distance
21 learning. Moreover, FE 2 posited that the Big Egg project discussed above was a decision “to do
22 something radical with the product, because I think deep down, they knew that if they didn’t do
23 something radical with the product at that point, then ... *it would likely not go well when students*
24 *returned to campus.*”

27 ¹⁹ FE 4 worked for Chegg from 2016 to 2019 as a Growth & Marketing Outreach Manager.

28 ²⁰ FE 5 is a former Vice President of Global Learning & Organizational Development. She left Chegg in October 2019.

1 134. Other former employees reported the Defendants were aware of the issue of student
2 cheating based on the fact *executives distributed a Forbes article discussing widespread student*
3 *cheating using Chegg to employees in January or February 2021*. Specifically, FE 6²¹ recalled
4 that a member of Chegg’s executive team sent out an email in January or February 2021 attaching
5 a *Forbes* article discussing cheating at Chegg (*see* ¶¶53, 56). FE 7²² corroborated this account,
6 noting that the *Forbes* article was sent by a member of the executive team to the *whole Company*,
7 leaving FE 7 with no doubt that “everyone knew about the article,” “people weren’t surprised,” and
8 “*the [cheating] issues were absolutely well understood.*”

9 135. Importantly, FE 8²³ confirmed Defendants’ own public statements that they tracked
10 data which would show students used Chegg to cheat. According to FE 8, Chegg closely tracked
11 user consumption in order to analyze which consumers the Company would retain and how to best
12 attract new consumers. Chegg tracked user data through an Oracle system, which the Company
13 migrated to in approximately 2018. She recalled that the migration took approximately 18 months
14 to complete. FE 8 explained that, using the Oracle system, Chegg closely monitored student sign
15 ups and retention. To monitor user consumption, Chegg tracked consumer “ongoing usage” of the
16 platform. FE 8 used “SQL queries” to report metrics, such as consumer usage, internally.
17 According to FE 8, *the reporting metrics were made available in a dashboard that was accessible*
18 *by all Director-level employees and above, including the C-Suite.*

19 136. FE 2 stated that the marketing team also “had access to when you last logged in,
20 [and] what questions you asked.” FE 2 explained that Chegg’s engagement team was responsible
21 for retaining students who simply wished to “look for their Q&A, pay for their subscription for 30
22 days, and then be done.”

25 ²¹ FE 6 worked as an analyst at Chegg for two periods between 2020 and 2022, including from Q4
26 2020 through Q1 2021, and from Q1 to Q3 2022.

27 ²² FE 7 worked as a Data Scientist at Chegg from Q2 2014 to Q1 2022.

28 ²³ FE 8 worked for Chegg from April 2009 until March 2019, holding various titles, most recently
Vice President of Operations and Data Engineering. In this role, FE 8 was responsible for Business
Intelligence, Data Engineering, E-Commerce Platform, Web Operations and “anything to do with
IT.”

1 worked with. Once there was less litigation pressure from publishers, “the interest to determine if
2 Chegg was being utilized for cheating slowed significantly.”

3 **d. Former Chegg Employees Confirm Defendants Used**
4 **Account Sharing As A Pretext To Justify The Growth**

5 141. While student cheating during distance learning led to Chegg reporting
6 unprecedented subscriber growth, Defendants falsely attributed the growth to the Company’s crack
7 down on account sharing. Indeed, FE 1 was on the team addressing account sharing. She confirmed
8 that account sharing “*was not the driver*” behind the Company’s subscriber and revenue growth
9 during the Class Period. In fact, the “major effort” to reduce account sharing took place before the
10 Class Period, in a four-to-five-month window in 2019. In fact, FE 1 described Chegg’s efforts to
11 crack down on account sharing as a “Stone Age approach,” in which the Company primarily
12 “looked at IP addresses” and “how many current sessions” a user was in. Her team then reviewed
13 user activity in spreadsheets and wrote scripts to automate a response to users who were account
14 sharing.

15 142. Even with subscribers that were sharing their accounts during the Class Period,
16 Chegg sought to balance clamping down on account sharing with the threat of losing a subscriber.
17 FE 1 explained that if a user was in more than ten sessions at a time, “then we would block their
18 account.” Chegg “didn’t want to go too hard on users either, the logic was that we know you are
19 account sharing, but we still want that subscription – so there were tiers. If we know that you are
20 just blatantly selling [your account], we would ban you.” Or if a customer shared “over fifty
21 accounts,” that subscriber would be banned. However, if the subscriber was “just with a group of
22 friends, maybe five or more of your buddies,” Chegg would only “warn you about it and log you
23 out of your accounts.”

24 143. While FE 1 acknowledged that Chegg’s cracking down on account sharing was
25 “increasing revenues” to some degree, significantly, she saw data showing that Chegg’s overall
26 dramatic increase in subscribers was definitely not “a result of the mitigating account sharing
27 efforts.”

28

e. **Additional FE Accounts Further Confirm Defendants’
Fraud**

144. Former Chegg employees questioned the Company’s Class Period representations to investors and Defendants’ motives. For example, FE 1 described how the pandemic led to “overblown” projections regarding the future of Chegg’s success, stating that the Company’s stock price increase “is not a natural progression,” or “a natural growth.” Indeed, FE 2 “saw the growth [in subscribers] when everyone went remote,” and was skeptical of Defendants’ statement to shareholders that whether students were remote or not did not matter to Chegg’s growth. As a result, when the Company forecasted the revenues for 2021, she “thought they were out of their mind.”

145. Former employees also questioned the Individual Defendants’ Class Period motives. For example, FE 5 shared that Rosensweig and Brown were enamored with their personal wealth, recalling Defendant Brown describing himself as a “one-percenter.” Likewise, FE 8 explained that *“Dan [Rosenweig]’s job was to get the stock up and make the company look good, Dan was a salesman.”*

**4. Lead Counsel’s Empirical Analysis Confirms That
Chegg’s Growth Was Attributable To Rampant Student
Cheating During Remote Learning, Which Was
Blatantly Obvious To Chegg**

146. Lead Counsel’s empirical analysis of the Expert Q&A tool and how it was used before, during, and after the Class Period confirms that: (1) usage soared during the pandemic and remote learning; (2) large numbers of questions submitted by students and answered by Chegg Experts contained clear indicia of cheating; (3) usage of the Expert Q&A service was concentrated around final exam periods; and (4) Chegg failed to implement effective measures to prevent obvious cheating.

147. *First*, Lead Counsel analyzed archived daily and weekly data of all unique user questions submitted to Chegg’s Expert Q&A service before, during, and after the Class Period. The result of this comprehensive analysis shows that, in the years leading up to the pandemic and prior to the Class Period, growth of customer use of Chegg’s Q&A rapidly decelerated. Indeed, the empirical analysis demonstrates that, as of January 2017, Chegg enjoyed a 60% annual growth rate

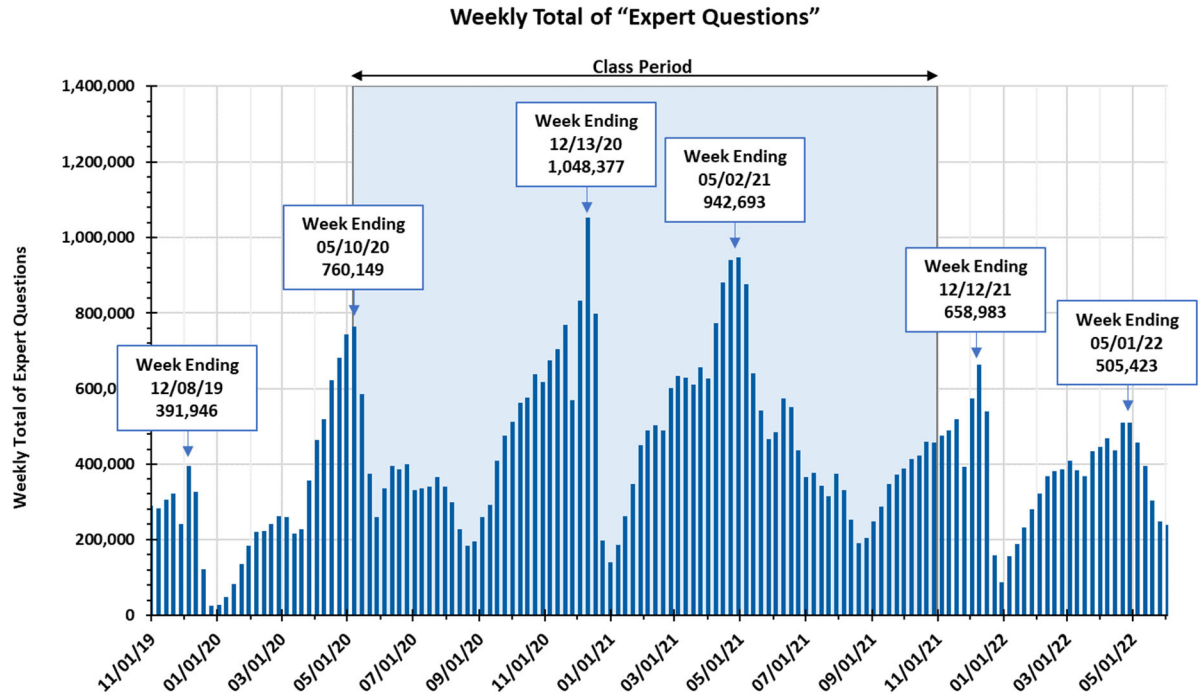
1 in questions asked to Expert Q&A. By February 2020, however, annual growth in student questions
2 asked to Expert Q&A had declined to 20%.

3 148. In March 2020, the pandemic forced colleges and universities to implement remote
4 learning. The usage of the Chegg Q&A service almost immediately surged, growing by roughly
5 40% the week of March 29, 2020, over the same week the prior year. The week of April 15, 2020,
6 students submitted well over *double* as many questions to the Q&A service as the same week in
7 2019. Importantly, this surge in use was across each of the more than twenty subjects offered by
8 Chegg for Q&A services. In general, STEM subjects such as trigonometry, biology, and earth
9 sciences had the largest growth in student usage, with each subject growing by well over 125%
10 compared to the same week in 2019. By May 2020, questions asked to the Expert Q&A service
11 had almost *quadrupled* since mid-March.

12 149. *Second*, Lead Counsel's empirical analysis shows that usage consistently spiked
13 around final exam periods at U.S. colleges and universities, generally, the months of May and
14 December.²⁵ As provided below, during peak finals periods, students submitted 48%, 50%, and
15 51% more questions to the service during the weeks ended May 10, 2020, December 13, 2020, and
16 May 2, 2021, respectively, than the same week in the preceding month, with a staggering total of
17 over 1 million questions submitted the week ending December 13, 2020.

18
19
20
21
22
23
24
25
26
27

²⁵ Lead Counsel researched 30 U.S. universities and colleges to determine when finals were held
28 during the pandemic. Of the schools surveyed, 29 held finals for the spring 2020 semester between
April 23 and May 23, all 30 held finals for the fall 2020 semester between November 30 and
December 23, and all 30 held finals for the spring 2021 semester between April 23 and May 25.



150. *Third*, Lead Counsel’s empirical analysis confirms the flagship Expert Q&A service was widely used by students to cheat on homework, quizzes, and exams. Indeed, out of Lead Counsel’s random sampling of over 6,000 Expert Q&A photo submissions, a staggering 1 in 4 had ***clear indicia of cheating*** in the midst of a final exam, test, or quiz that was evident from the face of the photo itself. These startling findings demonstrate it was patently obvious to Chegg that a large percentage of students were using its flagship Expert Q&A service to cheat during the Class Period, and the Company had no effective procedures in place to prevent even the most blatant cheating.

151. To evaluate the extent of cheating using Chegg’s Expert Q&A service, Lead Counsel analyzed the months of May 2020, December 2020, and May 2021, i.e., the “seasonality” in Chegg’s business when usage of the Expert Q&A platform was at its greatest levels. For these months, Lead Counsel reviewed a sample of 3,700 submissions of questions from Chegg’s Expert Q&A archive across five subjects: biology, chemistry, physics, calculus, and statistics. Of the 3,700 questions reviewed, 2,971 were photographic submissions. Lead Counsel’s review of those photos ***revealed that more than one-in-four (771 of the 2,971 photos, or 26.0%) included on their face***

1 *clearly obvious evidence of cheating.* The photos showed clear-cut cheating indicators such as
2 “Final Exam,” “graded assignment,” a countdown of how much time was left to complete the exam,
3 or point values assigned to each submitted question. Some photos contained multiple such indicia.
4 Additionally, Lead Counsel frequently found strings of submitted photos that almost certainly came
5 from the same exam or graded assignment, one question after the next.²⁶

6 152. Notably, Lead Counsel’s findings remained roughly consistent even when the time
7 period analyzed was expanded to include months of lower usage, indicating that Chegg was also
8 widely used to cheat on tests, quizzes, and homework throughout the Class Period. Specifically,
9 Lead Counsel analyzed a sample set of 6,200 questions covering the six-month period of December
10 2020 through May 2021. Of the 6,200 questions reviewed, 5,003 had accompanying photos. Lead
11 Counsel’s review of those photos revealed nearly the same rate of cheating – 24.3% of the photos
12 analyzed (1,202 of the 5,300 photos) included an indicia of cheating.

13 153. Moreover, many of the photos uncovered in Lead Counsel’s empirical analysis were
14 accompanied by posts with brazen language informing Chegg of the cheating, such as phrases like
15 “*Please help as soon as possible. I have 30 minutes to answer,*” “*need perfect answer asap in 20*
16 *minutes maximum,*” “*please solve this question urgently its exam questions,*” and “*NEED 100*
17 *PERFECT ANSWER. GIVE ANSWER IN LESS THAN 20 MINUTES. MAKE SURE YOU*
18 *SOLVE PERFECTLY.*” Regardless of the fact that Chegg was on notice of the cheating, its experts
19 *still* provided answers to the questions.

20 154. *Fourth,* Lead Counsel’s empirical analysis confirms that Chegg failed to effectively
21 prevent use of Chegg Expert Q&A by students to cheat on exams. For example, Defendant
22

23 ²⁶ Significantly, in conducting its empirical analyses, Lead Counsel utilized a highly conservative
24 approach as to what constituted an indicia of cheating. For example, even if a photo submission
25 clearly showed a question was taken from an ongoing exam (e.g., because “Final Exam” appeared
26 at the top of the photo with the same date the question was submitted), photos of *other* questions
27 evidently from the exact *same* exam were *not* counted towards the total number of images with an
28 indicia of cheating. In other words, an indicia of cheating must have been present on the face of
any individual question analyzed for it to be counted as having an indicia of cheating. If the four
concerns of a photo did not contain an indicia of cheating, Lead Counsel did not count the
submission as having an indica of cheating even if such a determination would have been wholly
supported by Lead Counsel’s review of other photos that contained blatant indicia of cheating and
were evidently taken from the exact same exam. Accordingly, it is highly likely that the actual
cheating that occurred on the platform far exceeded Lead Counsel’s one-in-four aggregate estimate.

1 Rosensweig touted the Company’s Honor Shield program and told investors that Chegg had
2 implemented software that would automatically reject test answers: “The second thing is we use
3 technology and AI to actually build technology that blocks people from asking multiple questions.
4 So, you can’t submit a test all at once.” Defendant Rosensweig added that “if you submit it either
5 in text or you submit it in photos, we now use technology, AI and machine learning to actually
6 block it, ask which specific question you want to ask.” While Chegg’s systems did, in fact, convert
7 photographed test questions into readable text, that text showed that even when phrases such as
8 “final exam” or the like appeared, Chegg Experts nevertheless still routinely answered the
9 questions. Thus, for example, Chegg answered questions despite its systems picking up phrases
10 such as: “[T]his is a test question and any use of online resources other than myHSSU is
11 considered academic dishonesty”; “Make Up Test 2”; “This test can only be taken once”;
12 “MIDTERM EXAM”; “submit your answers via Microsoft Teams to the assignment section titled
13 ‘Exam 2 Submissions.’”

14 **5. Chegg Refused To Implement Obvious Steps That** 15 **Would Have Prevented Cheating**

16 155. As discussed above, throughout the Class Period, Chegg was repeatedly informed
17 by colleges and universities across the country and the world that its “direct-to-student learning
18 platform” was widely being used by students to cheat. Despite repeated and explicit pleas from
19 across academia for help addressing rampant cheating during remote learning, and while publicly
20 representing that the Company was “deeply committed to academic integrity,” took cheating
21 “extremely seriously,” was “constantly working to improve [its] abilities to detect and respond to
22 issues around both copyright and academic integrity” and responded to such issues “as quickly as
23 possible,” in truth, the Company utterly failed to take even the most obvious remedial steps to stop
24 cheating.

25 156. *First*, the most obvious step Chegg could have taken to clamp down on students
26 using the Company’s platform to cheat was to require students to sign-up for their accounts using
27 the email addresses provided by their academic institution. Requiring students to sign-up with
28 Chegg using their actual school email addresses, rather than an anonymous email such as

1 acedmyexam@gmail.com or sororitystar@icloud.com, would have made it easy for Chegg to stop
2 students from cheating, catch the cheaters, and suspend or terminate their accounts. With this basic
3 information, Chegg could have (i) blocked students from searching for or submitting questions to
4 the Expert Q&A service during the period of a timed exam, blocked such questions from being
5 answered by Chegg Experts, or both; (ii) rendered the Company’s much-touted “Honor Shield”
6 program – which required professors to pre-submit their entire exam to Chegg, often giving Chegg
7 a copyright to the material – completely unnecessary; (iii) made Chegg’s “Honor Code”
8 investigations yield useful information, namely, the identities of students who were cheating rather
9 than the spreadsheets of “basically useless” information Chegg occasionally provided to schools;
10 and, perhaps most significantly, (iv) served as an obvious and powerful deterrent to students even
11 considering using Chegg to cheat rather than for legitimate educational purposes. Indeed, this
12 specific and obvious fix was proposed to Chegg by university faculty, industry observers, high-
13 level university administrators, and others in academia, who specifically recommended that Chegg
14 “*require students to use school-affiliated email addresses.*” See *supra* at ¶104. These requests
15 were ignored and this fix never implemented, despite Chegg having the technology and
16 wherewithal to require *professors* to do exactly that.

17 157. *Second*, Chegg could have prevented cheating by simply delaying providing
18 answers through the Expert Q&A service by a short period of time (such as after a three-hour timed
19 exam) rather than guaranteeing a response within two hours, if not almost “immediately.” Again,
20 this specific and obvious fix was suggested to Chegg during the Class Period. Indeed, the Director
21 of the Academic Integrity Office at the University of California San Diego (“UCSD”) and board
22 member of the International Center for Academic Integrity stated: “If they were truly interested in
23 academic integrity and helping institutions uphold academic integrity, and their sites are truly about
24 helping students learn and not about cheating, then *a simple delay from the time of the posting of*
25 *the question and the answer of the question would help with that. If a question was posted and*
26 *not answered for a day, maybe even just three hours, then students couldn’t cheat with the*
27 *answer... That is a simple thing to do.”* When this suggestion was relayed to Chegg, the
28 Company’s Head of Academic Relations, Sue, confirmed “this is a very common request, that we

1 hear from faculty, I would say it's almost the number one thing that we hear." Yet, Chegg refused
2 to implement this easy and obvious fix, claiming that students needed help "*right away*" and it was
3 "*unfair*" to make them wait *any* amount of time for answers – a consideration that apparently far
4 outweighed the chorus of academic stakeholders begging Chegg to reign in cheating.

5 158. *Third*, Chegg could have greatly reduced cheating on its platform by providing
6 professors and their institutions with free accounts to monitor violations of academic integrity.
7 Faculty could then have assisted Chegg, at no-cost, in curbing cheating. Instead, Chegg charged
8 professors and institutions the same subscription fees it charged cheating students, milking
9 academia of resources while publicly claiming that Chegg strove to work with schools to prevent
10 cheating. Moreover, Chegg even went so far as to blame universities for not doing enough to stop
11 cheating, declaring that schools were "woefully underinvested in technology" and "didn't prepare
12 to teach online." Chegg similarly blamed students, stating that Chegg abides by an "honor code"
13 and claimed to "expel" cheaters, adding "Chegg's not really the problem it's more the student."

14 159. *Fourth*, Chegg could have upgraded its "Honor Shield" program so that it detected
15 and blocked problems that not only matched known questions verbatim, as designed, but also those
16 that were substantially similar. Slightly modifying the language of test questions was an incredibly
17 easy and quick "hack" to avoid Honor Shield, as highlighted in a variety of internet and social
18 media posts reviewed by Lead Counsel. Moreover, the Company already purported to use such
19 software, telling investors "[s]o actually, if you submitted either in text or you submitted in photos,
20 we now use technology, AI and machine learning, to actually block it, ask which specific question
21 you want to ask." Despite these assurances, the Honor Shield program was, in practice, a hollow
22 gesture intended to assuage investor concern about Chegg's dependence on cheating, when, in fact,
23 it did not. As one university official described, even after Chegg announced the Honor Shield
24 program, a faculty member at her university found an exam that had been *watermarked* on Chegg
25 *at the same time students were taking it*.

26 160. Finally, there were numerous additional, basic steps that Chegg could have taken to
27 prevent and remedy cheating on its website. Such steps included (i) requesting a statement of
28 compliance with Chegg's Honor Code each time a student posted a question; (ii) requiring Chegg's

1 Experts to assess, prior to answering a student’s question, whether it violated the terms of Chegg’s
2 “Honor Code” and, if it did, requiring the Chegg Expert to direct the student to the Honor Code,
3 not to answer the question, and to internally flag the user as an Honor Code violator; (iii)
4 implementing automated software monitoring, with immediate reporting to instructors whose
5 assessments or exam questions were found on Chegg, and otherwise being proactive in informing
6 professors about suspected cheating cases; (iv) facilitating the use of remote proctoring applications
7 to obtain student credentials and allow instructors to monitor student activities when taking online
8 exams, quizzes, or homework; and (v) adding “suspected cheating” to the list of reporting defaults
9 on Chegg’s application to clarify that such questions be flagged with appropriate steps taken by
10 Chegg in response, such as warning the student and/or suspending or cancelling their account.

11 161. Rather than implement *any* of these clear measures to prevent cheating, Chegg
12 waited until halfway through the Class Period to announce its launch of its “Honor Shield” program,
13 which would purportedly block professors’ pre-submitted or watermarked exams from being posted
14 on Chegg’s site. However, the Company did so only belatedly, following growing media reports
15 raising questions about cheating scandals involving Chegg, and in tandem with Defendants’
16 patently false assertions that it was only a “*tiny fraction*” and “*very small*” number of students who
17 were using Chegg to cheat.

18 162. Moreover, and as numerous professor and university accounts confirmed, the Honor
19 Shield program was mere window dressing, an empty promise to address criticism that students
20 were using Chegg to cheat, and was in fact completely ineffective. Indeed, as professors and
21 university administrators described, the Honor Shield program was obviously impractical and
22 unfeasible, as it essentially created an entirely new job responsibility for thousands of educators
23 across the country who were already stretched thin by the demands of remote teaching. Honor
24 Shield put the onus squarely on educators to pre-submit their exams to Chegg on a regular basis, to
25 solve a pressing issue *Chegg* created and had knowingly allowed to fester. Moreover, Honor Shield
26 did not work for its intended purpose, as it did nothing to prevent exams from being posted online,
27 and students could readily avoid any problem by slightly modifying the test question submitted
28 (i.e., changing one word was sufficient). As noted above, one professor believed that Chegg was

1 acting in “bad faith” with respect to Honor Shield because the Company knew that it would not
2 work. Another professor would not use the program on principle because she did not want to
3 provide Chegg with her content due to its “unethical practices,” and one high-level administrator
4 reported that the service did nothing to prevent an exam that had been appropriately watermarked
5 from being posted online during the exam period, which was “a frustrating experience for the
6 faculty.”

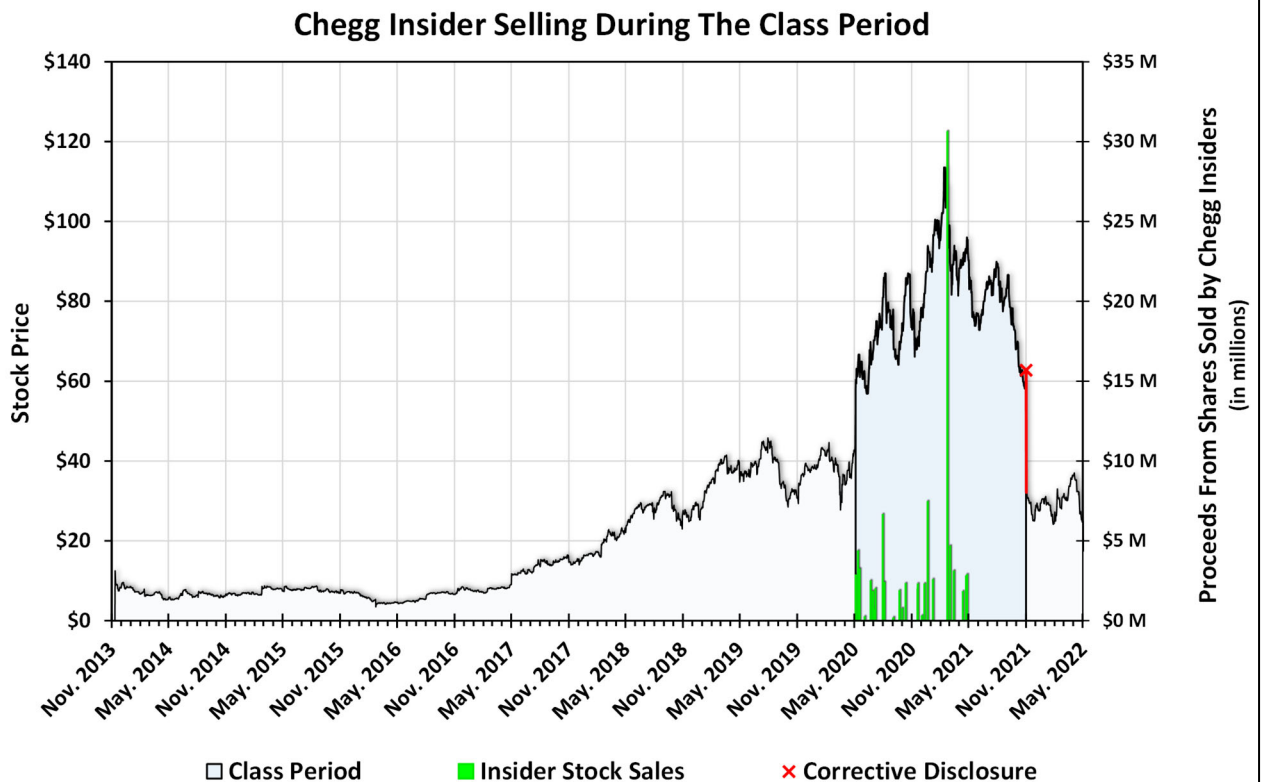
7 **E. Defendants Capitalize On The Fraud Through Massive Insider Sales With**
8 **Shares Trading At Record Highs And The End Of Remote Learning**
9 **Approaching**

10 163. With Chegg stock trading multiples higher than at any point in the Company’s entire
11 history as a public company since 2013, Defendants capitalized on the fraud by selling millions of
12 shares at fraud-inflated prices to an unsuspecting investing public. Overall, Defendants
13 Rosensweig and Schultz, along with nearly a half dozen other Company insiders unloaded over **\$65**
14 **million** of their personal holdings on the open market during the Class Period. Defendants
15 Rosensweig and Schultz alone collectively sold more than **\$43 million** of their personal shares on
16 the open market during the Class Period, at prices massively inflated as a result of Defendants’
17 fraud.

18 164. In addition to unloading large amounts of their personal holdings on the open
19 market, Chegg conducted a suspiciously timed **\$1 billion** SPO with the Company’s stock price
20 trading near record highs, at a price **two and half times** that at the start of the Class Period. On
21 February 18, 2021, the Company announced a SPO of over 9.8 million shares of common stock at
22 a price of \$102.00 per share—less than **one week** after shares reached their all-time high of over
23 \$113 per share on February 12, 2021, and just after the Company had reported “unprecedented”
24 annual results, including revenue growth of nearly 60%, that “outperformed even our most
25 enthusiastic expectations” and marked 2020 as “our best year as a company” due to students
26 subscribing to Chegg in “record numbers.” The SPO closed on February 22, 2021, with the
27 Company realizing total gross proceeds of over \$1.1 billion, and Defendant Rosensweig personally
28 raking in proceeds of over \$30 million.

1 165. Notably, Defendants launched the SPO in the immediate wake of new reports
 2 questioning whether Chegg was being used by students to cheat, prompting Defendants’ strong
 3 public denials and their launch of the Honor Shield program in January 2021. The SPO also
 4 occurred less than two months after COVID vaccines started being rolled out to the general public,
 5 including distributions of Moderna’s and AstraZeneca’s vaccines in the United States and United
 6 Kingdom. Moreover, the SPO also followed on the heels of then-President-Elect Biden’s January
 7 8, 2021, announcement that he would quickly release most available vaccine doses to inoculate
 8 more people, reversing then-President Trump’s previous policies, and making it clear that the end
 9 of remote learning was approaching.

10 166. Accordingly, the timing of the SPO and insiders’ open market insider sales are
 11 highly suspicious and strongly suggests that Defendants sought to capitalize on the Company’s
 12 inflated share price before the curtains closed on Chegg’s short-lived, cheating-fueled success. The
 13 stock price chart below depicts the rampant insider selling that occurred during the Class Period,
 14 both on the open market and in the \$1 billion SPO, shortly before the stock price plummeted to
 15 levels below that at the start of the Class Period.



1 **F. The Truth Regarding Chegg’s Unsustainable Growth Emerges As Students**
2 **Return To Campus And Stop Using Chegg To Cheat, Reversing The**
3 **Company’s Explosive Growth And Causing Its Stock Price to Crater**

4 167. On November 1, 2021, after the markets closed, Chegg announced disappointing
5 financial results for Q3 2021 that were significantly below analysts’ consensus estimates.
6 Significantly, this was the Company’s first quarter of earnings since students widely returned to
7 colleges and universities across the nation, to resume in-person, on-campus learning. Chegg
8 stunned the market by reporting a *decline* in subscribers for the first time since the start of the Class
9 Period, specifically, a 10% subscriber drop after six quarters of consecutive growth. In addition,
10 Chegg dramatically lowered the Company’s full-year 2021 revenue guidance (reducing net total
11 revenues from a range of \$805-815 million to only \$762-764 million) and disclosed \$195 million
12 in projected revenue for the fourth quarter—typically Chegg’s busiest time of the year—which was
13 **20% below** analyst’s consensus expectations of \$240 million. In addition to lowering revenue
14 guidance dramatically, Chegg also guided lower on a host of other key performance metrics,
15 including Adjusted EBITDA (lowered by \$41.5 million or 14%), GAAP EBITDA (lowered by
16 \$44.5 million or 40%), and GAAP Net Income (slashed from a \$75.1 million *gain* to a \$22.7 *loss*).
17 Making matters worse, Chegg postponed the issuance of full-year 2022 guidance until February
18 2022.

19 168. In reaction to this news, Chegg’s stock price was eviscerated, plummeting nearly
20 50%, falling from a close of \$62.76 per share on November 1, 2021, to close at \$32.62 per share
21 on November 2, 2021. This represented a massive decline of \$30.14 per share that wiped out a
22 staggering \$4 billion in shareholder market capitalization in a single day and brought the stock price
23 **below** its level at the start of the Class Period.

24 169. While the Company attempted to blame Chegg’s disappointing results on “industry-
25 wide” factors—including a purported “slowdown” in the education industry resulting in
26 “significantly fewer enrollments than expected this semester,” and purported student “fatigue”
27 causing students to “tak[e] fewer and less rigorous classes”—analysts and sophisticated market
28 participants immediately saw through these excuses and easily connected the Company’s
disappointing performance and attendant stock price plunge to the widespread return of on-campus

1 learning, which collapsed student demand for Chegg because it made it much more difficult to use
2 Chegg to cheat. As *Forbes* stated succinctly in a November 2, 2021, article: “Now that students
3 are back in the classroom, they can’t easily use Chegg to cheat.” Similarly, Morgan Stanley issued
4 a report on November 2, 2021 stating that Chegg’s results were “Worse Than We Expected,” citing
5 a “reversal” of the “covid tailwinds” and noting that: “as students returned to campus for in person
6 learning, they did not return to the Chegg platform, as they might now have access to in-person
7 study groups, teaching assistants, on campus resources, and have more graded assignments in class
8 where Chegg would not be helpful.” Morgan Stanley further stated there was “uncertainty around”
9 the stock, that Chegg was “in the penalty box,” and that the Company’s announcement was “a
10 complete reset, given the enrollment and consumer behavioral changes that began to materialize in
11 September.”

12 170. The conclusions of *Forbes* and Morgan Stanley were echoed by other major
13 business and financial press. *Barron’s* reported on November 2, 2021, that “Chegg shares lost
14 nearly half their value after the company provided an earnings outlook that raised concern about
15 the health of its business.” Moreover, at least seven analysts downgraded Chegg stock in response
16 to the November 1, 2021, disclosures. For example, in downgrading Chegg from “Outperform” to
17 “Market Perform,” analysts at Raymond James explained that “investors may be caught off guard
18 by the slowing usage of the platform.” Needham downgraded Chegg stock from “Buy” to “Hold,”
19 and similarly stated that the “subscriber losses ... create a structural headwind to growth.” Notably,
20 in downgrading Chegg from “Buy” to “Neutral,” Citi firmly rejected Chegg’s attempt to blame its
21 disappointing performance and lowered outlook on declining student enrollments, noting in a
22 November 2, 2022 report that “enrollments have been in decline for a number of years now, and as
23 bad as Fall 2021 has turned out to be, it is not worse than 2020. If anything, the decline in
24 enrollments at Public 2-year institutions (community colleges) did moderate in 2021 vs. 2020.”
25 BNP Paribas also rejected Chegg’s explanation, emphasizing in a November 2, 2021 report that
26 “[e]nrollment has been declining for 10 years,” and “official data actually show that the rate of
27 decline in U.S. college enrollment eased in Fall 2021 vs. 2020.”
28

1 171. On December 30, 2021, *Forbes* continued to connect Chegg’s stock price decline to
 2 cheating and, like Citi, excoriated the Company for providing false excuses. *Forbes* reported that
 3 “the enrollment excuse makes *no sense*. This fall, the enrollment statistics showed a drop of about
 4 3.2%. In the fall of the previous year, enrollment fell about 3.4%. *In other words, enrollment*
 5 *declines this year were smaller than they were last year, when Chegg’s revenue and stock were*
 6 *soaring.”* Once again, *Forbes* set the record straight as to the true reasons for Chegg’s decline:
 7 “The difference between fall 2020 and fall 2021 was not enrollment. It was that *fewer students*
 8 *were taking online classes and online tests which, in turn, meant fewer students were willing and*
 9 *able to pay Chegg for test answers* ... that’s probably what the CEO meant when he alluded to a
 10 downturn in ‘graded assignments’ – *the kind someone might be willing to pay to cheat on.”*

11 **V. DEFENDANTS’ MATERIALLY FALSE AND MISLEADING STATEMENTS**

12 **A. May 2020 False Statements**

13 172. On May 4, 2020, after market close, Chegg announced its Q1 2020 financial results.
 14 The Company reported that it had acquired 2.9 million subscribers in the quarter (a 35% increase
 15 year-over-year) and corresponding strong financial results reflecting “dramatic growth” for Q1
 16 2020—including total net revenues of \$131.6 million (a 35% increase year-over-year), adjusted
 17 EBITDA of \$31.8 million (a 33% increase year-over-year), and Chegg Services revenues of \$100.4
 18 million (a 33% increase year-over-year). The same day, Chegg held an accompanying conference
 19 call with analysts and investors to discuss the Q1 2020 results. During the call, Defendant
 20 Rosensweig touted the Company’s “extraordinary first quarter,” telling investors “growth has been
 21 quite remarkable” and calling the Q1 results “remarkable trends.” On this news, Chegg’s stock
 22 price soared more than 32%, from a close of \$43.79 on May 4, 2020, to close at \$57.92 the
 23 following day.

24 173. During the Q1 2020 earnings call, Defendant Brown similarly touted the
 25 “substantial increase” in Chegg’s subscription services since remote learning began and attributed
 26 it to legitimate sources. For example, Brown stated that “since mid-March . . . *we have [] seen a*
 27 *substantial increase in our subscription services driven by new US and International subscribers*
 28 *to our platform, as well as increased success with our account sharing efforts* and we see these

1 trends continuing into Q2.” Also on May 4, 2020, Chegg issued a press release, which was also
2 filed with the SEC on Form 8-K, containing the same statement from Defendant Brown.

3 174. In response to an analyst question asking about “changes that you’re making . . . in
4 the event” school remains “more online,” Rosensweig responded: “*Whether the curriculum is*
5 *taught offline or online by the schools, Chegg is the beneficiary in the fact that more and more*
6 *students need more and more help, and there’s only one service that has incredibly high quality,*
7 *has the integrity,* is on demand, is low-cost, and covers every conceivable subject that you can
8 imagine, whether it’s by step-by-step solution, video and those things.”

9 175. Similarly, a securities analyst asked if student interest and engagement with Chegg
10 was “sustainable” after remote learning ended. Rosensweig replied by emphasizing that the
11 Company’s success was purportedly attributable to the fact that Chegg’s services were effectively
12 replacing legitimate on-campus educational tools and “teach[ing]” students to “master the subject”:

13 *I do . . . there are students that we believe that we’ve picked up who used to use on-*
14 *campus services, like labs, tutors, and other things. Unfortunately, if you look at*
15 *the state of higher education, every budget is being cut, and sadly, those will be*
16 *amongst the first services that will be cut. But even if they weren’t, once you’ve*
17 *used and experienced Chegg and once you’ve learned how it can help you and*
18 *what it really teaches you and you master the subject,* there’s really no reason,
19 given the price is only \$14.95 or \$19.95, if you buy the bundle, which gets you
20 writing and math on top of that, for you to stop using it. And every indication that
21 we see suggests that the more they experience it, the more they use it, and the better
22 results they get.

23 176. The statements in ¶¶173-75 were materially false and misleading, and omitted
24 material facts when made. Chegg’s subscriber growth was not due to legitimate factors, such as
25 students’ need for “more and more help,” Chegg’s purported effective replacement of traditional
26 legitimate on-campus educational tools, or the Company’s efforts to prevent account sharing.
27 Rather, as Lead Counsel’s investigation confirmed, Chegg’s massive subscriber growth at this time
28 was instead directly attributable to students’ increasing use of Chegg’s platform to cheat which was
made easier by the transition to remote learning, such that numerous professors from prominent
universities across the country concluded that, based on their uniform experience, the “vast majority
of students using Chegg” did so to cheat. Former Chegg employees similarly confirmed that
student cheating on Chegg “absolutely accelerated” during the pandemic, that it was “the cheating

1 business” that was responsible for Chegg’s exponential growth during the Class Period, and that,
2 despite Defendants’ public statements to the contrary, Chegg’s efforts to prevent account sharing—
3 which former employees confirmed had already been implemented prior to the Class Period in
4 2019—were not the “driver” behind the Company’s significant subscriber, revenue, and earnings
5 growth. This was borne out by the fact that, at the end of the Class Period after students returned
6 to in-person learning, Chegg’s subscriber growth sharply declined even though Defendants had put
7 permanent measures in place to prevent account sharing.

8 177. Later during the earnings call, Defendant Rosensweig stated, in response to an
9 analyst question about whether the Company was prepared for “a range of on and off campus
10 learning scenarios” that ***“the only part of our business that on-campus, off-campus can affect
11 would be textbooks.”*** Rosensweig further emphasized that ***“our Chegg Services business will
12 continue to grow whether it’s on-campus, off-campus, whether they do a hybrid,”*** and thus ***“it
13 shouldn’t have a meaningful impact one way or the other given the momentum that we’re
14 seeing.”***

15 178. The statements in ¶177 were materially false and misleading, and omitted material
16 facts when made. Defendants’ assertions that “Chegg Services business will continue to grow
17 whether it’s on-campus, off-campus” were false and misleading because Chegg’s platform was
18 widely used by students to cheat, which Defendants knew would be much more difficult once
19 Chegg’s users returned to on-campus, in-person education. Indeed, Lead Counsel’s investigation
20 confirmed that use of Chegg to cheat was “severe” and “rampant,” such that Chegg was essentially
21 a “professional cheating operation” where the “vast majority of students using Chegg did so for
22 illegitimate reasons.”

23 179. On May 14, 2020, Chegg presented at the JP Morgan Virtual Technology, Media
24 Communications Conference. During the conference, Defendant Rosensweig highlighted the
25 Company’s efforts to reduce account sharing as the principal reason for the Company’s remarkable
26 growth during the pandemic, stating that the Company’s efforts to stop account sharing and its
27 international growth ***“alone” “will account for a significant growth, and are accounting for
28 significant growth.”*** Rosensweig also attributed Chegg’s remarkable growth to students’

1 legitimate need for educational help, stating that *“when students were moved off campus and they*
2 *had no access to a professor or a friend or the computer lab or the writing lab . . . without any*
3 *campus support, people started taking the [Chegg Study Pack] bundle in a much more significant*
4 *way.”*

5 180. Later during the same conference, in response to an analyst question about how
6 “COVID-19 and remote learning chang[ed] things,” Defendant Rosensweig rejected any notion
7 that Chegg’s success was due to the temporary effects of the pandemic, asserting instead that it was
8 sustainable because students’ need for Chegg’s legitimate educational services was purportedly
9 driven by schools’ inability to provide adequate educational resources. Rosensweig stated: *“More*
10 *students are going to need more help because schools can’t supply the help . . . They never made*
11 *the investment in the tools that they needed. So, we have been the beneficiary but not in a*
12 *temporary way*, like some maybe, because we just believe that this is inevitable.”

13 181. The statements in ¶¶179-80 were materially false and misleading, and omitted
14 material facts when made. Chegg’s growth was not driven by “account sharing” efforts and
15 international growth, or students “taking the [Chegg Study Pack] bundle in a much more significant
16 way” due to a lack of “campus support.” Rather, as Lead Counsel’s investigation confirmed,
17 Chegg’s explosive subscriber growth at this time was instead directly attributable to students’
18 increasing use of Chegg’s platform to cheat as a result of the transition to remote learning, such
19 that numerous professors from prominent universities across the country concluded that, based on
20 their uniform experience, the “vast majority of students using Chegg” did so to cheat. Former
21 Chegg employees similarly confirmed that student cheating on Chegg “absolutely accelerated”
22 during the pandemic, that it was “the cheating business” that was responsible for Chegg’s
23 exponential growth during the Class Period, and that, despite Defendants’ public statements to the
24 contrary, Chegg’s efforts to prevent account sharing—which former employees confirmed had
25 already been implemented prior to the Class Period in 2019—were not the “driver” behind the
26 Company’s significant subscriber, revenue, and earnings growth. This was borne out by the fact
27 that, when students returned to in-person learning, Chegg’s subscriber growth sharply declined
28 despite the fact that Defendants had put permanent measures in place to prevent account sharing.

B. June 2020 False Statements

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

182. On June 12, 2020, *The New York Times* published an interview with Defendant Rosensweig titled “For Online Learning, Business Has Never Been Better.” In the article, Rosensweig was asked about the extent to which students were using Chegg to cheat and, if so, what the Company was doing about it: “Many teachers believe that their students are using Chegg as a means by which to cheat. Is this a problem? And if so, what are you doing about it?” In response, Rosensweig flatly asserted that “Chegg is not built for that,” and claimed that Chegg took extensive efforts to curb any use of its platform to cheat, stating: “*We have built technology that removes copyrighted material before it even gets posted. If we’re notified by a professor or a school that there’s copyrighted material, it immediately gets flagged and then removed.*”

183. The statements in ¶182 were materially false and misleading, and omitted material facts when made because, in reality, cheating on Chegg was rampant and pervasive at universities across the nation, as evidenced by numerous university personnel accounts stating that Chegg was “a very professional cheating operation” because the “vast majority of students using Chegg did so for illegitimate reasons.” Indeed, Defendant Rosensweig’s assertions that “Chegg is not built” for cheating, and that Chegg took extensive efforts in response to evidence of cheating, misrepresented that, in truth, Chegg facilitated “rampant” and “severe” cheating through its Expert Q&A tool that provided “on demand” answers on an “almost immediate” basis. Moreover, far from “immediately” “flagg[ing] and then remov[ing]” exam questions that had been improperly posted to Chegg, university and professor accounts uniformly described how Chegg instead encouraged cheating by refusing to remove exam questions unless numerous burdensome criteria were met—even when prominent professors provided direct and incontrovertible evidence of student cheating during exams directly to Chegg—and by erecting numerous “hurdles[s] for faculty” to identify and discipline student cheaters. Former Chegg employees similarly confirmed that, rather than not being “built” for cheating, it was in fact “the cheating business” that “ma[d]e up a big part of Chegg’s revenue” and led to the Company’s exponential growth during the Class Period—such that Chegg management “didn’t really put any effort into stopping it because it was putting money into their pocket.”

1 184. On June 24, 2020, the Company participated in the Jefferies Global Consumer
2 Conference. At the conference, an analyst asked whether the Company would see “continued
3 momentum” after students returned to campus. In response, Brown stated that the pandemic had
4 merely “accelerated” the “inevitable” long-term adoption of Chegg’s online educational services,
5 which he attributed to legitimate business reasons and sources, stating: “*This we believe has
6 accelerated the inevitable,*” adding “*we believe a combination of all three of those things [efforts
7 to stop account sharing, international penetration, and the Chegg Study Pack] continues to
8 provide tailwinds beyond this kind of short-term period.*”

9 185. The statements in ¶184 were materially false and misleading, and omitted material
10 facts when made because Defendant Brown omitted that Chegg’s “unprecedented” growth during
11 the Class Period was not due to an “inevitable” transition to “online” learning, the Company’s
12 efforts to stop account sharing, or students’ uptake of the Chegg Study Pack, but rather students’
13 “rampant” and “severe” cheating facilitated by the pandemic and Chegg’s Expert Q&A tool. Lead
14 Counsel’s extensive empirical analysis of thousands of questions submitted to Chegg’s Q&A
15 during the Class Period similarly confirmed that the platform was widely used for blatant exam
16 cheating, with students routinely submitting final exam questions to Chegg and receiving answers
17 while in the midst of taking the exam. Furthermore, numerous professors from prominent
18 universities across the country concluded that, based on their uniform experience, the “vast majority
19 of students using Chegg” did so to cheat. Former Chegg employees similarly confirmed that
20 student cheating on Chegg “absolutely accelerated” during the pandemic, that it was “the cheating
21 business” that was responsible for Chegg’s exponential growth during the Class Period, and that,
22 despite Defendants’ public statements to the contrary, Chegg’s efforts to prevent account sharing—
23 which former employees confirmed had already been implemented prior to the Class Period in
24 2019—were not the “driver” behind the Company’s significant subscriber, revenue, and earnings
25 growth.

26 **C. August 2020 False Statements**

27 186. On August 3, 2020, Chegg reported strong earnings results for Q2 2020. The
28 Company reported that it had acquired a “record” 3.7 million subscribers for the quarter (a 67%

1 increase year-over-year)—with Defendants touting that Chegg had “more subscribers in Q2 of this
2 year than we had in all of 2018”—and “unprecedented growth” in key financial metrics, including
3 (1) total net revenues of \$153 million (a 63% increase year-over-year); (2) adjusted EBITDA of
4 \$55.5 million (a 78% increase year-over-year); and (3) Chegg Services revenue of \$126 million (a
5 57% increase year-over-year).

6 187. During the Company’s earnings call later that day, Defendants Rosensweig and
7 Brown extolled Chegg’s extraordinary financial results, boasting that “Q2 was a fantastic quarter
8 for Chegg,” with “unprecedented engagement,” “unprecedented growth,” and a “record” number
9 of subscribers, and emphasizing that these trends were “likely to continue for the foreseeable
10 future.” Defendant Brown directly attributed this “unprecedented growth” to students “around the
11 globe turn[ing] to Chegg” for legitimate educational assistance ***“to help them master their subject
12 matter and get better grades.”*** Also on August 3, 2020, Chegg issued a press release, which was
13 also filed with the SEC on Form 8-K, containing the same statement from Defendant Brown.

14 188. Three days later, on August 6, 2020, Defendant Brown was interviewed on
15 *Benzinga’s* “Premarket Prep” podcast, a live online premarket broadcast hosted by veteran traders
16 and featuring finance industry guests. During the show, Defendant Brown was asked about a short
17 seller report that had called Chegg “the poster child for institutionalized academic cheating.” In
18 response, Brown flatly denied that Chegg’s growth was based in any meaningful way on cheating,
19 and emphasized the “fact” that Chegg was “a learning site” where cheating “doesn’t happen.”
20 Specifically, Brown replied: ***“What you’re talking about is some very isolated cases [of cheating]
21 . . . the fact of the matter is this: we are a learning site.”*** Brown continued, stating ***“When you
22 think about other services out there where there’s a lot of user generated content where kids can
23 upload papers and can upload tests, and they can download papers and download tests. That
24 doesn’t happen on Chegg — all of the content on Chegg is generated by Chegg.”*** Brown
25 underscored that Chegg followed a strict “Honor Code,” and if there was any cheating “problem,”
26 the student was to blame: “We also have an honor code that our students are obliged to follow and
27 ***if we find they haven’t followed that honor code then we will suspend them and at some point we***
28

1 *expel them if they're repeat offenders . . .* In any environment you have some kids that want to
2 cheat, so *Chegg's not really the problem it's more the student.*"

3 189. On August 7, 2020, *The Washington Post* published an article titled "Another
4 problem with shifting education online: A rise in cheating." The article noted that a spokesman for
5 Chegg said the Company supports academic integrity and hasn't seen "*any relative increase in*
6 *honor code issues since the covid-19 crisis began.*"

7 190. The statements in ¶¶187-89 were materially false and misleading, and omitted
8 material facts when made. Far from Chegg's "unprecedented growth" being attributable to students
9 using Chegg to "master their subject matter and get better grades," it was instead due to students'
10 use of Chegg's online services for "rampant" and "severe" cheating, such that prominent professors
11 across the country reported that they were "not aware of any students using Chegg for legitimate
12 purposes." Indeed, rather than students being prevented from "upload[ing] tests" onto Chegg,
13 numerous professors described how "[a]ll of my test questions had been posted" on Chegg, and
14 how they would routinely directly inform Chegg that "all of the final exam problems [] and
15 solutions . . . were posted to your website." Moreover, rather than cheating on Chegg being limited
16 to "very isolated cases," Lead Counsel's investigation confirmed that the exact opposite was true,
17 as numerous university FOIA responses and detailed accounts from university professors across
18 the country uniformly described how students' use of Chegg to cheat was "severe" and "rampant,"
19 such that Chegg was essentially a "professional cheating operation" where the "vast majority of
20 students using Chegg did so for illegitimate reasons." Indeed, multiple professors, deans, and high-
21 ranking officials at prominent universities concluded that, based on their experiences, as many as
22 "90-98%" of students using Chegg did so to cheat—with many stating that they were not aware of
23 *any* students who used Chegg for legitimate educational purposes. Further, Lead Counsel's own
24 empirical analysis of a limited, random sampling of thousands of Expert Q&A questions revealed
25 that approximately 25% had clear indicia of blatant student cheating. Additionally, far from
26 attempting to curb cheating, university and professor accounts uniformly described how Chegg
27 instead encouraged cheating by inexplicably erecting numerous "hurdles[s] for faculty" to identify
28 and discipline student cheaters. Former Chegg employees similarly confirmed that, rather than

1 being a “learning site,” it was “the cheating business” that “ma[d]e up a big part of Chegg’s
2 revenue” and led to the Company’s exponential growth during the Class Period—such that Chegg
3 management “didn’t really put any effort into stopping it because it was putting money into their
4 pocket.” Furthermore, in contrast to Chegg’s statement that there had been no “relative increase in
5 honor code issues” since the beginning of the pandemic, Lead Counsel’s investigation confirmed
6 that honor code violations involving Chegg skyrocketed during the pandemic, with professors
7 stating that “the number of students cheating exploded” such that it was “raining [academic
8 integrity] cases” during remote learning.

9 **D. September 2020 False Statements**

10 191. On September 9, 2020, Chegg updated its Honor Code posted on the Company’s
11 website. The Honor code stated: “[Students] should never . . . use our services for any sort of
12 cheating or fraud . . . *The vast majority of Chegg students use our services to help them learn and*
13 *understand.*” The Honor Code further stated that “[w]e don’t tolerate abuse of our platform or
14 services . . . *[M]issuse of our platform represents an extremely small portion of the activity on our*
15 *services . . . We are constantly working to improve our abilities to detect and respond to issues*
16 *around both copyright and academic integrity. We take both of these situations very seriously,*
17 *and we will respond as quickly as possible.*”

18 192. The statements in ¶191 above were materially false and misleading, and omitted
19 material facts when made. First, rather than the “misuse of” Chegg’s platform representing only
20 “an extremely small portion of the activity on our services,” Chegg’s business model and
21 “dramatic” revenue growth was dependent upon widespread student cheating. Indeed, Lead
22 Counsel’s investigation, which included reviewing extensive documents produced by universities
23 across the country in response to FOIA Requests, interviews with former Chegg employees as well
24 as professors, deans, and high-ranking university officials at universities around the country, and
25 an empirical analysis of thousands of questions submitted to Chegg during the Class Period,
26 confirmed that Chegg facilitated “rampant” and “severe” widespread cheating through its Expert
27 Q&A tool. Furthermore, the Company did not genuinely “take” cheating and copyright violations
28 “seriously” and “respond as quickly as possible” to takedown requests. To the contrary, far from

1 attempting to curb cheating, university and professor accounts uniformly described how Chegg
2 instead encouraged cheating by erecting numerous “hurdles[s] for faculty” to identify and discipline
3 student cheaters. Former Chegg employees similarly confirmed that, rather than aiming to provide
4 services that help students “learn and understand,” it was “the cheating business” that “ma[d]e up
5 a big part of Chegg’s revenue” and led to the Company’s exponential growth during the Class
6 Period—such that Chegg management “didn’t really put any effort into stopping it because it was
7 putting money into their pocket.”

8 193. On September 23, 2020, Defendant Rosensweig gave a speech at the CMU Silicon
9 Valley Summit Distinguished Speaker Series, where he claimed that the Company’s “insane”
10 growth during the pandemic was essentially attributable to Chegg’s efforts to clamp down on
11 account sharing. Rosensweig explained that: “What happened [during COVID] was twice as many
12 people wanted it, I shouldn’t say that. *Truth is we had done a lousy job for years almost on*
13 *purpose of blocking account sharing as I’m sure many of you know. When the pandemic came*
14 *in the United States what happened was proximity sharing . . . went away at the same time we*
15 *had been working on all this technology to block it.”* As a result, Rosensweig claimed, “*so what*
16 *ended up happening was all these students that have been using it suddenly started to pay for it*
17 *and we grew organically 58% year-over-year in the second quarter which is insane if you*
18 *understand businesses.”*

19 194. The statements in ¶193 were materially false and misleading, and omitted material
20 facts when made. Rather than being driven by the Company’s measures to “block[] account
21 sharing,” Chegg’s growth was driven by an increase in cheating during the pandemic facilitated by
22 remote learning. As confirmed from Lead Counsel’s investigation, Chegg’s explosive subscriber
23 growth at this time was directly attributable to students’ increasing use of Chegg’s platform to
24 cheat, which was made easier by the transition to remote learning. Former Chegg employees
25 similarly confirmed that student cheating on Chegg “absolutely accelerated” during the pandemic,
26 that it was “the cheating business” that was responsible for Chegg’s exponential growth during the
27 Class Period, and that Chegg’s efforts to prevent account sharing were not the “driver” behind the
28 Company’s significant subscriber, revenue, and earnings growth.

1 **E. October 2020 False Statements**

2 195. On October 26, 2020, Chegg reported “extraordinary” results for Q3 2020, including
3 3.7 million subscribers (a 69% increase year-over-year), total revenues of \$154 million (a 64%
4 increase year-over-year), adjusted EBIDTA of \$31.9 million (a 38% increase year-over-year), and
5 Chegg Services revenue of \$118.9 million (a 72% increase year-over-year).

6 196. Chegg held its Q3 2020 earnings call later the same day. During the call, Defendants
7 Rosensweig and Brown hailed the “great quarter,” “extraordinary growth,” and “extraordinary
8 year” Chegg was having, and raised the Company’s revenue and earnings guidance for 2020 for
9 the second time that year based on the continued “momentum” and “*permanent situation*” Chegg
10 was experiencing. Specifically, responding to an analyst’s “longer-term question” about whether
11 Chegg’s explosive growth would “sustain when we kind of go back to a more normal environment,”
12 Defendant Rosensweig stated that student usage of Chegg “*is agnostic to geography,*” and “*[i]f*
13 *you’re at the school or if you’re not at the school, you subscribe and use Chegg [in] very similar*
14 *ways.*” Rosensweig added that “*[i]hose that are at school and not at school are taking the same*
15 *take rates of Chegg Study whether they’re in school physically or not in school. So for us, we*
16 *see this as a permanent situation.*”

17 197. In the Company’s Form 10-Q for Q3 2020, which was also filed with the SEC on
18 October 26, 2020, Defendants attributed the 69% year-over-year increase in subscribers, and the
19 corresponding 72% year-over-year increase in Chegg Services revenue, to “*our efforts to reduce*
20 *account sharing.*”

21 198. On October 27, 2020, Defendant Rosensweig was interviewed by CNBC on the
22 television program “Closing Bell.” During the interview, Rosensweig was asked “where the
23 demand is coming from?” In response, Rosensweig again made clear that Chegg’s growth was
24 attributable to the Company’s efforts to prevent account sharing: “In the U.S., *coincidental with*
25 *COVID, was the fact that we were working on account sharing efforts* because for every one
26 student that was paying for Chegg, two were using Chegg, so not a great business model. We were
27 still growing over 30 percent but we are working on that. *When COVID came and students had to*
28 *leave campus, it was much harder for them to share. We’ve been the beneficiary of that. We built*

1 *all the technology to block it, so that's why even when they went back to campus, the growth rate*
2 *accelerated even more."*

3 199. The statements in ¶¶196-98 were materially false and misleading, and omitted
4 material facts when made. Rather than revenue and subscriber growth being driven by legitimate
5 reasons such as the Company's "efforts to reduce account sharing," Chegg's explosive subscriber
6 growth was in fact directly attributable to students' increasing use of Chegg's platform to cheat,
7 which was made easier by the transition to remote learning. Former Chegg employees similarly
8 confirmed that student cheating on Chegg "absolutely accelerated" during the pandemic, that it was
9 "the cheating business" that was responsible for Chegg's exponential growth during the Class
10 Period, and that Chegg's efforts to prevent account sharing were not the "driver" behind the
11 Company's significant subscriber, revenue, and earnings growth. Finally, Chegg was not "agnostic
12 to geography," and students did not use the platform in "very similar ways," if they were "at the
13 school" or "not at the school." Indeed, use of Chegg exploded during remote learning precisely
14 because it was far easier to use Chegg to cheat when students were not on campus and were not
15 attending school in-person.

16 **F. November 2020 False Statements**

17 200. On November 12, 2020, Chegg presented at the Citi Virtual Education Series.
18 During the conference, a securities analyst asked if Chegg's total addressable market "has changed
19 pre-COVID and as of today?" In response, Brown stated: "*I don't think it's changed at all pre-*
20 *COVID to post-COVID*" adding that the Company's revenue and subscriber growth was due to "*a*
21 *combination of two things*" the first being the Company's successful initiative to reduce "*account*
22 *sharing in the US.*"

23 201. The statements in ¶200 were materially false and misleading, and omitted material
24 facts when made. In truth, Chegg's total addressable market greatly changed due to COVID because
25 students had flocked to Chegg's platform to cheat during remote learning. Furthermore, Chegg's
26 growth during the Class Period was not due to "account sharing" measures, but a sharp increase in
27 students using the platform to cheat. Lead Counsel's investigation confirmed that student cheating
28 on Chegg "absolutely accelerated" during the pandemic, that it was "the cheating business" that

1 was responsible for Chegg’s exponential growth during the Class Period, and that Chegg’s efforts
 2 to prevent account sharing were not the “driver” behind the Company’s significant subscriber,
 3 revenue, and earnings growth.

4 **G. December 2020 False Statements**

5 202. On December 8, 2020, Chegg presented at the Raymond James Technology Investor
 6 Conference. During the conference, a securities analyst asked, “how do you think the pandemic
 7 has shifted [] longer term consumer behavior in the online learning space,” adding that “it seems
 8 like it’s still going to be a long-term catalyst as well.” In response, Brown again attributed Chegg’s
 9 success during the pandemic to a purported reduction in account sharing:

10 I do believe, and we’ve said this before, that it was inevitable that more and more
 11 learning was going to go online. It would just – to us, it was like a no-brainer. Do
 12 we believe that has accelerated as a result of COVID? The answer is, yes. ***So I think***
 13 ***the dynamic we saw in the US was more so around that account sharing, maybe***
 14 ***some that were there – because they didn’t have the on-campus help, but I think***
 15 ***the vast majority was account sharing, again. And that to me is – those tailwinds***
 16 ***continue into 2021 and 2022 because any time somebody signs up for a***
 17 ***subscription, they can’t share with one or two other people.***

18 203. During the same conference, another analyst pressed Brown on whether the
 19 Company’s efforts to crack down on account sharing would continue to be a “driver” of growth in
 20 “2021 and 2022” or had Chegg “largely gotten through. . .the account sharing issues?” In response,
 21 Defendant Brown reiterated: “***No. No. No . . .when you think about account sharing . . .the***
 22 ***tailwinds there continue into 2021, because every new user that comes onto the platform that***
 23 ***actually subscribes to Chegg Study doesn’t have the ability to share anymore.***” According to
 24 Brown, “***those tailwinds continue as we get into 2021 and 2022 as we potentially refine some of***
 25 ***the conditions around those technologies.***”

26 204. The statements in ¶¶202-03 were materially false and misleading, and omitted
 27 material facts when made because Defendant Brown falsely attributed the increase in subscriber
 28 growth to the Company’s efforts to limit “account sharing,” rather than rampant cheating facilitated
 by the pandemic and Chegg’s Expert Q&A tool. Lead Counsel’s investigation confirmed that
 student cheating on Chegg “absolutely accelerated” during the pandemic, that it was “the cheating
 business” that was responsible for Chegg’s exponential growth during the Class Period, and that

1 Chegg’s efforts to prevent account sharing were not the “driver” behind the Company’s significant
2 subscriber, revenue, and earnings growth.

3 205. On December 16, 2020, *KAGS News* published a story discussing a cheating scandal
4 at Texas A&M university titled “Maroon, white & gray areas: Texas A&M investigating academic
5 dishonesty with online classes.” In response, Devonya Batiste, a Chegg Communications Manager
6 is quoted in the article as stating: “*All our services*, including textbook rentals, online tutoring and
7 revision aids, *are designed to support the learning process and have been an invaluable resource*
8 *to students, especially during the pandemic. We are deeply committed to academic integrity. The*
9 *vast majority of students who use our platform are honest and here to learn. However, we take*
10 *extremely seriously any attempts to cheat by a tiny fraction of users.*”

11 206. The statements in ¶205 were materially false and misleading, and omitted material
12 facts when made. Rather than “all [Chegg’s] services” being “designed to support the learning
13 process,” and cheating being limited to a “tiny fraction of users,” Chegg’s services were widely
14 used by students to cheat. Indeed, numerous university FOIA responses and detailed accounts
15 from university professors across the country uniformly described how students’ use of Chegg to
16 cheat was “severe” and “rampant,” such that Chegg was essentially a “professional cheating
17 operation” where the “vast majority of students using Chegg did so for illegitimate reasons.”
18 Moreover, Lead Counsel’s extensive empirical analysis of a random sampling of thousands of
19 questions submitted to Chegg’s Q&A during the Class Period similarly confirmed that the platform
20 was widely used for blatant exam cheating—with *approximately 25%* of the submitted questions
21 Lead Counsel reviewed showing clear indicia of blatant student cheating, including *while in the*
22 *midst of taking the exam*. Indeed, far from attempting to curb cheating, university and professor
23 accounts uniformly described how Chegg instead encouraged cheating by inexplicably erecting
24 numerous “hurdles[s] for faculty” to identify and discipline student cheaters. Former Chegg
25 employees similarly confirmed that Chegg “didn’t really put any effort into stopping [cheating]
26 because it was putting money into their pocket.”
27
28

H. January 2021 False Statements

1
2
3
4
5
6
7
8
9
10
11
207. On January 13, 2021, Chegg issued a press release announcing the launch of the Company’s new “Honor Shield” program, which the Company claimed would prevent student use of Chegg’s online platform to cheat. The press release stated that “Honor Shield allows professors to confidentially, and without charge, pre-submit exam or test questions, *preventing them from being answered on the Chegg platform during a time-specified exam period.*” The press release further assured that: “*We are working with faculty, administrators, and students, to do our part in protecting the integrity of the online evaluation process.*” The press release also quoted Defendant Schultz as stating: “*The overwhelming majority of students use our platform to get the support they need to learn and master their subjects,*” and that only “*a small number of students have misused our platform in ways it wasn’t designed.*”

12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
208. The statements in ¶207 were materially false and misleading, and omitted material facts when made. *First*, Honor Shield did not “prevent[]” exam questions from being answered during “a time-specified exam period.” Rather, Lead Counsel’s empirical analysis found that, based on a random sampling of thousands of Expert Q&A submissions, approximately 25% of students were using Chegg to blatantly cheat, often in the midst of timed exams. Numerous prominent professors similarly detailed instances of how they routinely found answers to their own exam content on Chegg’s Expert Q&A platform that were posted during timed exams—including those who had utilized Honor Shield. *Second*, Honor Shield was not a real effort by Chegg to “help” universities prevent cheating on the platform, but rather a façade the Company implemented to address public concern in the wake of a growing number of cheating scandals involving Chegg. Indeed, one professor interviewed by Lead Counsel stated the Company was acting in “bad faith” with respect to Honor Shield because the Company knew that the program was not going to work. *Third*, rather than “working with faculty, administrators, and students, to ... protect[] the integrity of the online evaluation process,” “building systems to support student learning,” having a “range of measures already in place to prevent abuse of Chegg’s platform,” Chegg erected numerous “hurdles” to identifying cheaters and refused to cooperate with faculty to remove exam content during the time exams were being administered. *Finally*, Defendants’ statement that the “majority”

1 of Chegg usage was by students seeking support “to learn and master their subjects” was false and
2 misleading because, in truth, the use of Chegg to cheat was “severe” and “rampant,” such that
3 Chegg was essentially a “professional cheating operation” where the “vast majority of students
4 using Chegg did so for illegitimate reasons.” Indeed, multiple professors, deans, and high-ranking
5 officials at prominent universities concluded that based on their experiences, as many as “90-98%”
6 of students using Chegg did so to cheat—with many stating they were not aware of *any* students
7 who used Chegg for legitimate educational purposes.

8 **I. February 2021 False Statements**

9 209. On February 5, 2021, *Inside Higher Ed* published an article titled “A Spike in
10 Cheating Since the Move to Remote?” The article reported on a research paper published by the
11 *IJEI* the day before that examined potential cheating on Chegg. In response to the paper, Candace
12 Sue, Chegg’s “Director of Academic Relations,” was quoted in the *Inside Higher Ed* article stating
13 that the authors of the research paper “*mistakenly imply – without any evidence – that increased*
14 *usage of Chegg has [sic] correlates to an increase in cheating.* With millions of students going
15 online in a matter of months, students have lost valuable on-campus and faculty support services,
16 and stress and anxiety is high. *Chegg provides much needed learning support to these students,*
17 *especially during the pandemic.*” Sue further said that “*we cooperate with every official academic*
18 *Honor Code investigation* and respond to every copyright takedown request as soon as possible.
19 *We remain 100% committed to addressing this challenge.*”

20 210. The statements in ¶209 were materially false and misleading, and omitted material
21 facts when made. Rather than being “100% committed to addressing” cheating by “cooperat[ing]
22 with every official academic Honor Code investigation,” as numerous detailed professor and
23 university accounts during the Class Period confirmed, in truth, Chegg erected numerous “hurdle[s]
24 for faculty” to address cheating, including by refusing to take exam questions down unless
25 burdensome requirements were satisfied and refusing to provide any identifying information for
26 student-cheaters. As a result, as these universities and professors confirmed, students using Chegg
27 engaged in “severe” and “rampant” cheating by routinely posting “entire test[s]” to Chegg’s Expert
28 Q&A—such that universities were forced to strategize to make their classes “Chegg-proof.” Lead

1 Counsel’s empirical analysis also confirmed rampant cheating using Chegg during the Class Period,
2 with blatant cheating being clearly evident in approximately 25% of the thousands of Expert Q&A
3 submissions Lead Plaintiffs randomly sampled. Former Chegg employees similarly confirmed that
4 Chegg “didn’t really put any effort into stopping [cheating] because it was putting money into their
5 pocket.” Indeed, in contrast to Chegg’s statements that there was “no evidence” increased usage
6 of Chegg “correlates to an increase in cheating,” Lead Counsel’s investigation confirmed that the
7 increase in Chegg usage *was* due to rampant cheating, which “absolutely” increased during the
8 pandemic, and that the “cheating business” “ma[d]e up a big part of Chegg’s revenue,” leading to
9 the Company’s remarkable growth during the Class Period.

10 211. On February 8, 2021, Chegg released its earnings results for Q4 2020 and full year
11 2020, stating that the Company had “outperformed all expectations” due to students subscribing to
12 Chegg in “record numbers,” such that “2020 was our best year as a company.” Specifically, for
13 the fourth quarter, Chegg reported (1) 4.4 million subscribers (a 74% increase year-over-year); (2)
14 total net revenues of \$205.7 million (a 64% year-over-year increase); (3) adjusted EBITDA of \$89.7
15 million (a 47% increase year-over-year); and (4) \$176 million in revenue for Chegg Services (a
16 64% increase year-over-year). For the full year 2020, Chegg reported (1) 6.6 million subscribers
17 (a 67% increase year-over-year); (2) total net revenues of \$644.3 million (a 57% increase year-
18 over-year); (3) adjusted EBITDA of \$207.1 million (a 66% increase year-over-year); and (4) Chegg
19 Services revenue of \$521.2 million (a 57% increase year-over-year). Defendants touted Chegg’s
20 “extraordinary growth,” telling investors that “[w]e far exceeded our initial expectations for
21 revenue, adjusted EBITDA and all key operating metrics,” and hailed 2020 as “our best year as a
22 company.”

23 212. The same day, Chegg held an earnings call to discuss its Q4 2020 results. During
24 the call, Defendant Rosensweig attributed the Company’s stellar financial performance to an
25 increasing number of students using Chegg to “learn,” and stated that this “irreversible trend”
26 supported raising Chegg’s financial guidance for 2021. Rosensweig stated: “We believe this
27 massive shift to learning online accelerated by the pandemic is an irreversible trend and is actually
28 more student centric. ... ***Our results reflect the growing importance of Chegg’s learning support***

1 *services to millions of students around the world.* In 2020, we saw year-over-year annual
 2 subscriber growth of 67%, representing over 6.6 million subscribers, and total revenue growth of
 3 57%. *The trends toward online learning are continuing and, as a result, it gives us the*
 4 *confidence to raise our guidance in 2021.”* Also on February 8, 2021, Chegg issued a press
 5 release, which was also filed with the SEC on Form 8-K, containing the same statements from
 6 Defendant Rosensweig.

7 213. During the February 8, 2021, earnings call, an analyst asked Defendant Rosensweig
 8 about “some negative media stories about how students might have been abusing the Chegg
 9 product.” In response, Rosensweig ridiculed the question and vehemently denied that cheating was
 10 a problem:

11 *[R]eporters don’t understand what Chegg does and the way we do it. And it’s sort*
 12 *of like traditional media defending traditional media actually – versus actually*
 13 *looking at the changes and the advancements that are happening in every*
 14 *industry. Look, the Internet is here to stay. Technology is here to stay. What*
 15 *happened for the schools, unfortunately, is they were woefully underinvested in*
 16 *technology. They didn’t prepare to teach online. They tried not to teach online. And*
 17 *then when push came to shove, they gave take-home tests of – often those tests*
 18 *were old questions or they’re auto generated . . . So we stepped in and we said,*
 19 *look, that’s not what Chegg was built for. That’s not what we want it for. The*
 20 *overwhelming majority, I mean overwhelming majority students who use us every*
 21 *week, whether they have a test or have a quiz or not, because they have no*
 22 *scalable support from their institutions, and frankly, overwhelmingly, none of*
 23 *them ever had in it in high school. So we’re the first high-quality, affordable, on-*
 24 *demand support that they can use to master their subject”*

25 But we said, look, we have a role to play here, too. And so, the first thing is we
 26 doubled the number of people that we have that handle these kinds of issues almost
 27 overnight. Because we saw our subscriber base double almost overnight, and not
 28 just domestically, outside the U.S. So that’s the first thing. *So if we ever got*
contacted by schools, our policy is we take it down first, and then we investigate
it. And then if we shift it, put it back up, we do. ... The second thing is we use
technology and AI to actually build technology that blocks people from asking
multiple questions. So, you can’t submit a test all at once. There are other sites
that do that. We’re not one of the ones that does that because that’s not what
we’re for. So actually, if you submitted either in text or you submitted in photos,
we now use technology, AI and machine learning, to actually block it, ask which
specific question you want to ask. And then the last thing we did was launch
Honor Shield ...

In the case of Honor Shield, we said, look, what we want to do is provide a free

1 *tool that's really robust, that can scale, that any professor or any school in the*
2 *world can pre-submit their tests and give us the specific time that those tests*
3 *happened, and then we block the ability for that question to be answered during*
4 *that test time. And then, we store them on a segregated server, and then the plan is*
5 *to delete them all and then they go back to the professor. So, we stepped up and did*
6 *that all within 90 days, because we saw the possibility for this.*

7 214. The statements in ¶¶212-13 were materially false and misleading, and omitted
8 material facts when made. *First*, contrary to Rosensweig's statement that cheating was "not what
9 Chegg was built for," in reality, and as Lead Counsel's comprehensive investigation confirmed,
10 Defendants were deliberately capitalizing on rampant student cheating on Chegg's platform—
11 which was the real reason for the Company's dramatic growth during the Class Period. Indeed,
12 Lead Counsel's investigation revealed that numerous prominent universities and professors across
13 the country uniformly described student cheating using Chegg as "severe" and "rampant," such that
14 Chegg was essentially a "professional cheating operation." Former employees similarly described
15 how cheating using Chegg "absolutely accelerated" during the pandemic, and how the Company
16 deliberately "didn't really put any effort into stopping it because it was putting money into their
17 pocket." *Second*, rather than only a small minority of students using Chegg to cheat—such that the
18 "overwhelming majority" was using it legitimately—in reality, and as numerous prominent
19 professors across the country described, "the vast majority of students using Chegg did so for
20 illegitimate reasons." Indeed, Lead Counsel's empirical analysis of a random sampling of
21 thousands of questions from Chegg's Expert Q&A archive during the Class Period easily revealed
22 that approximately 25% of students' submissions bore clear indicia of blatant student cheating,
23 often during the midst of taking an exam. *Third*, it was not the case that if Chegg was "ever []
24 contacted by schools" the Company would "take it down first"—to the contrary, and as professors
25 across the country uniformly described, Chegg would routinely *refuse* to take the objectionable
26 content down, instead requiring faculty to clear numerous burdensome "hurdles"—and even then
27 refused to provide identifying information for student cheaters. *Fourth*, rather than blocking
28 students from submitting an entire test "all at once," as numerous professor accounts cross-
corroborated, students in fact routinely submitted "entire tests" to Chegg, prompting numerous
professor complaints sent directly to Chegg that the Company failed to address. *Fifth*, as numerous

1 professor accounts confirmed, the Company’s launch of Honor Shield was a mere façade, as long
2 after its launch, Chegg continued to refuse to cooperate with university faculty to prevent cheating
3 during the period of a timed exam. Indeed, while Defendants held out Honor Shield as a “really
4 robust” tool “that can scale, that any professor or any school in the world” could use, there were
5 many other measures that would have been far easier for Chegg to implement and that also would
6 have been far more effective in stopping cheating – in particular, simply requiring students to
7 register for Chegg with their school email address – that Defendants refused to take despite
8 receiving repeated pleas from university faculty to do so.

9 215. During the same earnings call, an analyst asked about the “returns” the Company
10 was seeing from its efforts to prevent account sharing. In response, Defendant Rosensweig stated:
11 “So a lot of people ask what happens post-COVID, and I think Andy [Brown] just articulated []
12 ***Chegg’s success in the US is not a result of people being on campus or not being on campus,***”
13 adding that “***we [] had an extraordinary number of people who were sharing accounts***” but now
14 pay the monthly subscription fee because “***they just feel it’s worth it now because they weren’t***
15 ***able to share it anymore.***”

16 216. In response to another analyst question about the Company’s “growth levers,”
17 Rosensweig reiterated that “***the one that has had the most immediate impact is account sharing.***
18 ***And I think people are confusing that domestically as if we’re a stay-home company or not a***
19 ***stay-home company. That’s completely irrelevant to Chegg.*** What’s relevant is that students know
20 who we are, they want us, we provide an unbelievable service, and the numbers reflect that.”

21 217. The statements in ¶¶215-16 were materially false and misleading, and omitted
22 material facts when made. *First*, Chegg’s growth was not driven by legitimate factors such as the
23 Company’s “account sharing” measures. In truth, Chegg facilitated widespread cheating through
24 its Expert Q&A tool that provided “on demand” answers on an “almost immediate” basis.
25 Furthermore, as confirmed by Lead Counsel’s investigation, the Company’s explosive subscriber
26 growth at this time was directly attributable to students’ increasing use of Chegg’s platform to cheat
27 as a result of the shift to remote learning, such that numerous professors from prominent universities
28 across the country concluded that, based on their uniform experience, the “vast majority of students

1 using Chegg” did so to cheat. Former Chegg employees confirmed that it was “the cheating
2 business” that was responsible for Chegg’s exponential growth during the Class Period, and
3 Chegg’s efforts to prevent account sharing were not the “driver” behind the Company’s significant
4 subscriber, revenue, and earnings growth. This was borne out by the fact that, at the end of the
5 Class Period after students returned to in-person learning, Chegg’s subscriber growth sharply
6 declined despite the fact that Defendants had put permanent measures in place to prevent account
7 sharing. *Second*, whether school was online or in-person was not “completely irrelevant” to Chegg,
8 as the Company’s “success in the US” was *entirely* a result of people “not being on campus,” which
9 made it possible for students to cheat by using Chegg.

10 218. On February 11, 2021, Defendant Rosensweig participated in Goldman Sachs’
11 Technology & Internet Virtual Conference. During the conference, an analyst asked about the
12 Company’s efforts to prevent account sharing. In response, Rosensweig largely attributed Chegg’s
13 accelerated U.S. growth during the pandemic to the Company’s efforts to prevent account sharing,
14 including: (1) eliminating “*stealing and reselling*” account login information; and (2)
15 implementing “*2-step authentication*.” In addition, Rosensweig attributed Chegg’s U.S. growth to
16 the fact that “*institutions are providing almost zero support to students off-campus, let alone back*
17 *on campus when they get there.*”

18 219. Additionally, during the Goldman Sachs conference a securities analyst asked,
19 “what’s giving you confidence to” raise guidance “at this stage with this sort of ongoing
20 uncertainty?” In response, Rosensweig stated that “*because unlike other businesses that are*
21 *affected one way by COVID, it became clear to us that whether you are on-campus or not on-*
22 *campus, [it] didn’t matter to Chegg’s growth. So we’re going to grow through when they go back*
23 *to campus.*”

24 220. The statements in ¶¶218-19 were materially false and misleading, and omitted
25 material facts when made. The Company’s efforts to curb account sharing were not the source of
26 Chegg’s unprecedented growth during the Class Period. Rather, in truth, Chegg’s dramatic growth
27 was driven by “severe” and “rampant” cheating that “absolutely” increased during the pandemic.
28 Former Chegg employees similarly confirmed that student cheating on Chegg “absolutely

1 accelerated” during the pandemic, that it was “the cheating business” that was responsible for
2 Chegg’s exponential growth during the Class Period, and that Chegg’s efforts to prevent account
3 sharing were not the “driver” behind the Company’s significant subscriber, revenue, and earnings
4 growth. This was borne out by the fact that, when students returned to in-person learning, Chegg’s
5 subscriber growth sharply declined despite the fact that Defendants had put permanent measures in
6 place to prevent account sharing. Finally, contrary to Defendants’ statements, Chegg *was* “affected
7 ... by COVID” and “whether [students] were on campus or not on campus” *did* matter to Chegg’s
8 growth as the Company’s revenue and subscriber growth was driven by an increase in cheating
9 during the pandemic facilitated by the switch to online learning.

10 221. On February 22, 2021, Chegg filed its annual report on Form 10-K for the year
11 ended December 31, 2020 (“2020 Form 10-K”). The 2020 Form 10-K touted strong revenue
12 growth for Chegg Services, stating that revenues increased \$189 million, or 57% year-over-year,
13 primarily due to a 67% increase in subscriber growth, which was “*driven by*,” among other things,
14 “*our efforts to reduce account sharing.*”

15 222. The statements in ¶221 were materially false and misleading, and omitted material
16 facts when made. The Company’s efforts to curb account sharing were not the “driver” behind the
17 Company’s significant growth. In truth, Chegg’s growth was driven by rampant cheating that
18 “absolutely” increased during the pandemic. Former Chegg employees similarly confirmed that
19 student cheating on Chegg “absolutely accelerated” during the pandemic, that it was “the cheating
20 business” that was responsible for Chegg’s exponential growth during the Class Period, and that
21 Chegg’s efforts to prevent account sharing were not the “driver” behind the Company’s significant
22 subscriber, revenue, and earnings growth. This was borne out by the fact that, when students
23 returned to in-person learning, Chegg’s subscriber growth sharply declined despite the fact that
24 Defendants had put permanent measures in place to prevent account sharing.

25 **J. March 2021 False Statements**

26 223. On March 3, 2021, Chegg presented at the Morgan Stanley Technology, Media and
27 Telecom conference. During the question-and-answer session, an analyst asked Defendant
28 Rosensweig whether Chegg’s growth was sustainable or whether it was tied to COVID-19 and

1 remote learning. In response, Rosensweig responded that Chegg’s growth was sustainable and
2 “agnostic” as to where students were located because of Chegg’s purportedly successful efforts to
3 limit account sharing:

4 *So, we had already started to reaccelerate our growth, because we had fixed some*
5 *things around account sharing and we started our international efforts, and we*
6 *started to see the beginning of the success of the bundle. Those things are not*
7 *going to stop regardless of where the student is physically located... for somebody*
8 *like Chegg, we have always been agnostic of where the physical seat of the student*
9 *is ... on the domestic front, we already started to see reacceleration before*
10 *COVID; second, we’ve been working on account sharing efforts, which were*
11 *accelerated by COVID, meaning because students couldn’t proximity share, be in*
12 *the same dorms, be in the same room, they couldn’t share as much, so you really*
13 *saw the full usage of Chegg. And those students started to pay. At the same time,*
14 *we accelerated our technology efforts to block those kinds of things. We did it in*
15 *August and October of last year and they are holding.*

16 224. On March 11, 2021, Chegg presented at the Jefferies Virtual Online Education e-
17 Learning Summit. During the conference, an analyst noted that “last year was unprecedented,” and
18 asked “[h]ow ... [do] you think about the world and education over the next couple of years?” In
19 response, Rosensweig stated that Chegg was not a “stay-at-home” stock whose performance
20 depended on the pandemic, but instead had “accelerating growth before the pandemic and the
21 pandemic just accelerated it more.” Rosensweig then represented that Chegg’s performance was
22 sustainable because it was based on legitimate academic support that schools did not provide,
23 stating “*post the pandemic, it’s not going to go back to the way that it was. Because the issue for*
24 *Chegg was never whether you’re physically on a campus or at home, the issue for Chegg was an*
25 *acknowledgment that what we do is what students need and schools cannot offer it, and do not*
26 *offer it.*”

27 225. During the same conference, an analyst asked about the impact of Chegg’s efforts
28 to stop “password sharing,” noting it had been a “major driver” of the Company’s growth. In
response, Defendant Rosensweig agreed, explaining that “*what we did last August and last*
October when we did sort of revamped the passwords and did MFA [multi-factor authentication].
So we now limit the number of devices they can use, and that, more than anything else, coincided
with COVID, but more than anything else that’s what drove our domestic growth.”

1 226. The statements in ¶¶223-25 were materially false and misleading, and omitted
2 material facts when made. *First*, Chegg’s growth during the Class Period was not driven “more
3 than anything else” by the Company’s “account sharing efforts.” Lead Counsel’s investigation
4 confirmed that the Company’s efforts to curb account sharing were not the “driver” behind the
5 Company’s significant growth. In truth, Chegg’s growth was driven by rampant cheating that
6 “absolutely” increased during the pandemic. This was borne out by the fact that, when students
7 returned to in-person learning, Chegg’s subscriber growth sharply declined despite the fact that
8 Defendants had put permanent measures in place to prevent account sharing.

9 227. *Second*, rather than Chegg being “agnostic of where the physical seat of the student
10 is,” Chegg’s usage was largely driven by student cheating fueled by the pandemic and Chegg’s
11 “Expert Q&A” tool, which was much more difficult to use for cheating once students physically
12 returned to school.

13 **K. May 2021 False Statements**

14 228. On May 3, 2021, Chegg reported its earnings results for Q1 2021. Specifically, the
15 Company reported (1) 4.8 million subscribers for the quarter—or “almost 1 million more
16 subscribers than we had in all of 2019”; (2) \$198.4 million in total net revenues (a 51% increase
17 year-over-year); (3) \$57.1 million in adjusted EBITDA (an 80% increase year-over-year); and (4)
18 \$162.4 million in Chegg Services revenue (a 62% increase year-over-year). Defendants touted
19 Chegg’s “strong Q1 results,” “incredible profitability,” and “extraordinary growth”—which they
20 continued to attribute to “*our continued efforts around limiting account sharing*,”—and assured
21 investors that these trends would continue for “the foreseeable future.” The Company’s Q1 2021
22 Form 10-Q filed the same day similarly attributed the increase in Chegg Services revenues as being
23 “*primarily due to our efforts to reduce account sharing*.”

24 229. The same day, Chegg held its Q1 2021 earnings call. As investors began to question
25 the impact of COVID-19 related restrictions lifting, including students’ anticipated return to in-
26 person learning, Defendants continued to strongly deny that COVID-19 and remote learning had
27 anything to do with the Company’s break-out success. Specifically, during the call, a securities
28 analyst asked if the Company’s full-year outlook included “conservatism around retention rates as

1 students go back to campus?” In response, Rosensweig stated that, based on the Company’s
2 extensive research, the “end of COVID” is “not going to affect us negatively at all”:

3 [T]here’s a lot of people that I think are confusing whether Chegg is a back to work,
4 back to not work, we’re neither of those things [] ***as long as students are in***
5 ***school, they want, they need, and they’re using Chegg. It doesn’t matter their***
6 ***geography, physical location. So, we have looked at all of the data. If you were***
7 ***back at school and in classroom, if you were back at school and in classroom***
8 ***sometimes but not the rest, or if you were at home, your conversion levels, your***
9 ***engagement levels, your renewal levels are almost identical. So, we are not***
10 ***affected by whether schools teach online or offline or teach hybrid. The only***
11 ***thing that could affect us, which isn’t the case, is if there was no school. And that***
12 ***is not what happened. It’s not what’s happening. And so as we come to an end of***
13 ***COVID, it’s not going to affect us negatively at all.***

14 230. In response to the same question, Rosensweig further highlighted the Company’s
15 efforts to limited account sharing, which purportedly continued to contribute to Chegg’s growth:

16 [A] lot of the people have said our growth last year had a lot to do with COVID. ...
17 [I]n the US, we have been working on account sharing efforts and those account[]
18 sharing efforts were benefited from the fact that students left campus and couldn’t
19 proximity-share, sit next to somebody and share. But as you know, we have done a
20 lot of work to block all those things. So, as students went back to school and they
21 lived in pods or they went to classrooms, and most of their pods were people in the
22 same class. So we saw only the positive impact of what we’ve done on account
23 sharing. ***So, we are not a COVID case in any way in terms of going back or staying***
24 ***home. If you’re in school, you want Chegg. And we have the numbers that back***
25 ***that up.***

26 231. The statements in ¶¶229–30 were materially false and misleading, and omitted
27 material facts when made. *First*, contrary to Rosensweig’s statement that demand, and usage was
28 not affected whatsoever by “their geography, [or] physical location” of students, user engagement
and renewal levels were significantly driven by remote learning, which made it easier to use
Chegg’s Expert Q&A tool to cheat. *Second*, the pandemic did not increase the Company’s growth
because “students left campus and couldn’t proximity share [accounts],” but rather because it made
it far easier for students to cheat during unsupervised remote learning. Indeed, Lead Counsel’s
investigation confirmed that the Company’s efforts to curb account sharing were not the “driver”
behind the Company’s significant growth. In truth, Chegg’s growth was driven by rampant
cheating that “absolutely” increased during the pandemic. This was borne out by the fact that,
when students returned to in-person learning, Chegg’s subscriber growth sharply declined despite
the fact that Defendants had put permanent measures in place to prevent account sharing.

1 232. On May 5, 2021, Defendant Brown was interviewed on TD Ameritrade Network.
2 During the interview, Defendant Brown stated, “*clearly we’re not a COVID play I mean a big part*
3 *of our success is really what we’re doing in the business, particularly in the US, around account*
4 *sharing.*”

5 233. On May 19, 2021, Chegg presented at the Needham Virtual Technology & Media
6 Conference. During the conference, an analyst asked, “Assuming we return to primarily in-person
7 learning this fall, what gives you the confidence in your ability to retain the so-called COVID cohort
8 of the subscribers you added in 2020?” In response, Brown stated:

9 *We’re not sure it’s a COVID cohort.* So I just want to make sure that’s clear. I
10 mean there were quite a few things that occurred kind of in the middle of 2020 that
11 we’re -- I call it, we’re lapping as it were, right? One is the COVID part. What part
12 of that is COVID? *But at almost the same time, we started doing things around*
13 *account sharing. So how much of that is COVID and how much is account*
sharing? And we do believe a big part of that is actually what we have done,
which is account sharing, and that continues.

14 *... And so, there are really three dynamics that we are lapping. It’s not just about*
15 *– it certainly isn’t just about COVID.* What – but what we do know is this is that,
16 what we saw last year was just an acceleration of what we call the inevitable. And
17 that is that more and more educational services were going to go online. *More and*
more students once they found the fact that they could get on-demand
educational services, why would they go away, right? I mean because that's how
18 they live their normal lives. Everything is on demand.

19 234. The statements in ¶¶232-33 were materially false and misleading, and omitted
20 material facts when made. Chegg was in fact a “COVID play” and a “COVID cohort” was driving
21 its demand because the Company facilitated widespread cheating through its Expert Q&A tool that
22 provided “on demand” answers on an “almost immediate” basis that was made possible by remote
23 learning. Thus, Chegg’s revenue and subscriber growth was fueled by cheating during remote
24 learning, and such cheating would be dramatically curtailed once students returned to in-person
25 school. Additionally, Lead Counsel’s investigation confirmed that the Company’s efforts to curb
26 account sharing were not the driver behind the Company’s significant growth. In truth, Chegg’s
27 growth was driven by rampant cheating that “absolutely” increased during the pandemic. This was
28 borne out by the fact that, when students returned to in-person learning, Chegg’s subscriber growth

1 sharply declined despite the fact that Defendants had put permanent measures in place to prevent
2 account sharing.

3 **L. June 2021 False Statements**

4 235. During June 2021, Defendants continued to claim that Chegg was proactively
5 addressing and successfully curbing cheating on its platform—such that the Company “really [did
6 not] allow” it—while also asserting that any cheating that was occurring on the platform was
7 minimal. For example, on June 17, 2021, Bank of America held a Telecom and Media Internet
8 conference. During the conference, Defendant Brown discussed Chegg’s “Honor Shield” program
9 and minimized any usage of Chegg’s platform to cheat. Brown stated: “*One of the things we*
10 *introduced earlier this year was ... Honor Shield. ... And what it was, was 1 more step for us to*
11 *be able to help the professor guard against those folks that – and it’s a very small group of folks*
12 *that would potentially want to cheat on the platform ... And so it’s just one more way of many*
13 *ways that we – on our platform where we have things in place to discourage and really not allow*
14 *cheating for those students that decide they want to do that.*”

15 236. On June 23, 2021, Chegg continued to minimize cheating by updating its Honor
16 Code, which was posted on the Company’s website, to emphasize that only a “very small”
17 percentage of students were cheating using Chegg. The Honor Code stated: “Honoring Academic
18 Integrity . . . *We believe academic integrity is a fundamental part of the learning process and we*
19 *work to preserve it . . .* Our products and services should never be used by you for any sort of
20 cheating or fraud – like asking for answers to an active test exam, or copying answers online and
21 submitting them as your own . . . *The vast majority of Chegg students use our services to help*
22 *them learn and understand.*” The Honor Code further stated that “[w]e don’t tolerate abuse of our
23 platform or services . . . *[M]isuse of our platform represents a very small portion of the activity on*
24 *our platform ... We are constantly working to improve our abilities to detect and respond to*
25 *issues around both copyright and academic integrity.* We take both of these situations very
26 seriously and we will respond as quickly as possible.”

27 237. The statements in ¶¶235-36 were materially false and misleading, and omitted
28 material facts when made. *First*, Defendant misrepresented that “a very small group” of users used

1 Chegg to cheat, “misuse of” the platform “represents a very small portion of the activity on our
2 platform,” and the “vast majority of Chegg students” use the service “to help them learn and
3 understand.” However, in truth, numerous university FOIA responses and detailed accounts from
4 university professors across the country uniformly described how students’ use of Chegg to cheat
5 was “severe” and “rampant,” such that Chegg was essentially a “professional cheating operation”
6 where the “vast majority of students using Chegg did so for illegitimate reasons.” Indeed, Lead
7 Counsel’s extensive empirical analysis of thousands of questions submitted to Chegg’s Q&A
8 during the Class Period confirmed that the platform was widely used for blatant exam cheating,
9 with students routinely submitting final exam questions to Chegg and receiving answers while in
10 the midst of taking the exam.

11 238. *Second*, Honor Shield was not a legitimate effort by Chegg to “really not allow
12 cheating” by its users, but a façade the Company implemented to address public concern in the
13 wake of a growing number of cheating scandals involving Chegg. Indeed, one professor
14 interviewed by Lead Counsel stated the Company was acting in “bad faith” with respect to Honor
15 Shield, knowing that the program was not going to work, and an administrator stated that a faculty
16 member at her university found her exam questions being answered on Chegg during the exam
17 period despite the faculty member utilizing Honor Shield. Similarly, the Company did not
18 genuinely “take” cheating “seriously,” “respond as quickly as possible” to takedown requests, or
19 work to “preserve” academic integrity. Far from attempting to curb cheating, university and
20 professor accounts uniformly described how Chegg instead encouraged cheating by inexplicably
21 erecting numerous “hurdles[s] for faculty” to identify and discipline student cheaters. Former
22 Chegg employees similarly confirmed that Chegg “didn’t really put any effort into stopping it
23 because it was putting money into their pocket.”

24 **M. August 2021 False Statements**

25 239. On August 9, 2021, Chegg again reported favorable financial results, including (1)
26 total net revenues of \$198.5 million (a 30% increase year-over-year); (2) adjusted EBITDA of \$84.4
27 million (a 52% increase year-over-year); and (3) Chegg Services revenue of \$173.5 million (a 38%
28 increase year-over-year). Defendants specifically highlighted the “great” earnings results and

1 “phenomenal” earnings margin growth for Q2 2021, which confirmed the “unquestionable” value
 2 of Chegg’s services to students. Significantly, Defendants again directly attributed these
 3 “excellent” results to *“our efforts to reduce account sharing as students have returned to*
 4 *campus.”*

5 240. The same day, Chegg held its Q2 2021 earnings call. During the call, Defendant
 6 Rosensweig addressed the fact that most students were expected to return to in-person learning in
 7 the fall, and touted the educational value of Chegg wherever schooling occurred, stating: *“It is clear*
 8 *wherever [students] are learning, whether online, on campus, or in a hybrid model, the value of*
 9 *Chegg to students is unquestionable.”* Also on August 9, 2021, Chegg issued a press release,
 10 which was also filed with the SEC on Form 8-K, containing substantially the same statement from
 11 Rosensweig.

12 241. Also, during the Q2 2021 earnings call, an analyst asked Defendants to “talk about
 13 account sharing a little bit more,” and specifically whether the purported benefits the Company had
 14 seen from its efforts to prevent account sharing would be sustainable in light of students returning
 15 to in-person learning in the fall. In response, Rosensweig affirmed that, because the Company had
 16 “specifically reviewed” the activity of students who had returned to campus, the benefits yielded
 17 from account sharing efforts were “absolutely” “sustainable”:

18 On the account sharing question, and this is where -- it was just one of those
 19 weird scenarios where it was hard to explain to people that *it really wasn’t*
 20 *COVID that caused people to come to Chegg. It was the fact that so many*
 21 *people were using Chegg, but not enough of them who were using it were*
 22 *paying for it . . . What I do know is we specifically reviewed students that*
 23 *went back to campus schools that were open, IP addresses that were on*
 24 *those campus[es], and we know that our efforts are holding up very strong*
 25 *. . . it is absolutely, in our mind, sustainable, based on all the evidence that*
 26 *we’ve currently seen for students that have already gone back to campus in*
 27 *the first 6 months of this year. So it’s really all good news for us.*

28 242. During the same earnings call, Defendant Brown told investors, “[m]oving to the
 second half of the year, *with the efforts we made to increase engagement and reduce account*
sharing as students have gone back to campus, we feel even more confident to raise our revenue
and adjusted EBITDA guidance for the remainder of the year.” Also on August 9, 2021, Chegg

1 issued a press release, which was also filed with the SEC on Form 8-K, containing the same
2 statement from Defendant Brown.

3 243. The statements in ¶¶240-42 were materially false and misleading, and omitted
4 material facts when made. *First*, Chegg’s “value” was not due to “learning” purposes “whether
5 online, in the classroom, or in a hybrid model.” Rather, in truth, Chegg attracted record numbers of
6 new subscribers because it facilitated widespread cheating through its Expert Q&A tool, such that
7 cheating “absolutely” increased during the pandemic and was rampant while schools were
8 “online”—meaning that cheating would become much more difficult “in the classroom,” thus
9 significantly impacting the Company’s financials. *Second*, as confirmed by Lead Counsel’s
10 investigation, Chegg’s growth was “not” driven by “efforts [Chegg] made to increase engagement
11 and reduce account sharing,” but by rampant cheating facilitated by remote learning and Chegg’s
12 Expert Q&A tool. As a result, Chegg’s growth during remote learning was not “sustainable,” and
13 thus, there was no reasonable basis for Defendants to raise revenue and EBITDA guidance for the
14 second half of 2021 – particularly with distance learning coming to an end and growing backlash
15 against Chegg as an incubator of cheating by educational institutions across the globe.

16 244. On August 11, 2021, Chegg presented at the KeyBanc Technology Leadership
17 Forum. During the conference, an analyst noted Chegg’s explosive subscriber growth over the past
18 two years during COVID-19 related remote learning, and asked, “help me unpack where these
19 incremental subscribers might be coming from and the sustainability of it.” In response, Defendant
20 Brown compared Chegg Study to Amazon Prime, noting that both had sustainable growth due to
21 addition of legitimate services and capabilities:

22 So then question is where are we getting the new subscribers post that, all right?
23 And a lot of that has to do with the type of content that we’re putting on to our
24 platform, right? So if you -- once again, I look at Chegg Study very much like
25 Amazon Prime. Amazon Prime started out as 2-day shipping way, way, way back
26 when the same way, way back when Chegg started out as textbook solutions.
27 Amazon Prime has added much more -- many more capabilities to it, whether it be
28 video, music, fresh, whatever they add. And today, kind of 2-day shipping is an
afterthought. Same thing with Chegg Study, right? Textbook solutions, a little bit
of an afterthought. I mean still used but it’s less than 10% of our total content. ***So
as we’ve added new forms of content, new subject matters, new modalities, we’re
picking up more and more subscribers.***

1 245. The statements in ¶244 were materially false and misleading, and omitted material
2 facts when made because Chegg’s remarkable subscriber growth during the pandemic was not due
3 to legitimate uses of the “Chegg Study” service – including “new forms of content, new subject
4 matters, new modalities” – but rather rampant student cheating facilitated by remote learning and
5 Chegg’s Expert Q&A tool.

6 246. On August 24, 2021, Chegg presented at the BMO Virtual Technology Summit.
7 During the conference, a securities analyst asked “Can you talk about how [Honor Shield] worked
8 and what impact has that had[?]” In response, Brown stated:

9 *And so what we rolled out earlier in the year, like I said, called Honor Shield that*
10 *allows professors to upload their tests onto Honor Shield, and we block the test*
11 *for the period of time that the test is going. So a student can’t get the test -- an*
12 *open test and then start asking that question on Chegg Study. They can’t do that*
13 *... We just felt like we had an obligation to help these guys. It was a fairly easy*
14 *technology to implement. It’s gone reasonably well. I mean, once again, it’s free to*
15 *educators. So this isn’t something that we’re charging. They can just upload the*
16 *test. It blocks those questions on our platform for that period of time. Thus far, it’s*
17 *going reasonably well. I mean, we always wish more educators would interact with*
18 *the platform ... But it’s our way of saying, hey. We want students on our platform*
19 *to be here to be learning, not to be cheating.*

20 247. The statements in ¶246 were materially false and misleading, and omitted material
21 facts when made. *First*, Honor Shield did not “block the test for the period of time that the test is
22 going.” Indeed, one administrator at a university stated a faculty member at her university found
23 exam questions being answered on Chegg during the exam period despite the faculty member
24 utilizing Honor Shield.

25 248. *Second*, Honor Shield was not a legitimate effort by Chegg to “help” universities
26 prevent cheating on the platform, but a façade the Company implemented to address public concern
27 in the wake of a growing number of cheating scandals involving Chegg. Indeed, one professor
28 interviewed by Lead Counsel stated the Company was acting in “bad faith” with respect to Honor
Shield, knowing that the program was completely ineffective and was not going to work.
Moreover, university and professor accounts uniformly described how, despite Honor Shield
purportedly blocking professors’ exams from being posted, professors routinely discovered “entire
tests” of theirs posted on Chegg’s platform—including those who had utilized Honor Shield—and

1 that, despite these professors' direct pleas to Chegg to take these materials down, Chegg instead
2 encouraged cheating by refusing to do so and erecting numerous "hurdles[s] for faculty" to identify
3 and discipline student cheaters. As a result, one professor stated "[t]hese guys are full of it," adding
4 that she did not want to take part in the Honor Shield program at all because she did not want to
5 provide Chegg with her exam content. Former Chegg employees similarly confirmed that Chegg
6 "didn't really put any effort into stopping [cheating] because it was putting money into their
7 pocket." And, while Defendants held out Honor Shield as "fairly easy" to implement, there were
8 many other steps that would have been far easier for Chegg to implement and that also would have
9 been far more effective in stopping cheating – in particular, simply requiring students to register
10 for Chegg with their school email address – that Defendants refused to take despite receiving
11 repeated pleas from university faculty to do so. Instead, Defendants put the onus on professors to
12 prevent students from using Chegg to cheat by handing over their exams to Chegg, while falsely
13 representing to investors that Chegg was firmly against cheating and was proactively implementing
14 effective technologies to stop it.

15 **N. September 2021 False Statements**

16 249. Only two months before the truth would be revealed, Defendants continued to claim
17 that Chegg would "continue to do extraordinarily well post-pandemic" and that its exponential
18 growth during remote learning was sustainable. For example, on September 3, 2021, Defendant
19 Rosensweig was interviewed on the Barron's Streetwise podcast. During the podcast, Rosensweig
20 attempted to distance Chegg from other companies that saw dramatic, but only temporary, growth
21 during the pandemic, stating "Peloton, Netflix, Disney+, all those companies, they accelerated their
22 growth. Chegg is different. We were doing phenomenally well before the pandemic, we did
23 incredibly well through the pandemic, and *we will continue to do extraordinarily well post-*
24 *pandemic because what we do isn't dependent on where you are physically. What we do depends*
25 *on whether or not you need help with learning.*"

26 250. The statements in ¶249 were materially false and misleading, and omitted material
27 facts when made. In contrast to Rosensweig's statement that Chegg's business "isn't dependent on
28 where you are physically," Chegg's revenue and subscriber growth during the pandemic was fueled

1 by cheating during online learning and such cheating would be curtailed once students returned to
2 in-person school and it became more difficult to use Chegg to cheat.

3 251. On September 14, 2021, Chegg presented at the Jefferies Virtual Software
4 Conference. During the conference, an analyst asked Defendants whether Chegg’s “massive surge”
5 and “great growth” during the pandemic was sustainable, noting “there’s been this overhang and
6 concern of the back-to-school boogeyman,” and inquired specifically about “what you’re seeing
7 straight of what’s actually happening on the demand side in a world that’s reopening, and we’re
8 starting to see obviously everyone is going back to campus”? In response, Defendant Brown stated
9 that education was “clear[ly]” becoming a “hybrid model” on in-person and online learning, and
10 noted that Chegg would continue to grow as students returned to school as a result of its purportedly
11 successful initiative to stop account sharing:

12 Well, yes, it seems that way, the vast majority are going back to campus. I think
13 it’s becoming clear that it’s going to be more of a hybrid model from a learning
14 standpoint. Even if you’re back on campus, some of those classes may be remote.
15 The thing that we saw in our business, *and it really was driven by us*, really 2
16 things. *And the first one, we’ve talked about this many times, and that is the*
17 *account sharing issue that we’ve had for many years. That is something that, to*
18 *your point, if we haven’t solved the technological problem there as far as creating*
19 *it very hard to do account sharing, that may have been an issue going back into*
20 *the fall. But one of the things we did about a year, I guess it was right about a*
21 *year ago where we implemented technologies around device management and*
22 *then MFA [multi-factor authentication] technologies.*

23 252. The statements in ¶251 were materially false and misleading, and omitted material
24 facts when made. Chegg’s growth was not “driven” by the Company’s “account sharing” efforts,
25 but a sharp increase in cheating during remote learning. Lead Counsel’s investigation confirmed
26 that the Company’s efforts to curb account sharing were not the “drive[r]” behind the Company’s
27 significant growth. In truth, Chegg’s growth was predicated upon rampant cheating that
28 “absolutely” increased during the pandemic. This was borne out by the fact that, at the Class Period
end after students returned to in-person learning, Chegg’s subscriber growth sharply declined even
though Defendants had implemented permanent measures to prevent account sharing.

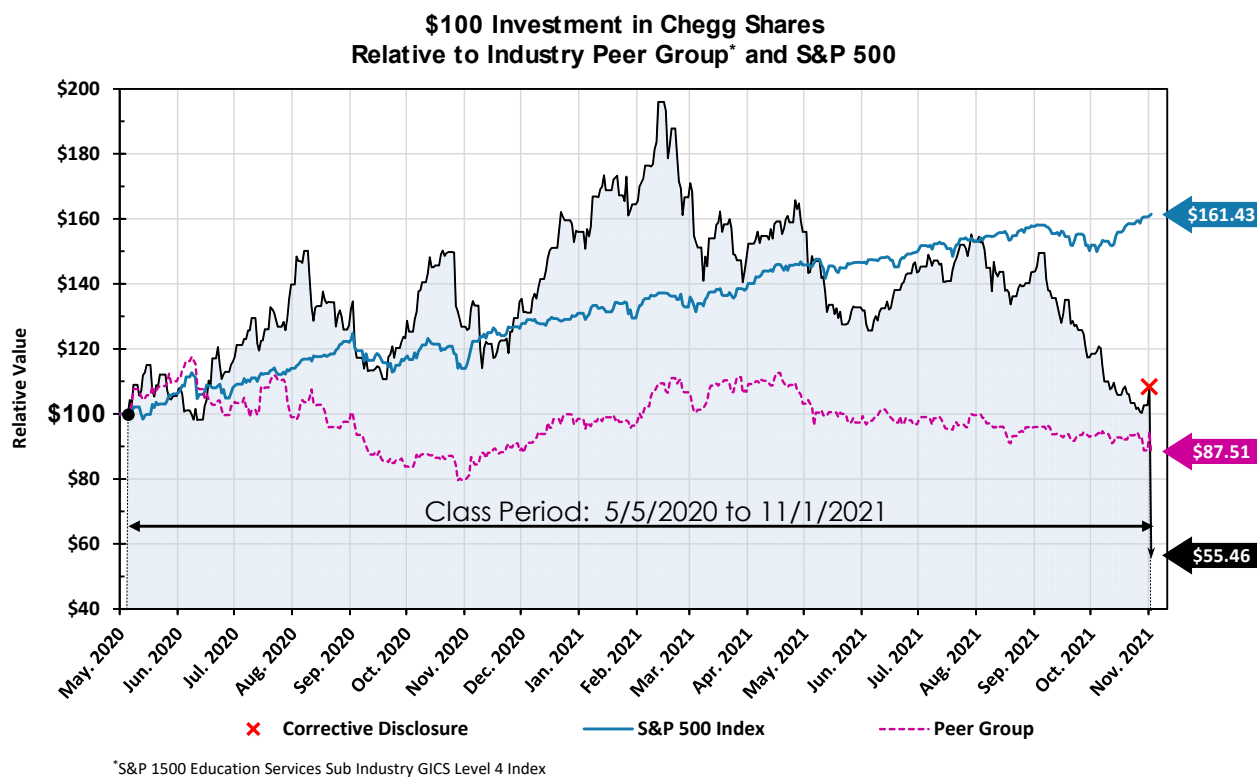
1 **VI. LOSS CAUSATION**

2 253. During the Class Period, shares of Chegg's common stock were publicly traded on
3 the NYSE. The market for shares of Chegg's common stock was open, well-developed and
4 efficient at all relevant times.

5 254. Throughout the Class Period, the price of Chegg's common stock was artificially
6 inflated as a result of Defendants' materially false and misleading statements and omissions
7 identified above. Defendants engaged in a scheme to deceive the market, and a course of conduct
8 that operated as a fraud or deceit on Class Period purchasers of Chegg common stock, by failing to
9 disclose and misrepresenting the adverse facts detailed herein. When Defendants' prior
10 misrepresentations and fraudulent conduct were disclosed and became apparent to the market, the
11 price of Chegg common stock fell precipitously as the prior artificial inflation dissipated. As a
12 result of their purchases of Chegg common shares during the Class Period, Lead Plaintiffs and the
13 other Class members suffered economic loss, *i.e.*, damages, under the federal securities laws.

14 255. By issuing materially false and misleading financial statements, among other
15 adverse facts detailed herein, Defendants presented a misleading picture of Chegg's business.
16 Defendants' false and misleading statements had the intended effect and caused Chegg's common
17 stock to trade at artificially inflated levels throughout the Class Period. Indeed, Chegg's stock price
18 traded at a record high of \$113.51 on February 12, 2021.

19 256. On November 1, 2021, after the markets closed, Chegg reported significant declines
20 in subscriber growth and revenue growth compared to the previous quarter—the first such declines
21 in over five years—and dramatically lowered full-year 2021 revenue guidance and postponed
22 issuance of 2022 revenue guidance. While Defendants attributed the decline in subscriber and
23 revenue growth, and the lowering of 2021 revenue guidance and postponement of 2022 revenue
24 guidance to a variety of factors, securities analysts and media reports rejected and discredited
25 Defendants' excuses, and attributed the poor performance to waning demand for Chegg's platform
26 as the end of remote learning made it much more difficult for students to use Chegg to cheat. *See*
27 *supra* Section IV.F.
28



257. The drastic decline in Chegg's stock price was a direct result of the nature and extent of Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of the decline in the Company's share price negates any inference that the loss suffered by Lead Plaintiffs and the other Class members was caused by changed market conditions, macroeconomic or industry factors, or Company-specific facts unrelated to Defendants' fraudulent conduct, as provided below.

VII. ADDITIONAL ALLEGATIONS OF DEFENDANTS' SCIENTER

258. Numerous facts, including those detailed above, demonstrate that Chegg and the Individual Defendants knew they were making the above-detailed materially false and misleading statements and omissions of material fact, or, at minimum, acted recklessly in making those statements and omissions. Certain allegations reflecting Chegg's and the Individual Defendants' scienter are summarized below.²⁷

²⁷ The cumulative knowledge of all members of the Company's management team, including, but not limited to, the Individual Defendants, is properly imputed to Chegg.

1 **A. Defendants Meticulously Tracked User Engagement Across Chegg’s Online**
2 **Platform, Including Expert Q&A**

3 259. Chegg and the Individual Defendants knew throughout the Class Period that the
4 Company’s explosive growth during the pandemic was predicated upon ever-increasing numbers
5 of students using Chegg’s Expert Q&A tool to cheat rather than for any legitimate educational
6 purposes because the Company meticulously tracked usage of its online platform.

7 260. Throughout the Class Period, Defendants specifically assured investors that the user
8 trends they were observing were “sustainable” because they closely tracked students’ usage of each
9 of the various services offered in its Chegg Study Pack in excruciating detail, including the names,
10 locations, and IP addresses of users; the date, time, nature, and subject matter of service accessed
11 or viewed; amount of content accessed or viewed; and the university, college, or school the user
12 attended. Chegg’s careful monitoring of student usage included, specifically, Chegg Study and its
13 featured “Expert Q&A” tool.

14 261. For example, Defendant Rosensweig touted how Chegg closely monitored and
15 tracked student use of its platform. As he explained during a February 2020 conference, “we own
16 the customer, we own the data,” and “we know exactly what [students] use.... We can watch
17 everything they use, that’s how we know over 2 million pieces of content are viewed in that one
18 service every day of Chegg.” Defendant Rosensweig admitted during another conference that
19 Chegg “track[s] every single action,” and “we do track not only by the country, we do track by the
20 school and by the subject in the school.”

21 262. Similarly, Defendant Brown stressed during a March 2021 conference call that “it’s
22 not just how many people come on per day,” but that “[w]e actually measure it by what are they
23 engaging with.” Defendant Brown drilled down into Chegg’s close tracking of user engagement
24 across Chegg’s platform, stating: “Are they engaging with expert Q&A, are they engaging with
25 textbook solutions, are they engaging on assessments or practice tests, are they engaging on video,
26 ding, ding, ding, ding, right? So, we do that” and, emphasizing how “absolutely well
27 instrumented” Chegg was. During a June 2020 conference, Defendant Brown boasted that “[w]e
28 have daily metrics” and even “hourly metrics”—which, he explained, was absolutely critical in
29 understanding the Company’s “core levers.”

1 263. Moreover, the Company stated that its ability to monitor and analyze its customers’
2 habits was so key to Chegg’s operations that Defendants described “data and data analytics” as “the
3 core of the company.” As Defendant Rosensweig emphasized during a February 2021 conference,
4 “[w]e know what to build before the masses want it because we see the signals come in. We know
5 how to differentiate the user experience based on somebody is more likely to watch videos versus
6 going through Q&A. So all of those things are now core to what Chegg does”

7 264. Accounts of former Chegg employees confirm Defendants had access to, monitored,
8 and analyzed metrics showing usage of its platform. FE 8, for instance, stated that Chegg used an
9 Oracle system to closely track user data and consumption in order to analyze, among other things,
10 how to best attract new customers. According to FE 8, approximately 70% of the 120 different
11 metrics Chegg tracked related to how users consumed Chegg’s products. She explained that the
12 reporting metrics were made available in a dashboard that was accessible by all director-level
13 employees and above, including the C-suite. Further, as FE 5 explained, Company executives not
14 only “always had access to data,” but Rosensweig and Schultz also “knew everything, they were
15 micromanagers.”

16 265. There is no question that, throughout the Class Period, Defendants had access to the
17 actual names of its users, including the overwhelming number of students who used Chegg to cheat.
18 As detailed in an enforcement action filed against Chegg by United States Federal Trade
19 Commission (“FTC”) on October 31, 2022, since at least September 2017, Chegg has collected a
20 host of “sensitive personal information from users” including, their “first and last names,” “email
21 addresses,” “passwords,” as well as credit card information and physical/billing addresses.
22 Moreover, for certain users, Chegg collects highly sensitive personal data including “religious
23 denomination, heritage, date of birth, parents’ income range, sexual orientation, and disabilities.”
24 The FTC’s enforcement action also asserts that, in connection with its online tutoring services,
25 Chegg “recorded videos of tutoring sessions that included Chegg users’ images and voices.”

26 266. Defendants’ detailed access to and meticulous monitoring of user engagement,
27 including a wide variety of highly specific usage metrics, when combined with the fact that
28 Defendants were repeatedly told by schools that its platform was being used to cheat (*see supra*

1 Sections IV.D.1-2 and IV.D.3.b.), confirm that Defendants Rosensweig, Schultz, and Brown were
2 aware that Chegg’s rapid growth during the pandemic was not based on students’ increasing need
3 for legitimate learning tools or their efforts to limit account sharing, but rather students widely
4 using “Chegg Study” and its Expert Q&A tool to cheat.

5 **B. Chegg Study And The Expert Q&A Service Constituted Chegg’s Core**
6 **Operations And “Flagship Service”**

7 267. Expert Q&A was critically important to Chegg throughout the Class Period.
8 Defendants said as much, telling investors Expert Q&A was the Company’s “core focus,” provided
9 the Company a “giant moat” as a competitive advantage and highlighting the resources the
10 Company dedicated to the service. That Chegg Study constituted Chegg’s core operation further
11 supports an inference of the Individual Defendants’ knowledge of the falsity of their Class Period
12 statements.

13 268. For example, on August 27, 2020, Defendant Brown stated that Chegg Study was
14 the Company’s “flagship service.” On August 24, 2021, Defendant Brown reiterated “our core
15 focus is Chegg Study.” Defendants further emphasized that Expert Q&A provided the Company a
16 vital competitive advantage, repeatedly describing Expert Q&A as the Company’s “giant,” “huge,”
17 and “actually massive” competitive “moat.” Defendant Rosensweig specifically highlighted the
18 Expert Q&A service database as a “giant moat” during a March 4, 2020, conference, explaining
19 that roughly seven to nine million new questions are asked a year and, as a result, “every year we’re
20 going to be a bigger moat.” Similarly, about a year later, during an investor conference on March
21 1, 2021, Defendant Brown hyped the Company’s “90,000-plus independent contractors” that
22 formed the backbone of the Expert Q&A tool as a “huge moat” and a “massive moat relative to
23 [its] market.” And, as Defendant Brown emphasized on February 8, 2021: “it’s real simple, a vast
24 majority of our CapEx actually goes to expert Q&A, right.”

25 269. Numerous additional facts confirm Expert Q&A was Chegg’s core operation. For
26 example, during the Class Period, Chegg Services, the business segment that included the Expert
27 Q&A, accounted for nearly 85% of the Company’s revenue. *See* ¶33, *supra*. Former Chegg
28 employees confirmed that the Expert Q&A service was the Company’s most popular product and

1 its main source of revenue. As FE 1 explained, Homework Help was “the main moneymaker” and
2 “the main reason for people to subscribe, it was driving [growth].” FE 3 similarly stated that
3 Chegg’s Exam Prep business “did not contribute much to subscriber growth” and “was not a main
4 driver for revenues”—rather, it was “the cheating business” through Chegg’s Expert Q&A that
5 caused the growth. FE 2 described Expert Q&A as “absolutely number one” in terms of the most
6 popular product.

7 270. Moreover, Expert Q&A was the primary way the Company acquired customers.
8 As Defendant Brown explained on September 14, 2021, “when we look at ... how we acquire
9 students, it’s primarily through actually our Expert Q&A which is the other 60 million questions.”
10 During the same conference, Defendant Brown reiterated in regard to “customer acquisitions,” that
11 “[m]ost of them come through the Expert Q&A.” FE 2 confirmed as much, reporting that the
12 “number one way that students found Chegg was by looking for a particular question, so Q&A is
13 what drove the most traffic.”

14 271. Because Chegg Services, and, in particular, Chegg Study and the Expert Q&A
15 service, were the bedrock of Chegg’s business and critical to Chegg’s financial results, the
16 Individual Defendants were particularly focused on the extent Chegg Services was used to cheat,
17 or were deliberately reckless in not knowing about this fundamental use of the Company’s core
18 service and competitive advantage.

19 **C. Throughout the Class Period, Defendants Were Repeatedly Informed of**
20 **Cheating Scandals Involving Chegg At Universities Across the Country**

21 272. The Individual Defendants’ knowledge that Chegg’s growth during the pandemic
22 was predicated on student cheating is strongly supported by the mountain of reports directed to the
23 Company highlighting the improper use of Chegg. As demonstrated in Sections IV.D.1. and
24 IV.D.2., *infra*, throughout the Class Period, Defendants were inundated with complaints that the
25 number of students cheating using Chegg, or “Chegging,” skyrocketed during remote learning.

26 273. Volumes of university documents informing Chegg of rampant student cheating,
27 Chegg’s responses, and Lead Counsel’s collection of confirmatory information from more than one
28 hundred university professors, deans, and high-level officers demonstrate that, from the outset of

1 the Class Period, prominent universities from across the nation repeatedly notified Chegg in writing
2 that students were using Chegg to cheat. Examples of the written notice provided to the Company
3 include the UCLA Associate Dean sending Chegg more than ten letters in May 2020 (§72); and the
4 University of Nebraska sending numerous letters between April 24 and May 12, 2020. Further,
5 nearly two dozen faculty and academic administrators interviewed by Lead Counsel described how
6 they contacted Chegg directly during the Class Period to inform the Company of specific uses of
7 Chegg to cheat at their school or in their class. For example, the Purdue professor of Mechanical
8 Engineering explained she communicated with the Company once a week to report the use of
9 Chegg to cheat in her class (§111). Likewise, following a cheating incident involving Chegg in the
10 Fall of 2020, a “fed up” former Texas A&M Director of the Honor System Office went so far as to
11 *email Defendant Rosensweig directly.* (§99). Indeed, FE 4 directly linked the Defendants’
12 knowledge of their student customers’ nefarious use of the Chegg platform to universities and
13 colleges reporting of cheating scandals.

14 274. Even beyond these overwhelming direct requests that Chegg help curb the eruption
15 of online cheating as schools transitioned to distance learning, several prominent newspapers and
16 media outlets published articles detailing the rise of online cheating scandals during the pandemic,
17 including *The Washington Post*, *The New York Times*, *The Boston Globe*, and *The Atlanta Journal*
18 *Constitution*, and *Forbes*.²⁸ As discussed below, in response to these and other reports that cropped
19 up during the Class Period, Chegg held itself out as fully knowledgeable as to the use of its online
20 platform, while issuing specific, detailed, and vehement responses denying any meaningful
21 cheating by its users.

22 **D. Defendants Made Highly Specific Statements Minimizing And Denying**
23 **Student Use Of The Platform To Cheat In Response To Repeated Analyst**
24 **Questioning**

25 275. As set forth above, as the Class Period progressed, Chegg found itself at the center
26 of a growing number of cheating scandals, which were reported in major media outlets as well as
27 regional and local press. In addition, several published studies were issued accusing Chegg of

28 ²⁸ Defendants even distributed a *Forbes* article discussing widespread student cheating using Chegg to employees in January or February 2021.

1 cheating, and securities analysts issued reports criticizing Chegg as a cheating website and calling
2 the Company's entire business model into question. However, at every turn, the Company strongly
3 and falsely assured investors that it was focused on providing legitimate educational support, and
4 flatly and vehemently denied that any widespread cheating was occurring on its site, claiming over
5 and over again that it was only a "very small number" of students who used Chegg's platform to
6 cheat. Defendants further falsely and staunchly assured investors that the Company took any
7 instances of cheating extremely seriously, worked with schools to address cheating, and
8 implemented various measures to prevent cheating.

9 276. The Individual Defendants' repeated, specific statements strongly denying that
10 rampant cheating was occurring on Chegg's platform amidst these reports, including in direct
11 response to specific questions by analysts, support a strong inference that the Individual Defendants
12 were aware of or, at the very least, were reckless in not knowing about, the extent of cheating on
13 the platform and the true reasons behind the growth of Chegg Services.

14 277. During the Class Period, a growing number of media outlets reported on cheating
15 scandals at major universities during remote learning, Chegg responded with specific vehement
16 denials and strong assurances that no rampant cheating was occurring and that the Company was
17 working with schools to address cheating incidents. For example, in April 2020, *The Boston Globe*
18 reported on a cheating scandal at Boston University. In response, Company spokesman Marc
19 Boxser stated that Chegg "strongly support[ed] academic integrity" and "partner[ed]" with
20 institutions to address cheating and dispelled the notion that remote learning facilitated cheating
21 through Chegg by flatly denying that Chegg had seen any relative increase in honor code issues
22 since the COVID-19 crisis began.

23 278. On June 12, 2020, Defendant Rosensweig was quoted in an interview with *The New*
24 *York Times* discussing cheating, unequivocally stating in response to the interviewer's question that
25 "[m]any teachers believe that their students are using Chegg as a means by which to cheat" by
26 stating that "Chegg is not built" for cheating.

27 279. Less than two months later, on August 7, 2020, *The Washington Post* published an
28 article titled "Another problem with shifting education online: A rise in cheating." The article noted

1 that Chegg had responded by again claiming that “the company supports academic integrity,” and
2 by strongly and flatly asserting that Chegg “hasn’t seen ‘any relative increase in honor code issues
3 since the covid-19 crises began.’” Significantly, just after these reports, Chegg updated its publicly
4 posted “Honor Code” in early September 2020 to specifically emphasize that it was only “an
5 extremely small portion” of students who were using Chegg to cheat, while the “vast majority”
6 used it as a legitimate learning tool.

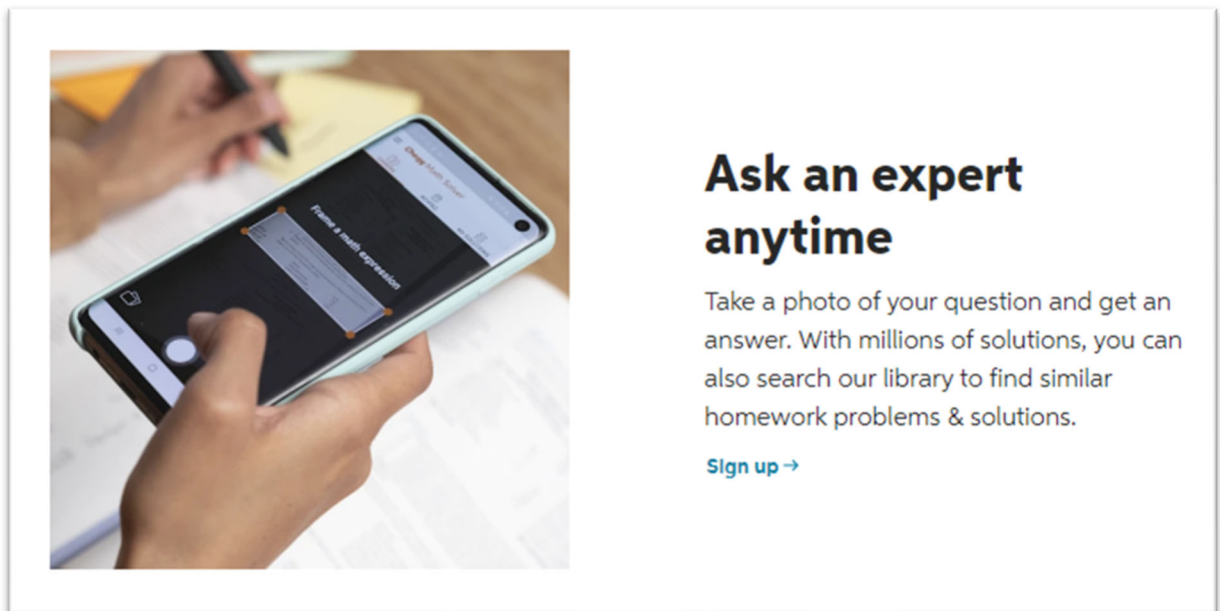
7 280. In January 2021, after a spate of cheating scandals at schools like Texas A&M,
8 Princeton, and North Carolina State, Chegg launched its Honor Shield program. While discussing
9 the program, Defendant Brown firmly reiterated that “it’s a very small group of folks that would
10 potentially want to cheat on the platform,” and that the Company only experienced “some issues
11 regarding cheating.” Defendant Rosensweig similarly emphasized that the “overwhelming
12 majority” of users did not cheat on Chegg’s platform. Rosensweig underlined how Chegg was
13 aware of other websites that facilitate cheating, but that “we’re not one of the ones that does that
14 because that’s not what we’re for.”

15 281. Chegg also responded to academic papers that discussed cheating on the platform.
16 For example, in February 2021, after a study was published in the *IJEI* stating it was “highly likely
17 that students are using [Chegg] as an easy way to breach academic integrity by obtaining outside
18 help,” the Company responded with a strongly worded denial. Chegg’s Director of Academic
19 Relations stated that the authors of the study had “mistakenly impl[ied]—without any evidence—
20 that increased usage of Chegg has correlate[d] to an increase in cheating,” and that Chegg’s
21 dramatic growth in subscribers during the pandemic was purportedly due instead to students’
22 legitimate need for Chegg to “provide[] much needed learning support” due to the loss of “valuable
23 on-campus and faculty support services” as a result of the pandemic. *See* ¶¶57, 209, *supra*.

24 282. Defendants’ highly specific statements, strongly denying that students were using
25 Chegg’s platform to cheat, including in direct response to equally specific analyst questioning, media
26 reports, academic studies, and a rising tide of college cheating scandals directly implicating Chegg
27 in student cheating, supports a strong inference of scienter.
28

E. Chegg Designed Expert Q&A To Make Cheating Faster And Easier

283. Defendants' scienter is further demonstrated by the fact that Chegg's flagship Expert Q&A product was specifically designed to enable students to cheat—and to do so faster and easier. Chegg designed Expert Q&A so that students had two ways of submitting questions to Chegg Experts: (1) manually typing questions from “homework,” quizzes, and exams on their personal computers, laptops, or mobile devices and then submitting them through Chegg's website or app; or (2) simply taking a photo of the question on the student's mobile phone and uploading it over the app. Defendants knew that giving students the ability to submit photos of exam questions through their phones greatly increased their ease, speed, and effectiveness with which they could cheat—such as by submitting exam questions (including the entire exam) in rapid-fire fashion, evading detection by professors and proctors, and ensuring the ability to get answers within an exam's allotted time.



284. FE 2 confirmed that changes made to the Chegg Study Pack enhanced students' ability to cheat. She explained the Big Egg project allowed students to search for Chegg Expert answers by a particular university course, rather than by searching across an entire subject, which could make cheating easier. *See ¶130, supra.*

285. Chegg's website confirms Expert Q&A's emphasis on speed and convenience. Upon logging in, the center of Chegg's home screen reads “Study time, crunch time, anytime” /

1 “Experts by your side” / “Have millions of explanations at your fingers. Plus, snap a pic to get an
2 expert solution.”²⁹ Promotional material on the Chegg Study tab during the Class Period included
3 a tweet reading “Shoutout to Chegg Study for allowing me to knockout [sic] my homework in 30
4 min.”

5 286. In essence, the entire Expert Q&A system was designed and marketed so that a
6 student could “post” test questions as fast and easily as possible using cellphone cameras and pay
7 someone else to take the exam for them. The fact that the most essential part of Chegg’s platform
8 was designed to enhance a user’s ability to cheat strongly reinforces Defendants’ scienter.

9 **F. The Gross Disparity Between The Individual Defendants’ Words And Reality**
10 **Reinforces Scienter**

11 287. Evidence of the disparity between Defendants’ words to the market and the actual
12 state of affairs within Chegg further supports a strong inference of scienter. Here, the Individual
13 Defendants consistently misled investors by reassuring them about the reasons for Chegg’s growth,
14 falsely attributing it to legitimate factors rather than rampant cheating facilitated by remote learning
15 and Chegg’s Expert Q&A tool.

16 288. Specifically, Chegg created the false narrative that COVID-19 somehow made it
17 harder for students to share their accounts. For example, Rosensweig claimed during a CNBC
18 interview on October 27, 2020 on the television program “Closing Bell,” that “[w]hen COVID
19 came and students had to leave campus, it was much harder for them to share. We’ve been the
20 beneficiary of that.”

21 289. However, former Chegg employees have attested that, contrary to Defendants’ Class
22 Period statements, account sharing was in fact not the driver behind the Company’s revenue growth
23 during the Class Period. FE 1, a member of the team tasked with addressing account sharing,
24 confirmed that while cracking down on account sharing was “increasing revenues,” Chegg’s overall
25 increase in subscribers was not “a result of the mitigating account sharing efforts.” Moreover,
26 Chegg implemented measures to address account sharing in 2019, well before the Class Period

27 _____
28 ²⁹ Also during the Class Period, Chegg’s home page similarly emphasized speed and convenience,
stating: “Get Textbook Solutions” and “Stuck on a Homework Problem? / Over 10 million
answered questions / Solved by Chegg subject experts / Get solution 24/7.”

1 began. According to FE 1, the “major effort” to reduce account sharing occurred in 2019—before
2 the COVID-19 pandemic and the Class Period. Public statements made by the Company similarly
3 indicate that the Company implemented account sharing measures in 2019.³⁰ However, the
4 Company’s rapid growth did not begin until mid-March 2020, when students shifted to remote
5 learning, giving rise to increased opportunities for students to cheat. Nonetheless, Defendant
6 Rosensweig continued to attribute Chegg’s rapid growth to the Company’s efforts to limit account
7 sharing for the next two-and-a-half years.

8 290. In addition to account sharing efforts, Defendants also falsely attributed Chegg’s
9 “record” subscriber growth to students’ demand for legitimate online teaching aids to help them
10 “master their subject matters” as students switched to online learning—which the Individual
11 Defendants described as “inevitable.” Indeed, the Individual Defendants repeatedly stated that “it
12 was inevitable that learning was going online,” and that the pandemic had merely accelerated the
13 adoption of Chegg’s legitimate online “direct-to-student learning platform.” For instance,
14 Defendant Rosensweig boasted that Chegg’s record “numbers” reflected students “hav[ing] an even
15 greater need for high-quality, low-cost, personalized, and adaptive online education to help them
16 learn and master their curriculum.”

17 291. The patent inconsistencies between Defendants’ public pronouncements about the
18 reasons for the Company’s rapid growth and what was known internally within Chegg is highly
19 probative of Defendants’ scienter.

20 **G. Lead Counsel’s Empirical Analysis Confirmed The Existence of Widespread,
21 Blatant Cheating On Chegg’s Website**

22 292. Lead Counsel’s empirical analysis—consisting of a review of a random sampling of
23 6,200 submitted questions during the Class Period from Chegg’s archives across five different
24 subjects (biology, chemistry, physics, calculus and statistics)—further confirms widespread and
25 obvious cheating by students using Chegg in the midst of taking their college exams. For example,
26 of those submissions for which students submitted photos of the questions they were asking,
27 approximately 25% evidenced clear indicia of cheating on the face of the submission itself—such

28 ³⁰ For example, on February 11, 2021 Defendant Rosensweig stated “we started working” on
account sharing measures “over a year-and-a-half ago.”

1 as the phrase “Final Exam” written on the top of the sheet, that it was a “graded assignment,” a
 2 countdown of how much time was left to complete the exam, point values assigned to each
 3 submitted question, and/or blatant commentary from students submitting the questions stating
 4 things such as *“please solve this question urgently as its exam questions.”*

5 293. If Lead Counsel’s random sampling of just a few thousand of the millions of
 6 archived Expert Q&A questions during the course of the Class Period across several different
 7 subject matters revealed that one-fourth of students were blatantly using Chegg to cheat—such that
 8 several indicia of cheating were clear from the face of the submissions themselves (not to mention
 9 the thousands of other submissions from this sampling that likely also involved cheating but did
 10 not include as clear indicia)—there is no question that Defendants were aware that it was far more
 11 than an “extremely small portion” of Chegg’s users who were using its services to cheat during the
 12 Class Period, as they had represented to investors. The stark, obvious reality of students’ clear
 13 rampant use of Chegg to cheat—and Defendants’ repeated statements stating the exact opposite—
 14 is highly probative of Defendants’ scienter.

15 **H. Chegg’s Officers And Directors Capitalized On The Fraud By Selling Nearly**
 16 **\$100 Million Of Their Personally Held Shares At Inflated Prices**

17 294. Defendants were motivated to engage in their fraudulent course of conduct to allow
 18 high-level Chegg officers and directors, as well as other Company insiders, to sell their personal
 19 Chegg shares at inflated prices, totaling nearly \$100 million in gross proceeds. Of this amount, a
 20 staggering \$74.5 million was realized by Defendants Rosensweig and Schultz *alone*.³¹

21 295. With the stock price inflated as a result of the Defendants’ false and misleading
 22 statements, Defendant Rosensweig sold more than 550,000 shares, or nearly 30% of his Chegg
 23 holdings, for proceeds of \$49.5 million. Defendant Schultz sold over 340,000 shares, nearly a
 24 staggering 90% of his Chegg holdings, for proceeds of nearly \$25 million.³²

25
 26
 27 ³¹ Lead Counsel relied on publicly-available trading data that Company insiders filed with the SEC
 on Forms 4 to evaluate their selling activity.

28 ³² These percentages, and those set forth in the table below, are based on vested holdings of equity-
 linked securities as reported in Chegg’s proxy dated April 17, 2020.

296. In addition, four other high-level executive and/or director insiders, including the Co-Chairperson of the Board and Presiding Director and the President of Chegg Skills, engaged in significant insider sales, unloading over 550,000 shares of Chegg stock during the Class Period, for proceeds of more than \$21 million. The chart below details the total Class Period insider sales:

| Insider | Class Period Sales | Proceeds from Sales | Total Vested Securities Held as of 4/6/20* | Approx. Pct. Sold |
|-----------------------|--------------------|---------------------|--|-------------------|
| Defendant | 859,376 | \$74,515,560 | 2,258,318 | 38.1% |
| Daniel Lee Rosensweig | 552,000 | \$49,519,686 | 1,914,874 | 28.8% |
| Nathan Schultz | 307,376 | \$24,995,874 | 343,444 | 89.5% |
| Other Insiders | 284,544 | \$21,521,998 | 553,190 | 38.2% |
| John Paul Fillmore | 124,624 | \$9,923,962 | 167,032 | 74.6% |
| Richard Sarnoff | 66,666 | \$4,339,290 | 263,667 | 25.3% |
| Esther Lem | 41,238 | \$3,557,179 | n/a | n/a |
| Robin Tomasello CPA | 32,016 | \$2,287,543 | n/a | n/a |
| John York | 20,000 | \$1,414,023 | 122,491 | 16.3% |
| Grand Total | 1,143,920 | \$96,037,558 | 2,811,508 | 38.1% |

*As reported in Chegg's Definitive Proxy Statement filed April 17, 2020, which covers all common stock, and options or equity-linked securities that will vest within the next 60 days.

297. The over 2.2 million shares sold by Defendants Rosensweig and Schultz during the Class Period—for over \$74 million in proceeds—were highly unusual in both amount and timing. For instance, on February 18, 2021, mere days after Chegg's stock price reached its Class Period and record high of \$113.51 on February 12, 2021, Defendant Rosensweig sold 300,000 shares of Chegg stock for more than \$30 million, his largest sale ever. Similarly, Defendant Schultz sold more than 140,000 shares of Chegg stock between December 2020 and April 2021, when Chegg shares traded above \$90 per share. Following these sales, the price of Chegg's common stock steeply declined, falling by approximately 70% to close at \$32.12 at the end of the Class Period.

298. Moreover, at the same time Chegg's insiders were dumping their stock, Defendants caused the Company to repurchase hundreds of millions of dollars' worth of Chegg shares, initiating a \$500 million stock buyback on June 16, 2020, which was completed on December 31, 2021, thus further inflating the stock price and Defendants' illicit insider trading profits.

299. Accordingly, Defendants were highly motivated to perpetuate the fraud to capitalize on Chegg's artificially inflated share price, which they knew was almost certain to plummet once

1 remote learning ended. The extensive insider selling by the Individual Defendants and other senior
2 officers and directors during the Class Periods adds to the strong scienter inference.

3 * * *

4 300. Ultimately, when viewed collectively, as required by applicable law, Plaintiffs'
5 allegations support a strong inference of fraudulent intent on the part of the Defendants or, at the
6 very least, the strong inference that Defendants' conduct was highly unreasonable and an extreme
7 departure from standards of ordinary care. In either case, Lead Plaintiffs have adequately pled
8 scienter.

9 **VIII. PRESUMPTION OF RELIANCE**

10 301. At all relevant times, the market for Chegg's securities was an open, efficient, and
11 well-developed market for the following reasons, among others:

- 12 i. Chegg's stock met the requirements for listing, and was listed and actively traded
13 on the NYSE, a highly efficient and automated market;
- 14 ii. As a regulated issuer, Chegg filed periodic reports with the SEC and the NYSE;
- 15 iii. Chegg regularly communicated with public investors via established market
16 communication mechanisms, including through regular disseminations of press
17 releases on the national circuits of major newswire services, and through other wide-
18 ranging public disclosures, such as communications with the financial press and
19 other similar reporting services; and
- 20 iv. Chegg was followed by numerous securities analysts employed by major brokerage
21 firms who wrote reports which were distributed to those brokerage firms' sales force
22 and certain customers. Each of these reports was publicly available and entered the
23 public marketplace.

24 302. As a result of the foregoing, the market for Chegg's securities reasonably and
25 promptly digested current information regarding the Company from all publicly available sources
26 and reflected such information in the price of Chegg's securities. All purchasers of the Company's
27 securities during the Class Period suffered similar injury through their purchase of Chegg's
28 common stock at artificially inflated prices, and a presumption of reliance applies.

1 303. A Class-wide presumption of reliance is also appropriate in this action under the
2 U.S. Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128
3 (1972), because the Class's claims are grounded on Defendants' material omissions. Because this
4 action involves Defendants' failure to disclose material adverse information regarding Chegg's
5 business and operations—information that Defendants were obligated to disclose—positive proof
6 of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be
7 material in the sense that a reasonable investor might have considered them important in making
8 investment decisions. Given the importance of the Class Period material misstatements and
9 omissions set forth above, that requirement is satisfied here.

10 **IX. INAPPLICABILITY OF THE STATUTORY SAFE HARBOR**
11 **AND THE BESPEAKS CAUTION DOCTRINE**

12 304. The statutory safe harbor or bespeaks caution doctrine applicable to forward-looking
13 statements under certain circumstances does not apply to any of the false and misleading statements
14 pleaded in this Complaint. The statements alleged to be false or misleading herein all relate to then-
15 existing facts and conditions. In addition, to the extent certain of the statements alleged to be false
16 or misleading may be characterized as forward-looking, they were not adequately identified as
17 forward-looking statements when made, and there were no meaningful cautionary statements
18 identifying important facts that could cause actual results to differ materially from those in the
19 purportedly forward-looking statements.

20 305. To the extent that the statutory safe harbor does apply to any forward-looking
21 statements pleaded herein, Defendants are liable for those statements because at the time each of
22 those forward-looking statements was made, each of these Defendants had actual knowledge that
23 the particular forward-looking statement was materially false or misleading. Defendants are liable
24 for the statements pleaded because, at the time each of those statements was made, Defendants
25 knew the statement was false, and the statement was authorized and/or approved by an executive
26 officer and/or director of Chegg who knew that such statement was false when made.

27
28

1 **X. CLASS ACTION ALLEGATIONS**

2 306. Lead Plaintiffs bring this action as a class action pursuant to Fed. R. Civ. P. 23(a)
3 and 23(b)(3) on behalf of a Class consisting of all persons or entities who purchased, or otherwise
4 acquired Chegg common stock between May 5, 2020, and November 1, 2021, inclusive, and who
5 were damaged thereby. Excluded from the Class are Defendants, the officers and directors of
6 Chegg at all relevant times, members of their immediate families, and their legal representatives,
7 heirs, agents, affiliates, successors or assigns, Defendants' liability insurance carriers, and any
8 affiliates or subsidiaries thereof, and any entity in which Defendants or their immediate families
9 have or had a controlling interest.

10 307. The members of the Class are so numerous that joinder of all members is
11 impracticable. Throughout the Class Period, Chegg shares were actively traded on the NYSE. As
12 of October 25, 2021, there were nearly 145 million shares of Chegg common stock outstanding.
13 While the exact number of Class members is unknown to Lead Plaintiffs at this time, and can only
14 be ascertained through appropriate discovery, Lead Plaintiffs believe that there are at least
15 thousands of members of the proposed Class. Class members who purchased Chegg securities may
16 be identified from records maintained by the Company, or its transfer agent(s), and may be notified
17 of this class action using a form of notice similar to that customarily used in securities class actions.

18 308. Lead Plaintiffs' claims are typical of Class members' claims, as all members of the
19 Class were similarly affected by Defendants' wrongful conduct in violation of federal laws, as
20 complained of herein.

21 309. Lead Plaintiffs will fairly and adequately protect Class members' interests, and have
22 retained competent counsel experienced in class actions and securities litigation.

23 310. Common questions of law and fact exist as to all Class members and predominate
24 over any questions solely affecting individual Class members. Among the questions of fact and
25 law common to the Class are:

- 26 i. whether the federal securities laws were violated by Defendants' acts and
27 omissions, as alleged herein;
28

- 1 ii. whether the Defendants made statements to the investing public during the Class
- 2 Period that were false, misleading or omitted material facts;
- 3 iii. whether Defendants acted with scienter; and
- 4 iv. the proper way to measure damages.

5 311. A class action is superior to all other available methods for the fair and efficient
6 adjudication of this action because joinder of all Class members is impracticable. Additionally, the
7 damage suffered by some individual Class members may be relatively small so that the burden and
8 expense of individual litigation make it impossible for such members to individually redress the
9 wrongs done to them. There will be no difficulty in the management of this action as a class action.

10 **XI. CLAIMS FOR RELIEF**

11 **A. COUNT I**

12 **For Violations Of Section 10(b) Of The Exchange Act,**
13 **And SEC Rule 10b-5 Promulgated Thereunder**

14 **(Against All Defendants)**

15 312. Lead Plaintiffs repeat and re-allege each and every allegation set forth above as if
16 fully set forth herein.

17 313. This Count is asserted on behalf of all members of the Class against Chegg and the
18 Individual Defendants for violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and
19 Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5.

20 314. During the Class Period, Defendants disseminated or approved the false statements
21 specified above, which they knew were, or they deliberately disregarded as, misleading in that they
22 contained misrepresentations and failed to disclose material facts necessary in order to make the
23 statements made, in light of the circumstances under which they were made, not misleading.

24 315. Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated
25 thereunder in that they: (a) employed devices, schemes, and artifices to defraud; (b) made untrue
26 statements of material facts or omitted to state material facts necessary in order to make the
27 statements made, in light of the circumstances under which they were made, not misleading; and/or
28 (c) engaged in acts, practices, and a course of business that operated as a fraud or deceit upon Lead

1 Plaintiffs and other investors similarly situated in connection with their purchases of Chegg
2 common stock during the Class Period.

3 316. Defendants, individually and in concert, directly and indirectly, by the use of means
4 or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a
5 continuous course of conduct that operated as a fraud and deceit upon Lead Plaintiffs and the other
6 members of the Class; made various untrue and/or misleading statements of material facts and
7 omitted to state material facts necessary in order to make the statements made, in light of the
8 circumstances under which they were made, not misleading; made the above statements
9 intentionally or with a severely reckless disregard for the truth; and employed devices and artifices
10 to defraud in connection with the purchase and sale of Chegg common stock, which were intended
11 to, and did: (a) deceive the investing public, including Lead Plaintiffs and the other members of the
12 Class, regarding, among other things, Chegg's business and operations; (b) artificially inflate and
13 maintain the market price of Chegg stock; and (c) cause Lead Plaintiffs and the other members of
14 the Class to purchase the Company's common stock at artificially inflated prices, and to suffer
15 losses when the true facts became known.

16 317. Defendants are liable for all materially false and misleading statements made during
17 the Class Period, as alleged above.

18 318. As described above, Defendants acted with scienter throughout the Class Period, in
19 that they acted either with intent to deceive, manipulate, or defraud, or with severe recklessness.
20 The misrepresentations and omissions of material facts set forth herein, which presented a danger
21 of misleading buyers or sellers of Chegg common stock, were either known to the Defendants, or
22 were so obvious that the Defendants should have been aware of them.

23 319. Lead Plaintiffs and the other members of the Class have suffered damages in that,
24 in direct reliance on the integrity of the market, they paid artificially inflated prices for Chegg
25 common stock, which inflation was removed from its price when the true facts became known.
26 Lead Plaintiffs and the other members of the Class would not have purchased Chegg common stock
27 at the prices they paid, or at all, if they had been aware that the market price had been artificially
28 and falsely inflated by these Defendants' misleading statements.

1 320. As a direct and proximate result of these Defendants' wrongful conduct, Lead
2 Plaintiffs and the other members of the Class suffered damages attributable to the material
3 misstatements and omissions alleged herein in connection with their purchases of Chegg common
4 stock during the Class Period.

5 **B. COUNT II**

6 **For Violations Of Section 20(a) Of The Exchange Act**
7 **(Against The Individual Defendants)**

8 321. Lead Plaintiffs repeat and re-allege each and every allegation set forth above as if
9 fully set forth herein.

10 322. This Count is asserted on behalf of all members of the Class against the Individual
11 Defendants for violations of Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a).

12 323. During their tenures as officers and/or directors of Chegg, each of these Individual
13 Defendants was a controlling person of the Company, within the meaning of Section 20(a) of the
14 Exchange Act. *See* ¶¶25-27. By reason of their positions of control and authority as officers and/or
15 directors of Chegg, these Individual Defendants had the power and authority to direct the
16 management and activities of the Company and its employees, and to cause the Company to engage
17 in the wrongful conduct complained of herein. These Individual Defendants were able to and did
18 control, directly and indirectly, the content of the public statements made by Chegg during the Class
19 Period, including its materially misleading statements, thereby causing the dissemination of the
20 false and misleading statements and omissions of material facts as alleged herein.

21 324. In their capacities as senior corporate officers of the Company, and as more fully
22 described above, the Individual Defendants had direct involvement in the day-to-day operations of
23 the Company. Defendants Rosensweig and Brown signed the Company's SEC filings during the
24 Class Period, and were directly involved in providing false information, and in certifying and
25 approving the false statements disseminated by Chegg during the Class Period. The Individual
26 Defendants were also directly involved in providing false information, and they certified and
27 approved the false statements disseminated by Chegg during the Class Period. As a result of the
28

1 foregoing, the Individual Defendants, together and individually, were controlling persons of Chegg
2 within the meaning of Section 20(a) of the Exchange Act.

3 325. As set forth above, Chegg violated Section 10(b) of the Exchange Act by its acts
4 and omissions as alleged in this Complaint.

5 326. By virtue of their positions as controlling persons of Chegg, and as a result of their
6 own aforementioned conduct, the Individual Defendants are liable pursuant to Section 20(a) of the
7 Exchange Act, jointly and severally with, and to the same extent as, the Company is liable under
8 Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, to Lead Plaintiffs and
9 the other members of the Class, who purchased or otherwise acquired Chegg common stock. As
10 detailed above in ¶¶25-31, during the respective times these Individual Defendants served as
11 officers and/or directors of Chegg, each of these Individual Defendants was culpable for the
12 material misstatements and omissions made by the Company.

13 327. As a direct and proximate result of these Individual Defendants' conduct, Lead
14 Plaintiffs and the other members of the Class suffered damages in connection with their purchase
15 or other acquisition of Chegg common stock.

16 **C. COUNT III**

17 **For Violations Of Section 20A Of The Exchange Act**
18 **(Against Defendants Rosensweig And Schultz)**

19 328. Lead Plaintiffs repeat and re-allege each and every allegation set forth above as if
20 fully set forth herein.

21 329. This Count is asserted pursuant to Section 20A of the Exchange Act against
22 Defendants Rosensweig and Schultz, on behalf of all persons who purchased Chegg common stock
23 contemporaneously with any sales of Chegg common stock by Defendants Rosensweig and Schultz
24 during the Class Period.

25 330. As set forth in the charts below, Defendants committed underlying violations of
26 Section 10(b) and Rule 10b-5 thereunder by selling Chegg common stock while in the possession
27 of material, adverse, nonpublic information about, among other things, that Chegg facilitated
28

widespread cheating during remote learning, which drove the Company's revenue and subscriber growth during the Class Period. This conduct violated Section 20A of the Exchange Act.

Sales by Defendant Rosensweig

| Sale Date | Shares Sold | Sale Price | Proceeds |
|--------------|----------------|------------|---------------------|
| 02/18/21 | 300,000 | \$102.00 | \$30,600,000 |
| 01/07/21 | 4,423 | \$90.08 | \$398,424 |
| 01/07/21 | 23,477 | \$91.34 | \$2,144,389 |
| 01/07/21 | 100 | \$91.93 | \$9,193 |
| 12/11/20 | 28,000 | \$81.33 | \$2,277,240 |
| 11/19/20 | 28,000 | \$70.64 | \$1,977,920 |
| 10/12/20 | 28,000 | \$82.24 | \$2,302,720 |
| 09/22/20 | 28,000 | \$66.26 | \$1,855,280 |
| 08/05/20 | 28,000 | \$84.61 | \$2,369,080 |
| 07/07/20 | 28,000 | \$70.83 | \$1,983,240 |
| 06/29/20 | 28,000 | \$64.84 | \$1,815,520 |
| 05/14/20 | 28,000 | \$63.81 | \$1,786,680 |
| Total | 552,000 | | \$49,519,686 |

Sales by Defendant Schultz

| Sale Date | Shares Sold | Sale Price | Proceeds |
|--------------|----------------|------------|---------------------|
| 04/26/21 | 30,000 | \$95.26 | \$2,857,800 |
| 04/23/21 | 19,027 | \$92.08 | \$1,752,006 |
| 04/23/21 | 10,673 | \$92.80 | \$990,454 |
| 04/23/21 | 300 | \$93.70 | \$28,110 |
| 12/21/20 | 82,458 | \$90.20 | \$7,437,712 |
| 07/31/20 | 82,459 | \$80.34 | \$6,624,756 |
| 06/22/20 | 35,083 | \$70.19 | \$2,462,476 |
| 05/05/20 | 47,376 | \$60.00 | \$2,842,560 |
| Total | 307,376 | | \$24,995,874 |

331. Lead Plaintiffs purchased shares of Chegg common stock contemporaneously with sales of Chegg common stock made by Defendants Rosensweig and Schultz, while each Defendant was in possession of material, adverse, nonpublic information. These sales and purchases were contemporaneous within the meaning of Section 20A of the Exchange Act, as shown in the charts below.

| Rosensweig's Contemporaneous Sales | | | | |
|---|------------------|--------------------|-------------------|-----------------|
| Defendant | Sale Date | Shares Sold | Sale Price | Proceeds |
| Rosensweig | 08/05/20 | 28,000 | \$84.61 | \$2,369,080 |
| Rosensweig | 02/18/21 | 300,000 | \$102.00 | \$30,600,000 |

| Lead Plaintiffs' Contemporaneous Purchases (Rosensweig) | | | | |
|--|----------------------|-------------------------|-----------------------|-------------|
| Lead Plaintiff | Purchase Date | Shares Purchased | Purchase Price | Cost |
| Pompano | 08/07/20 | 980 | \$87.89 | \$86,134 |
| KBC | 02/19/21 | 571 | \$108.78 | \$62,113 |

| Schultz's Contemporaneous Sales | | | | |
|--|------------------|--------------------|-------------------|-----------------|
| Defendant | Sale Date | Shares Sold | Sale Price | Proceeds |
| Schultz | 07/31/20 | 82,459 | \$80.34 | \$6,624,756 |

| Lead Plaintiff Pompano's Contemporaneous Purchases (Schultz) | | | | |
|---|----------------------|-------------------------|-----------------------|-------------|
| Lead Plaintiff | Purchase Date | Shares Purchased | Purchase Price | Cost |
| Pompano | 08/06/20 | 850 | \$84.39 | \$71,729 |
| Pompano | 08/07/20 | 980 | \$87.89 | \$86,134 |

332. Numerous other Class members also purchased Chegg common stock contemporaneously with Defendants' sales of stock during the Class Period based on material, adverse, nonpublic information.

333. By virtue of their knowledge of material, adverse, nonpublic information, Defendants Rosensweig and Schultz were duty bound not to benefit therefrom, a duty which they violated by selling their shares at inflated prices.

1 334. Accordingly, under Section 20A of the Exchange Act, Defendants Rosensweig and
2 Schultz are liable to Lead Plaintiffs and the Class for all profits gained and losses avoided by them
3 as a result of their stock sales.

4 **XII. PRAYER FOR RELIEF**

5 335. WHEREFORE, Lead Plaintiffs pray for relief and judgment as follows:

- 6 a. Declaring the action to be a proper class action pursuant to Rule 23(a) and (b)(3) of
7 the Federal Rules of Civil Procedure on behalf of the Class defined herein;
- 8 b. Awarding all damages and other remedies available under the Exchange Act in favor
9 of Lead Plaintiffs and all other members of the Class against Defendants in an
10 amount to be proven at trial, including interest thereon;
- 11 c. Awarding Lead Plaintiffs and the other members of the Class their reasonable costs
12 and expenses incurred in this action, including attorneys' fees and expert fees; and
- 13 d. Such other and further relief as the Court may deem just and proper.

14 **XIII. JURY DEMAND**

15 336. Lead Plaintiffs hereby demand a trial by jury.

16
17 Dated: December 8, 2022

Respectfully submitted,

18 /s/ David R. Kaplan
19 David R. Kaplan

20 **SAXENA WHITE P.A.**
21 David R. Kaplan (SBN 230144)
22 Hani Y. Farah (SBN 307622)
23 (*pro hac vice* forthcoming)
24 Emily R. Bishop (SBN 319383)
25 505 Lomas Santa Fe Dr.
26 Suite #180
27 Solana Beach, CA 92075
28 Telephone: (858) 997-0860
Facsimile: (858) 369-0096
dkaplan@saxenawhite.com
hfarah@saxenawhite.com
ebishop@saxenawhite.com

Maya Saxena (*pro hac vice* forthcoming)
Jonathan Lamet (*pro hac vice* forthcoming)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

7777 Glades Road, Suite 300
Boca Raton, FL 33434
Telephone.: 561.394.3399
Facsimile: 561.394.3382
msaxena@saxenawhite.com
jlamet@saxenawhite.com

Steven B. Singer (*pro hac vice* forthcoming)
Kyla Grant (*pro hac vice* forthcoming)
10 Bank Street, 8th Floor
White Plains, New York 10606
Telephone: (914) 437-8551
ssinger@saxenawhite.com
kgrant@saxenawhite.com

*Counsel for Lead Plaintiff Pompano Beach
Police and Firefighters' Retirement System,
and Lead Co-Counsel for the Class*

MOTLEY RICE LLC

Max N. Gruetzmacher (*pro hac vice*)
mgruetzmacher@motleyrice.com
Christopher F. Moriarty (*pro hac vice*)
cmoriarty@motleyrice.com
Neli Traykova Hines (*pro hac vice*)
ntraykova@motleyrice.com
28 Bridgeside Blvd.
Mt. Pleasant, SC 29464
Tel. 843.216.9000

*Counsel for Lead Plaintiff KBC Asset
Management NV, and Lead Co-Counsel for
the Class*

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CERTIFICATE OF SERVICE

I hereby certify under penalty of perjury that on December 8, 2022, I authorized the electronic filing of the foregoing with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to all counsel or parties of record.

Dated: December 8, 2022

SAXENA WHITE P.A.

/s/ David R. Kaplan
David R. Kaplan