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

Co-Lead Counsel for Plaintiffs

[Additional Counsel on Signature Page]

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

IN RE CHEGG, INC. DERIVATIVE LITIGATION	Lead Case No. 5:22-cv-00217
This Document Relates to: ALL ACTIONS	

VERIFIED CONSOLIDATED AMENDED SHAREHOLDER DERIVATIVE COMPLAINT

INTRODUCTION

Plaintiffs Rak Joon Choi and Joseph Robinson (collectively, "Plaintiffs"), by Plaintiffs' undersigned attorneys, derivatively and on behalf of nominal defendant Chegg, Inc. ("Chegg" or the "Company"), file this Verified Consolidated Amended Shareholder Derivative Complaint against defendants Daniel L. Rosensweig ("Rosensweig"), Andrew J. Brown ("Brown"), Nathan Schultz ("Schultz"), John P. Fillmore ("Fillmore"), Esther Lem ("Lem"), Robin Tomasello ("Tomasello"), Richard Sarnoff ("Sarnoff"), Sarah Bond ("Bond"), Renee Budig ("Budig"), Paul LeBlanc ("LeBlanc"), Marne Levine ("Levine"), Ted Schlein ("Schlein"), Melanie Whelan ("Whelan"), and John York ("York") (collectively, the "Individual Defendants," and together with Chegg, the "Defendants") for breaches of their fiduciary duties as directors and/or officers of Chegg, unjust enrichment, abuse of control, gross mismanagement, and waste of corporate assets, against Defendants Rosensweig, Sarnoff, Bond, Budig, LeBlanc, Levine, Schlein, Whelan, and York for violations of Section 14(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), and against Defendants Rosensweig, Brown, and Schultz for contribution under Sections 10(b) and 21D of the Exchange Act. As for Plaintiffs' complaint against the Individual Defendants, Plaintiffs allege the following based upon personal knowledge as to Plaintiffs and Plaintiffs' own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiffs' attorneys, which included a review of internal corporate documents produced by Defendants to Plaintiffs' counsel, a review of the Defendants' public documents, conference calls and announcements made by Defendants, United States Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding Chegg, legal filings, news reports, securities analysts' reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiffs believe that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a shareholder derivative action that seeks to remedy wrongdoing committed by Chegg's directors and officers from May 5, 2020 through November 1, 2021 (the "Relevant Period").

2. Chegg is a Delaware corporation based in California. Chegg provides online educations tools and services, such as tutoring and other digital learning tools, as well as physical educational resources, such as textbook rentals, to students who pay a subscription fee to Chegg.

3. Chegg offers an assortment of subscription services collectively referred to as "Chegg Services." One such service, Chegg Study, comes with Chegg's flagship "Expert Questions and Answers" ("Expert Q&A") tool, which allows students to submit questions to a network of experts who can then provide answers to those students "usually in less than an hour" and often almost immediately. Students have the option to submit questions to Expert Q&A either in text form or as photos.

4. Beginning in 2020, due to the onset of the Covid-19 pandemic and temporary shift to nearly exclusive online learning in educational settings ranging from elementary school to graduate school, Chegg experienced a surge in subscribers and revenue.

5. Chegg's online platform was designed, *inter alia*, to help students cheat on exams and other assignments. The shift to online learning, including the online administration of exams and other assignments previously administered in person, created new opportunities for students using Chegg's platform to cheat. During and prior to the Relevant Period, the Individual Defendants enabled the Company to monetize off its platform's capacity to assist in academic cheating, including by providing Chegg users answer sets to copyrighted questions produced by textbook manufacturers, such as Pearson Education, Inc. ("Pearson"), without permission (the "Copyright Infringement Misconduct") (collectively, the "Cheating Misconduct").

6. Despite the contextualized growth, Chegg did not acknowledge that its increase in subscribers and revenue was the result of the Cheating Misconduct coupled with the temporary prevalence of online learning caused by Covid-19. Relatedly, Chegg failed to acknowledge that once students inevitably returned to in-person learning, the opportunities to use Chegg's services to cheat would diminish, and its subscribers and revenue would foreseeably decline.

7. Instead, throughout the Relevant Period, the Individual Defendants made, and/or caused the Company to make, false and misleading statements and omissions of material fact that attributed Chegg's recent growth to other, less objectionable factors, such as Chegg's efforts to prevent account sharing, internationalization of Chegg's business, and "more and more" students needing "more and more help" to "master their subject matter and get better grades" due to schools not having the ability to supply that help. The Individual Defendants caused Chegg to posture as if these factors, rather than Chegg's facilitation of cheating made easier by Covid-19, were the driving forces behind Chegg's pandemic-timed growth.

8. The Individual Defendants' purported reasons for Chegg's pandemic-timed growth were intended to deter investors from the truth. In fact, Defendants knew Chegg's growth was not actually being driven by a genuine increase in students who wanted to use its platform to learn and "master their subject matter," [redacted] The Individual Defendants further deceived investors by claiming that the Cheating Misconduct was limited to "very isolated cases" and that Chegg was "not built for [cheating]."

9. [redacted] To appear firmly committed to preserving academic integrity, the Individual Defendants touted Chegg's Honor Code Policy (the "Honor Code"). [redacted], Defendants boldly claimed that Chegg had not seen "any relative increase in honor code issues since the covid-19 crisis began."

10. Moreover, as Chegg "track[s] every single action" and "can watch everything [students] use," Defendants knew "exactly" how students were using Chegg's platform such that the Individual Defendants knew or recklessly disregarded the true extent of the Cheating Misconduct and the sustainability of Chegg's growth throughout the Relevant Period. As Board meeting minutes during the Relevant Period establish, the Individual Defendants, including those sitting on the Board readily discussed the Company's financial performance, outlook and business strategies at Board and Audit Committee meetings. For example: [redacted]

11. While these issues were internally known and discussed throughout the Relevant Period, the investing public remained unaware of the truth until it began to emerge in December 2020. At that time, multiple news outlets reported that officials at Texas A&M University ("Texas A&M") discovered that students were using Chegg to cheat on their remote exams. This included copying and pasting answers made available to Chegg users from an online repository. Texas A&M officials found that, using Chegg, some students were able to complete exams so quickly that it was not possible for them to have been reading the questions.

12. Texas A&M was just one of many schools to realize there was a serious and widespread problem of students using Chegg's platform to cheat. [redacted]

[redacted], Chegg continued to minimize the extent of the Cheating Misconduct and deceptively portrayed the opposite to the public. In the face of mounting negative media attention regarding Chegg's role in the Cheating Misconduct, Chegg announced on January 13, 2021 the implementation of the "Honor Shield," an answer-blocking tool purportedly designed to help educators ensure the integrity of exams.

13. As the market absorbed Defendants' representations, the price of the Company's common stock surged 159%, from closing at $43.79 per share immediately prior to the Relevant Period, to close on February 12, 2021 at an all-time high of $113.51 per share.

14. On September 13, 2021, Pearson filed suit against Chegg in the United States District Court for the District of New Jersey (the "Pearson Action"), revealing that Chegg engaged in the Copyright Infringement Misconduct by making answer sets to Pearson's copyrighted questions available to Chegg users.

15. The truth emerged on November 1, 2021, after the market had closed, when Chegg announced, in a press release and in a Form 10-Q filed with the SEC, its financial results for the quarter ended September 30, 2021—i.e., a period which included the start of the first academic semester since the onset of Covid-19 where remote learning was significantly curtailed. Chegg revealed that it had fewer subscribers than expected, that key revenue metrics had decelerated in growth or even contracted, and that the Company would not be issuing guidance for the 2022 fiscal year.

16. Specifically, the Company reported a sequential 10% decline in subscribers, with the number of subscribers dropping from 4.9 million in the previous quarter to 4.4 million in the third quarter of 2021. Additionally, from the first quarter of 2021 to the second quarter of 2021, revenue growth for Chegg Services declined year-over-year from 62% to 38%, while revenue growth for Required Materials declined year-over-year from 15% to an 8% contraction. From the second quarter of 2021 to the third quarter of 2021, revenue growth for Chegg Services further declined year-over-year from 38% to 23%, while revenue growth for Required Materials further declined year-over-year from an 8% contraction to a 28% contraction. Accordingly, from the first quarter of 2021, to the second quarter of 2021, to the third quarter of 2021, Chegg's total revenue growth fell year-over-year from 51% to 30% to 12%, respectively.

The Company further shocked investors by forecasting a 5% to 6% year-over-year decline in revenue for the fourth quarter of 2021, completed missing the consensus forecast for 17% growth.

17. The November 1, 2021 press release contained prepared remarks from Defendant Rosensweig, who stated that it became clear "in late September [2021]" that "the education industry is experiencing a slowdown." [redacted]

18. Defendant Rosensweig's prepared remarks in the November 1, 2021 press release also claimed that the Company's poor performance to an "industry-wide" slowdown prompted by a "combination of variants," including "increased employment opportunities and compensation" and "fatigue," all of which "led to significantly fewer enrollments than expected this semester." He further purported to explain that "those students who have enrolled are taking fewer and less rigorous classes and are receiving less graded assignments."

19. On this news, the price of the Company's common stock fell nearly 50%, from closing at $62.76 per share on November 1, 2021, to close on November 2, 2021 at $32.12 per share.

20. In the wake of the Company releasing its disappointing financial results for the quarter ended September 30, 2021, analysts voiced their disagreements with the Defendants' proffered excuses. For example, on November 2, 2021, *Forbes* published an article stating that "the enrollment excuse makes no sense" given that "enrollment declines this year were smaller than they were last year, when Chegg's revenue and stock were soaring." A separate *Forbes* article, also published on November 2, 2021, stated that "most students use Chegg to cheat on exams, quizzes and homework" and "[n]ow that students are back in the classroom, they can't easily use Chegg to cheat."

21. During the Relevant Period, the Individual Defendants breached their fiduciary duties by causing or permitting the Company to engage in the Cheating Misconduct and the Copyright Infringement Misconduct.

22. Moreover, the Individual Defendants breached their fiduciary duties by personally making and/or causing the Company to make to the investing public a series of materially false and misleading statements about Chegg's business, operations, and prospects. Specifically, the Individual Defendants

willfully or recklessly made and/or caused the Company to make false and misleading statements to the investing public that failed to disclose, *inter alia*, that: (1) Chegg was engaged in the Cheating Misconduct and the Copyright Infringement Misconduct; (2) Chegg's pandemic-timed growth in revenue and subscribers was not driven by Chegg's account sharing and internationalization efforts, "more and more students" needing "more and more help" to "master their subject matter and get better grades," or an organic displacement of traditional on-campus services by Chegg's services, but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; (3) usage of Chegg's platform was not "agnostic to geography" given how Chegg's pandemic-timed growth was driven by the temporary transition to online learning, which made it much easier for students to use Chegg's platform to cheat; (4) far from being confined to "very isolated cases," the issue of students using Chegg to cheat was instead "severe" and "rampant" as detailed by university responses to Freedom of Information Act ("FOIA") requests and the firsthand accounts of school faculty members across the nation such that it was "raining [academic integrity] cases" during online learning; (5) Chegg was indeed "built" for cheating as students were able to submit questions to Expert Q&A and receive answers "usually in less than an hour" and often almost immediately; (6) Chegg was not "working with faculty, administrators, and students, to do our part in protecting the integrity of the online evaluation process" and instead set up obstacles to delay or discourage academic integrity investigations by refusing to implement basic protections suggested by universities, imposing burdensome requirements on universities and professors who sought Chegg's assistance in removing exam questions and answers from its website, and refusing to disclose the names of students under investigation; (7) the Honor Shield program did not allow professors to prevent test questions from "being answered on the Chegg platform during a time-specified exam period," as confirmed by an empirical analysis of 6,000 randomly sampled Expert Q&A submissions which determined that more than a quarter of the submissions manifested clear signs of cheating; (8) due to the foregoing, it was foreseeable that Chegg's pandemic-timed growth was unsustainable and would not continue once students returned to in-person learning; (9) accordingly, it was unreasonable for Defendants to raise revenue and Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA") guidance for the second half of 2021; and (10) the Company failed to maintain internal controls. As a result of the foregoing, Chegg's public statements were materially false and misleading at all relevant times.

23. The Individual Defendants also breached their fiduciary duties by failing to correct and/or causing the Company to fail to correct these false and misleading statements and omissions of material fact to the investing public.

24. Additionally, in breach of their fiduciary duties, the Individual Defendants caused the Company to fail to maintain adequate internal controls.

25. Furthermore, during the Relevant Period, the Individual Defendants breached their fiduciary duties by causing the Company to undertake a secondary public offering of its common stock in February 2021, while the Company's stock was still trading at artificially inflated prices due to the false and misleading statements at issue. Chegg and Defendant Rosensweig sold shares for collective proceeds of over $1 billion, subjecting the Company to liability for violations of the Exchange Act and enriching Defendant Rosensweig to the tune of approximately $29.9 million.

26. Moreover, seven of the Individual Defendants breached their fiduciary duties by engaging in lucrative insider sales of Company common stock at artificially inflated prices, obtaining collective proceeds of over $95.4 million.

27. In light of the Individual Defendants' misconduct—which has subjected the Company, its Chief Executive Officer ("CEO"), its Chief Financial Officer ("CFO"), and its Chief Operating Officer ("COO") to being named as defendants in a consolidated federal securities fraud class action lawsuit pending in the United States District Court for the Northern District of California (the "Securities Class Action"), and has further subjected the Company to the Pearson Action, the need to remedy the Cheating Misconduct and the Copyright Infringement Misconduct, the need to undertake internal investigations, the need to implement adequate internal controls over its financial reporting, losses from the waste of corporate assets, and losses due to the unjust enrichment of the Individual Defendants who were improperly overcompensated by the Company and/or who benefitted from the wrongdoing alleged herein—the Company will have to expend many millions of dollars.

28. In light of the breaches of fiduciary duty engaged in by the Individual Defendants, most of whom are the Company's current directors, their collective engagement in fraud, the substantial likelihood of the directors' liability in this derivative action and the Company's CEO's, CFO's, and COO's liability in the Securities Class Action, their being beholden to each other, their longstanding business and personal relationships with each other, their knowledge about the Cheating Misconduct, and their not being disinterested and/or independent directors, a majority of Chegg's Board cannot consider a demand to commence litigation against themselves and the other Individual Defendants on behalf of the Company with the requisite level of disinterestedness and independence.

JURISDICTION AND VENUE

29. This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1331 because Plaintiffs' claims raise a federal question under Section 14(a) of the Exchange Act (15 U.S.C. § 78n(a)(1)), Rule 14a-9 of the Exchange Act (17 C.F.R. § 240.14a-9), Section 10(b) of the Exchange Act (15. U.S.C. §§ 78j(b)), and Section 21D of the Exchange Act (15 U.S.C. § 78u-4(f)).

30. Plaintiffs' claims also raise a federal question pertaining to the claims made in the Securities Class Action based on violations of the Exchange Act.

31. This Court has supplemental jurisdiction over Plaintiffs' state law claims pursuant to 28 U.S.C. § 1367(a).

32. This derivative action is not a collusive action to confer jurisdiction on a court of the United States that it would not otherwise have.

33. Venue is proper in this District pursuant to 28 U.S.C. §§ 1391 and 1401 because a substantial portion of the transactions and wrongs complained of herein occurred in this District, Defendants have conducted business in this District, Defendants' actions have had an effect in this District, and Chegg is headquartered in this District.

PARTIES

Plaintiffs

34. Plaintiff Rak Joon Choi is a current shareholder of Chegg common stock. Plaintiff has continuously held Chegg common stock at all relevant times.

35. Plaintiff Joseph Robinson is a current shareholder of Chegg common stock. Plaintiff has continuously held Chegg common stock at all relevant times.

Nominal Defendant Chegg

36. Chegg is a Delaware corporation with its principal executive offices located at 3990 Freedom Circle, Santa Clara, CA 95054. Chegg's shares trade on the New York Stock Exchange ("NYSE") under the ticker symbol "CHGG."

Defendant Rosensweig

37. Defendant Rosensweig has served as the Company's CEO and President since February 2010, and as Co-Chairperson since July 2018. Previously, from March 2010 to July 2018, Defendant Rosensweig served as Chairperson of the Board. According to the Company's proxy statement filed on Schedule 14A with the SEC on April 16, 2021 (the "2021 Proxy Statement"), as April 5, 2021, Defendant Rosensweig beneficially owned 1,477,605 shares of the Company's common stock, representing 1.0% of the Company's total outstanding common stock as of that date. Given that the price per share of the Company's common stock at the close of trading on April 5, 2021 was $89.02, Defendant Rosensweig beneficially owned approximately $131.5 million worth of Chegg stock.

38. For the fiscal year ended December 31, 2021 (the "2021 Fiscal Year"), Defendant Rosensweig received $21,005,605 in total compensation, including $1,000,000 in salary, $19,999,479 in stock awards, and $6,126 in all other compensation. For the fiscal year ended December 31, 2020 (the "2020 Fiscal Year"), Defendant Rosensweig received $10,381,080 in total compensation, including $1,000,000 in salary, $9,374,954 in stock awards, and $6,126 in all other compensation.

39. During the period when the Company materially misstated information to the investing public to keep the stock price inflated, and before the scheme was exposed, Defendant Rosensweig made the following sales of company stock at artificially inflated prices:

Date	Shares Sold	Avg. Price Per Share	Proceeds
May 14, 2020	28,000	$63.81	$1,786,680
June 29, 2020	28,000	$64.84	$1,815,520
July 7, 2020	28,000	$70.83	$1,983,240

August 5, 2020	28,000	$84.61	$2,369,080
September 22, 2020	28,000	$66.26	$1,855,280
October 12, 2020	28,000	$82.24	$2,302,720
November 19, 2020	28,000	$70.64	$1,977,920
December 11, 2020	28,000	$81.33	$2,277,240
January 7, 2021	28,000	$91.12	$2,551,276
February 22, 2021	300,000	$99.55	$29,865,600

Thus, in total, before the fraud was exposed, he sold 552,000 shares of Company common stock at artificially inflated prices on inside information, for which he received approximately $48.8 million. His insider sales made with knowledge of material nonpublic information before the material misstatements and omissions were exposed demonstrate his motive in facilitating and participating in the scheme.

40. The 2021 Proxy Statement stated the following regarding Defendant Rosensweig:

> *Dan Rosensweig* has served as our President and Chief Executive Officer since February 2010, as Co-Chairperson of our Board of Directors since July 2018, and served as the Chairperson of our Board of Directors from March 2010 to July 2018. From 2009 to 2010, Mr. Rosensweig served as President and Chief Executive Officer of RedOctane, a business unit of Activision Publishing, Inc. and developer, publisher, and distributor of *Guitar Hero*. From 2007 to 2009, Mr. Rosensweig was an Operating Principal at the Quadrangle Group, a private investment firm. From 2002 to 2009, Mr. Rosensweig served as Chief Operating Officer of Yahoo! Inc., an internet content and service provider. Prior to serving at Yahoo!, Mr. Rosensweig served as the President of CNET Networks and prior to that as Chief Executive Officer and President of ZDNet, until it was acquired by CNET Networks. Mr. Rosensweig currently serves on the board of directors of Adobe Systems Incorporated. Mr. Rosensweig holds a B.A. in Political Science from Hobart and William Smith Colleges. We believe that Mr. Rosensweig should continue to serve on our Board of Directors due to the perspective and experience he brings as our Chief Executive Officer and his extensive experience with high-growth consumer internet and media companies.

Defendant Brown

41. Defendant Brown has served as the Company's CFO since October 2011. According to the 2021 Proxy Statement, as of April 5, 2021, Defendant Brown beneficially owned 48,736 shares of the Company's common stock. Given that the price per share of the Company's common stock at the close of trading on April 5, 2021 was $89.02, Defendant Brown owned approximately $4.3 million worth of Chegg stock.

42. For the 2021 Fiscal Year, Defendant Brown received $10,756,172 in total compensation, including $750,000 in salary, $9,999,672 in stock awards, and $6,500 in all other compensation. For the 2020 Fiscal Year, Defendant Brown received $5,033,556 in total compensation, including $652,083 in salary, $4,374,973 in stock awards, and $6,500 in all other compensation.

43. The 2021 Proxy Statement stated the following about Defendant Brown:

> *Andrew Brown* has served as our Chief Financial Officer since October 2011. From 2004 to 2009, Mr. Brown served as the Chief Financial Officer of Palm, Inc., a smartphone provider. Mr. Brown was semi-retired following his departure from Palm before he joined us. Prior to serving at Palm, Mr. Brown served as the Chief Financial Officer of Pillar Data Systems, Inc., a computer data storage company, Legato Systems, Inc., a storage management company subsequently acquired by Dell EMC (formerly EMC Corporation), and ADPT Corporation (formerly Adaptec, Inc.). Mr. Brown also serves on the business school advisory board at Eastern Illinois University. Mr. Brown holds a B.S. in accounting from Eastern Illinois University.

Defendant Schultz

44. Defendant Schultz has served as the Company's COO since October 2022. He previously served as the Company's President of Learning Services from December 2018 to October 2022, as the Chief Learning Officer from June 2014 to December 2018, as Chief Content Officer from May 2012 to June 2014, as Vice President of Content Management from 2010 to May 2012, and as Director of Textbook Strategy from 2008 to 2010. According to the 2021 Proxy Statement, as April 5, 2021, Defendant Schultz beneficially owned 153,388 shares of the Company's common stock. Given that the price per share of the Company's common stock at the close of trading on April 5, 2021 was $89.02, Defendant Schultz beneficially owned approximately $13.7 million worth of Chegg stock.

45. For the 2021 Fiscal Year, Defendant Schultz received $10,754,547 in total compensation, including $750,000 in salary, $9,999,672 in stock awards, and $4,875 in all other compensation. For the 2020 Fiscal Year, Defendant Schultz received $5,031,931 in total compensation, including $652,083 in salary, $4,374,973 in stock awards, and $4,875 in all other compensation.

46. During the period when the Company materially misstated information to the investing public to keep the stock price inflated, and before the scheme was exposed, Defendant Schultz made the following sales of company stock at artificially inflated prices:

Date	Shares Sold	Avg. Price Per Share	Proceeds
May 5, 2020	47,376	$60.00	$2,842,560
June 22, 2020	35,083	$70.19	$2,462,475
July 31, 2020	82,459	$80.34	$6,624,756
December 21, 2020	82,458	$90.20	$7,437,711
April 23, 2021	30,000	$92.86	$2,785,800
April 26, 2021	30,000	$95.26	$2,857,800

Thus, in total, before the fraud was exposed, he sold 307,376 shares of Company common stock at artificially inflated prices on inside information, for which he received approximately $25.0 million. His insider sales made with knowledge of material nonpublic information before the material misstatements and omissions were exposed demonstrate his motive in facilitating and participating in the scheme.

47. The 2021 Proxy Statement stated the following regarding Defendant Schultz:

> *Nathan Schultz* has served as our President of Learning Services since December 2018 and previously served as our Chief Learning Officer from June 2014 until December 2018, our Chief Content Officer from May 2012 until June 2014, our Vice President of Content Management from 2010 to May 2012 and our Director of Textbook Strategy from 2008 to 2010. Prior to joining us, Mr. Schultz served in various management positions at R.R. Bowker LLC, a provider of bibliographic information and management solutions; Monument Information Resource, a marketing intelligence resource acquired by R.R. Bowker; Pearson Education, an education publishing and assessment service; and Jones & Bartlett Learning LLC, a division of Ascend Learning Company and provider of education solutions. Mr. Schultz holds a B.A. in History from Elon University.

Defendant Fillmore

48. Defendant Fillmore has served as the President of Chegg Skills since September 2020. Previously, he served as the Company's Chief Business Officer from December 2018 to September 2020, its Chief of Business Operations from October 2015 to December 2018, and as Chegg's Business Leader for Required Materials from June 2013 to October 2015. According to the 2021 Proxy Statement, as of April 5, 2021, Defendant Fillmore beneficially owned 74,985 shares of Company common stock. Given that the price per share of the Company's common stock at the close of trading on April 5, 2021 was $89.02, Defendant Fillmore owned approximately $6.7 million worth of Chegg stock.

49. For the 2021 Fiscal Year, Defendant Fillmore received $8,654,600 in total compensation, including $650,000 in salary, $7,999,725 in stock awards, and $4,875 in all other compensation. For the 2020 Fiscal Year, Defendant Fillmore received $3,556,915 in total compensation, including $552,083 in salary, $2,999,957 in stock awards, and $4,875 in all other compensation.

50. During the period when the Company materially misstated information to the investing public to keep the stock price inflated, and before the scheme was exposed, Defendant Fillmore made the following sales of company stock at artificially inflated prices:

Date	Shares Sold	Avg. Price Per Share	Proceeds
May 18, 2020	49,442	$64.85	$3,206,313
June 3, 2020	1,321	$62.30	$82,298
September 2, 2020	1,321	$77.73	$102,681
December 3, 2020	1,321	$75.55	$99,801
March 3, 2021	51,505	$92.25	$4,751,336
April 13, 2021	19,714	$90.34	$1,780,962

Thus, in total, before the fraud was exposed, he sold 124,624 shares of Company common stock at artificially inflated prices on inside information, for which he received approximately $10.0 million. His insider sales made with knowledge of material nonpublic information before the material misstatements and omissions were exposed demonstrate his motive in facilitating and participating in the scheme.

51. The 2021 Proxy Statement stated the following about Defendant Fillmore:

> *John Fillmore* has served as our President of Chegg Skills since September 2020 and previously served as our Chief Business Officer from December 2018 until September 2020, our Chief of Business Operations from October 2015 to December 2018 and our Business Leader for Required Materials from June 2013 to October 2015. Prior to Chegg, Mr. Fillmore's experience included service at Bain & Company, a management consulting firm, and as Chief Deputy Director for the Office of Planning and Research under then-California Governor Arnold Schwarzenegger, where he focused on education and economic development. Mr. Fillmore holds a B.S. from the University of Oregon Robert D. Clark Honors College and an M.B.A. from Harvard Business School.

Defendant Lem

52. Defendant Lem has served as the Company's Chief Marketing Officer since December 2010. According to the 2021 Proxy Statement, as of April 5, 2021, Defendant Lem beneficially owned 102,977 shares of Company common stock. Given that the price per share of the Company's common stock at the close of trading on April 5, 2021 was $89.02, Defendant Lem owned approximately $9.2 million worth of Chegg stock.

53. For the 2021 Fiscal Year, Defendant Lem received $6,956,220 in total compensation, including $550,000 in salary, $6,399,720 in stock awards, and $6,500 in all other compensation. For the 2020 Fiscal Year, Defendant Lem received $3,521,040 in total compensation, including $514,583 in salary, $2,999,957 in stock awards, and $6,500 in all other compensation.

54. During the period when the Company materially misstated information to the investing public to keep the stock price inflated, and before the scheme was exposed, Defendant Lem made the following sales of company stock at artificially inflated prices:

Date	Shares Sold	Avg. Price Per Share	Proceeds
June 3, 2020	2,263	$61.36	$138,857
September 3, 2020	2,263	$73.89	$167,213
December 3, 2020	2,263	$76.66	$173,481
March 15, 2021	34,449	$89.50	$3,083,185

Thus, in total, before the fraud was exposed, she sold 41,238 shares of Company common stock at artificially inflated prices on inside information, for which she received approximately $3.6 million. Her insider sales made with knowledge of material nonpublic information before the material misstatements and omissions were exposed demonstrate her motive in facilitating and participating in the scheme.

55. The 2021 Proxy Statement stated the following about Defendant Lem:

> *Esther Lem* has served as our Chief Marketing Officer since December 2010. In 2009, Ms. Lem served as the Vice President, Hair Projects, Global Hair Category at Unilever N.V., a global supplier of food, home and personal care products. From 2000 to 2009, Ms. Lem served as the Vice President of Brand Development for Unilever North America on the deodorants and hair categories, a division of Unilever. Prior to 2000, Ms. Lem served as the Vice President of Marketing for Unilever Canada. Ms. Lem also currently serves on the Board of Directors of Aceable, Inc., an online provider of licensing courses.

Ms. Lem holds an Honors Business Administration degree (H.B.A.) in business from the University of Western Ontario.

Defendant Tomasello

56. Defendant Tomasello served as the Company's Vice President, Corporate Controller, Assistant Treasurer, and Principal Accounting Officer from January 2012 until November 15, 2021, when she resigned.

57. During the period when the Company materially misstated information to the investing public to keep the stock price inflated, and before the scheme was exposed, Defendant Tomasello made the following sale of company stock at artificially inflated prices:

Date	Shares Sold	Avg. Price Per Share	Proceeds
November 20, 2020	32,016	$71.45	$2,287,543

Her insider sale made with knowledge of material nonpublic information before the material misstatements and omissions were exposed demonstrates her motive in facilitating and participating in the scheme.

Defendant Sarnoff

58. Defendant Sarnoff has served as Co-Chairperson of the Board since July 2018, and as a Company director since August 2012. He is also a member of the Audit Committee. According to the 2021 Proxy Statement, as of April 5, 2021, Defendant Sarnoff beneficially owned 202,700 shares of Company common stock. Given that the price per share of the Company's common stock at the close of trading on April 5, 2021 was $89.02, Defendant Sarnoff owned approximately $18.0 million worth of Chegg stock.

59. For the 2021 Fiscal Year, Defendant Sarnoff received $399,866 in total compensation, including $50,000 in fees earned or paid in cash and $349,866 in restricted stock unit ("RSU") awards. For the 2020 Fiscal Year, Defendant Sarnoff received $399,919 in total compensation, including $50,000 in fees earned or paid in cash and $349,919 in RSU awards.

60. During the period when the Company materially misstated information to the investing public to keep the stock price inflated, and before the scheme was exposed, Defendant Sarnoff made the following sale of company stock at artificially inflated prices:

Date	Shares Sold	Avg. Price Per Share	Proceeds
May 13, 2020	66,666	$65.09	$4,339,289

His insider sale made with knowledge of material nonpublic information before the material misstatements and omissions were exposed demonstrates his motive in facilitating and participating in the scheme.

61. The 2021 Proxy Statement stated the following about Defendant Sarnoff:

> *Richard Sarnoff* has served on our Board of Directors since August 2012 and as a Co-Chairperson of our Board of Directors since July 2018. Since July 2014, Mr. Sarnoff has served as the Managing Director and Head of the Media & Communications industry team for the Private Equity platform of Kohlberg Kravis Roberts & Co. L.P., a private equity firm, and since January 2018 has served as Partner and Chairman of that team. From 2012 to 2014, Mr. Sarnoff was a Senior Adviser to Kohlberg Kravis Roberts & Co. L.P. Prior to that role, Mr. Sarnoff was employed by Bertelsmann AG, a diversified media and services company, where he served as the Co-Chairman of Bertelsmann, Inc., from 2008 to 2011, the President of Bertelsmann Digital Media Investments from 2006 to 2011, and the Executive Vice President and Chief Financial Officer of Random House, a subsidiary of Bertelsmann, from 1998 to 2006. Mr. Sarnoff also served as a member of the supervisory board of Bertelsmann from 2002 to 2008 and served as a member of the Board of Directors of The Princeton Review from 2000 to 2009, of Audible Inc. from 2001 to 2008, and of Amdocs Limited from 2009 to 2011. Mr. Sarnoff currently serves on the Board of Directors of several privately held companies. Mr. Sarnoff holds a B.A. in Art and Archeology from Princeton University and an M.B.A. from Harvard Business School. We believe that Mr. Sarnoff should continue to serve on our Board of Directors due to his extensive experience serving in senior leadership roles in media and digital technology companies.

<u>Defendant Bond</u>

62. Defendant Bond has served as a Company director since December 2020. She is also a member of the Compensation Committee. According to the 2021 Proxy Statement, as of April 5, 2021, Defendant Bond beneficially owned 203 shares of Company common stock. Given that the price per share of the Company's common stock at the close of trading on April 5, 2021 was $89.02, Defendant Bond owned approximately $18,000 worth of Chegg stock.

63. For the 2021 Fiscal Year, Defendant Bond received $249,934 in total compensation, including $50,000 in fees earned or paid in cash and $199,934 in RSU awards. For the 2020 Fiscal Year, Defendant Bond received $203,942 in total compensation, including $3,984 in fees earned or paid in cash and $199,958 in RSU awards.

64. The 2021 Proxy Statement stated the following about Defendant Bond:

> *Sarah Bond* has served on our Board of Directors since December 2020. Since June 2020, Ms. Bond has served as the Corporate Vice President, Gaming Ecosystem at Microsoft Corporation, a technology company, and from April 2017 to June 2020 Ms. Bond served as the Corporate Vice President of Gaming Partnerships and Business Development. Previously, Ms. Bond served in several senior roles at T-Mobile USA Inc., a telecommunications company, including as Senior Vice President of Emerging Businesses from August 2013 to September 2015, and Chief of Staff to the CEO from March 2011 to July 2013. Ms. Bond started her career as an Associate Partner at McKinsey & Company, a consulting firm. Ms. Bond currently serves on the Board of Directors of Zuora Inc. Ms. Bond holds a B.A. in economics from Yale University and an M.B.A. from Harvard Business School. We believe that Ms. Bond should continue to serve on our Board of Directors due to her extensive experience in leadership positions at technology companies.

Defendant Budig

65. Defendant Budig has served as a Company director since November 2015. She is also the Chair of the Audit Committee. According to the 2021 Proxy Statement, as of April 5, 2021, Defendant Budig beneficially owned 70,217 shares of Company common stock. Given that the price per share of the Company's common stock at the close of trading on April 5, 2021 was $89.02, Defendant Budig owned approximately $6.3 million worth of Chegg stock.

66. For the 2021 Fiscal Year, Defendant Budig received $259,934 in total compensation, including $60,000 in fees earned or paid in cash and $199,934 in RSU awards. For the 2020 Fiscal Year, Defendant Budig received $259,980 in total compensation, including $60,000 in fees earned or paid in cash and $199,980 in RSU awards.

67. The 2021 Proxy Statement stated the following about Defendant Budig:

> *Reneé Budig* has served on our Board of Directors since November 2015. From September 2012 to January 2021, Ms. Budig served as the Executive Vice President and Chief Financial Officer of ViacomCBS Streaming, a division of ViacomCBS Inc. (formerly CBS Interactive, a division of CBS Inc.), an online content network for information and entertainment, and from 2010 to September 2012, Ms. Budig served as Chief Financial Officer of Hightail, Inc. (formerly branded YouSendIt and acquired by OpenText), a cloud service that allowed users to send, receive, digitally sign and synchronize files. From 2006 to 2010, Ms. Budig was the Vice President of Finance at Netflix, Inc., a multinational provider of on-demand Internet streaming media. Ms. Budig holds a B.S. in Business Administration from the University of California, Berkeley. We believe that Ms. Budig should continue to serve on our Board of Directors due to her extensive background in consumer technology companies and her financial expertise through her service as a Chief Financial Officer.

Defendant LeBlanc

68. Defendant LeBlanc has served as a Company director since July 2019. He also serves as a member of the Governance and Sustainability Committee. According to the 2021 Proxy Statement, as of April 5, 2021, Defendant LeBlanc beneficially owned 8,537 shares of Company common stock. Given that the price per share of the Company's common stock at the close of trading on April 5, 2021 was $89.02, Defendant LeBlanc owned approximately $760,000 worth of Chegg stock.

69. For the 2021 Fiscal Year, Defendant LeBlanc received $249,934 in total compensation, including $50,000 in fees earned or paid in cash and $199,934 in RSU awards. For the 2020 Fiscal Year, Defendant LeBlanc received $249,980 in total compensation, including $50,000 in fees earned or paid in cash and $199,980 in RSU awards.

70. The 2021 Proxy Statement said the following about Defendant LeBlanc:

> Paul LeBlanc has served on our Board of Directors since July 2019. Since 2003, Mr. LeBlanc has served as the President of Southern New Hampshire University, a private non-profit university. From 1996 to 2003, Mr. LeBlanc served as the President of Marlboro College, a private liberal arts college. Prior to Marlboro College, Mr. LeBlanc served as Director of Sixth Floor Media, a division of Houghton Mifflin Harcourt, Publishing Company. Mr. LeBlanc holds a B.A. in English from Framingham State University, a M.A. in English Language, Literature and Letters from Boston College, and a Ph.D. in Rhetoric, Composition and Technology from the University of Massachusetts, Amherst. We believe that Mr. LeBlanc should continue to serve on our Board of Directors due to his extensive experience in technological innovation in higher education.

Defendant Levine

71. Defendant Levine has served as a Company director since May 2013. She is also the Chair of the Governance and Sustainability Committee and a member of the Compensation Committee. According to the 2021 Proxy Statement, as of April 5, 2021, Defendant Levine beneficially owned 153,045 shares of Company common stock. Given that the price per share of the Company's common stock at the close of trading on April 5, 2021 was $89.02, Defendant Levine owned approximately $13.6 million worth of Chegg stock.

72. For the 2021 Fiscal Year, Defendant Levine received $269,934 in total compensation, including $70,000 in fees earned or paid in cash and $199,934 in RSU awards. For the 2020 Fiscal Year,

Defendant Levine received $269,980 in total compensation, including $70,000 in fees earned or paid in cash and $199,980 in RSU awards.

73. The 2021 Proxy Statement stated the following about Defendant Levine:

> *Marne Levine* has served on our Board of Directors since May 2013. Since February 2019, Ms. Levine served as the Vice President of Global Partnerships, Business and Corporate Development at Facebook, Inc., a social media company. From December 2014 to February 2019, Ms. Levine served as Chief Operating Officer of Instagram, a social media company and wholly owned subsidiary of Facebook, Inc. From 2010 to December 2014, Ms. Levine served as Vice President of Global Public Policy for Facebook, Inc. From 2009 to 2010, Ms. Levine served as Chief of Staff of the National Economic Council at the White House and Special Assistant to the President for Economic Policy. Ms. Levine holds a B.A. in Political Science and Communications from Miami University and an M.B.A. from Harvard Business School. We believe that Ms. Levine should continue to serve on our Board of Directors due to her extensive experience in the policy, communications and technology fields.

Defendant Schlein

74. Defendant Schlein has served as a Company director since December 2008. He also serves as a member of both the Governance and Sustainability Committee and the Audit Committee. According to the 2021 Proxy Statement, as of April 5, 2021, Defendant Schlein beneficially owned 232,118 shares of Company common stock. Given that the price per share of the Company's common stock at the close of trading on April 5, 2021 was $89.02, Defendant Schlein owned approximately $20.7 million worth of Chegg stock.

75. For the 2021 Fiscal Year, Defendant Schlein received $259,934 in total compensation, including $60,000 in fees earned or paid in cash and $199,934 in RSU awards. For the 2020 Fiscal Year, Defendant Schlein received $259,980 in total compensation, including $60,000 in fees earned or paid in cash and $199,980 in RSU awards.

76. The 2021 Proxy Statement said the following about Defendant Schlein:

> *Ted Schlein* has served on our Board of Directors since December 2008. Mr. Schlein has served as a General Partner of Kleiner Perkins, a venture capital firm, since November 1996. From 1986 to 1996, Mr. Schlein served in various executive positions at Symantec Corporation, a provider of internet security technology and business management technology solutions, including as Vice President of Enterprise Products. Mr. Schlein currently serves on the boards of directors of a number of privately held companies. Mr. Schlein holds a B.A. in Economics from the University of Pennsylvania. We believe that Mr. Schlein should continue to serve on our Board of Directors due to his extensive experience working with technology companies.

Defendant Whelan

77. Defendant Whelan has served as a Company director since June 2019. She is also the Chair of the Compensation Committee. According to the 2021 Proxy Statement, as of April 5, 2021, Defendant Whelan beneficially owned 6,582 shares of Company common stock. Given that the price per share of the Company's common stock at the close of trading on April 5, 2021 was $89.02, Defendant Whelan owned approximately $586,000 worth of Chegg stock.

78. For the 2021 Fiscal Year, Defendant Whelan received $249,934 in total compensation, including $50,000 in fees earned or paid in cash and $199,934 in RSU awards. For the 2020 Fiscal Year, Defendant Whelan received $249,980 in total compensation, including $50,000 in fees earned or paid in cash and $199,980 in RSU awards.

79. The 2021 Proxy Statement stated the following about Defendant Whelan:

> *Melanie Whelan* has served on our Board of Directors since June 2019. Ms. Whelan has served as a Managing Director at Summit Partners, a private equity investment firm, since June 2020 and served as an Executive in Residence from January 2020 to June 2020. Previously, Ms. Whelan served as Chief Executive Officer of SoulCycle Inc., an indoor cycling fitness company, from June 2015 to November 2019 and as Chief Operating Officer from April 2012 until May 2015. Prior to joining SoulCycle, Ms. Whelan was Vice President of Business Development at Equinox Holdings, Inc., a luxury fitness company, from January 2007 to April 2012. Prior to Equinox, she also held leadership positions with Virgin Management, where she was on the founding team of Virgin America, and with Starwood Hotels & Resorts, a hospitality company. Ms. Whelan holds a B.A. in Engineering and Economics from Brown University. We believe that Ms. Whelan should continue to serve on our Board of Directors due to her extensive experience in business operations, international growth, and consumer marketing.

Defendant York

80. Defendant York has served as a Company director since June 2013. He also serves as a member of both the Compensation Committee and the Governance and Sustainability Committee. According to the 2021 Proxy Statement, as of April 5, 2021, Defendant York beneficially owned 105,748 shares of Company common stock. Given that the price per share of the Company's common stock at the close of trading on April 5, 2021 was $89.02, Defendant York owned approximately $9.4 million worth of Chegg stock.

81. For the 2021 Fiscal Year, Defendant York received $269,934 in total compensation, including $70,000 in fees earned or paid in cash and $199,934 in RSU awards. For the 2020 Fiscal Year, Defendant York received $269,980 in total compensation, including $70,000 in fees earned or paid in cash and $199,980 in RSU awards.

82. During the period when the Company materially misstated information to the investing public to keep the stock price inflated, and before the scheme was exposed, Defendant York made the following sales of company stock at artificially inflated prices:

Date	Shares Sold	Avg. Price Per Share	Proceeds
July 1, 2020	10,000	$68.04	$680,400
October 1, 2020	10,000	$73.38	$733,800

Thus, in total, before the fraud was exposed, he sold 20,000 shares of Company common stock at artificially inflated prices on inside information, for which he received approximately $1.4 million. His insider sales made with knowledge of material nonpublic information before the material misstatements and omissions were exposed demonstrate his motive in facilitating and participating in the scheme.

83. The 2021 Proxy Statement stated the following about Defendant York:

> *John York* has served on our Board of Directors since June 2013. Since February 2012, Mr. York has served as the Chief Executive Officer of the San Francisco 49ers, a professional football team in the National Football League, where he previously served as Team President from 2008 to February 2012 and as Vice President of Strategic Planning from 2005 to 2008. Prior to those roles, Mr. York served as a financial analyst at Guggenheim Partners. Mr. York holds a B.A. in Finance from the University of Notre Dame. We believe that Mr. York should continue to serve on our Board of Directors due to his extensive leadership experience and strong corporate development background.

FIDUCIARY DUTIES OF THE INDIVIDUAL DEFENDANTS

84. By reason of their positions as officers, directors, and/or fiduciaries of Chegg and because of their ability to control the business and corporate affairs of Chegg, the Individual Defendants owed Chegg and its shareholders fiduciary obligations of trust, loyalty, good faith, and due care, and were and are required to use their utmost ability to control and manage Chegg in a fair, just, honest, and equitable manner. The Individual Defendants were and are required to act in furtherance of the best interests of Chegg and its shareholders so as to benefit all shareholders equally.

85. Each director and officer of the Company owes to Chegg and its shareholders the fiduciary duty to exercise good faith and diligence in the administration of the Company and in the use and preservation of its property and assets and the highest obligations of fair dealing.

86. The Individual Defendants, because of their positions of control and authority as directors and/or officers of Chegg, were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein.

87. To discharge their duties, the officers and directors of Chegg were required to exercise reasonable and prudent supervision over the management, policies, controls, and operations of the Company.

88. Each Individual Defendant, by virtue of their position as a director and/or officer, owed to the Company and to its shareholders the highest fiduciary duties of loyalty, good faith, and the exercise of due care and diligence in the management and administration of the affairs of the Company, as well as in the use and preservation of its property and assets. The conduct of the Individual Defendants complained of herein involves a knowing and culpable violation of their obligations as directors and officers of Chegg, the absence of good faith on their part, or a reckless disregard for their duties to the Company and its shareholders that the Individual Defendants were aware or should have been aware posed a risk of serious injury to the Company. The conduct of the Individual Defendants who were also officers and directors of the Company has been ratified by the remaining Individual Defendants who collectively comprised Chegg's Board at all relevant times.

89. As senior executive officers and directors of a publicly-traded company whose common stock was registered with the SEC pursuant to the Exchange Act and traded on the NYSE, the Individual Defendants, had a duty to prevent and not to effect the dissemination of inaccurate and untruthful information with respect to the Company's financial condition, performance, growth, operations, financial statements, business, products, management, earnings, internal controls, and present and future business prospects, and had a duty to cause the Company to disclose omissions of material fact in its regulatory filings with the SEC all those facts described in this Complaint that it failed to disclose, so that the market price of the Company's common stock would be based upon truthful and accurate information.

90. To discharge their duties, the officers and directors of Chegg were required to exercise reasonable and prudent supervision over the management, policies, practices, and internal controls of the Company. By virtue of such duties, the officers and directors of Chegg were required to, among other things:

(a) ensure that the Company was operated in a diligent, honest, and prudent manner in accordance with the laws and regulations of Delaware, California, and the United States, and pursuant to Chegg's own Code of Business Conduct and Ethics (the "Code of Conduct");

(b) conduct the affairs of the Company in an efficient, business-like manner so as to make it possible to provide the highest quality performance of its business, to avoid wasting the Company's assets, and to maximize the value of the Company's stock;

(c) remain informed as to how Chegg conducted its operations, and, upon receipt of notice or information of imprudent or unsound conditions or practices, such as the Cheating Misconduct and Copyright Infringement Misconduct, to make reasonable inquiry in connection therewith, and to take steps to correct such conditions or practices;

(d) establish and maintain systematic and accurate records and reports of the business and internal affairs of Chegg and procedures for the reporting of the business and internal affairs to the Board and to periodically investigate, or cause independent investigation to be made of, said reports and records;

(e) maintain and implement an adequate and functioning system of internal legal, financial, and management controls, such that Chegg's operations would comply with all applicable laws and Chegg's financial statements and regulatory filings filed with the SEC and disseminated to the public and the Company's shareholders would be accurate;

(f) exercise reasonable control and supervision over the public statements made by the Company's officers and employees and any other reports or information that the Company was required by law to disseminate;

(g) refrain from unduly benefiting themselves and other Company insiders at the expense of the Company; and

(h) examine and evaluate any reports of examinations, audits, or other financial information concerning the financial affairs of the Company and to make full and accurate disclosure of all material facts concerning, *inter alia*, each of the subjects and duties set forth above.

91. Each of the Individual Defendants further owed to Chegg and the shareholders the duty of loyalty requiring that each favor Chegg's interests and that of its shareholders over their own while conducting the affairs of the Company and refrain from using their position, influence, or knowledge of the affairs of the Company to gain personal advantage.

92. At all times relevant hereto, the Individual Defendants were the agents of each other and of Chegg and were at all times acting within the course and scope of such agency.

93. Because of their advisory, executive, managerial, and directorial positions with Chegg, each of the Individual Defendants had access to adverse, nonpublic information about the Company.

94. The Individual Defendants, because of their positions of control and authority, were able to and did, directly or indirectly, exercise control over the wrongful acts complained of herein, as well as the contents of the various public statements issued by Chegg.

CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION

95. In committing the wrongful acts alleged herein, the Individual Defendants have pursued, or joined in the pursuit of, a common course of conduct, and have acted in concert with and conspired with one another in furtherance of their wrongdoing. The Individual Defendants caused the Company to conceal the true facts as alleged herein. The Individual Defendants further aided and abetted and/or assisted each other in breaching their respective duties.

96. The purpose and effect of the conspiracy, common enterprise, and/or common course of conduct was, among other things, to facilitate and disguise the Individual Defendants' violations of law, including breaches of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and violations of the Exchange Act.

97. The Individual Defendants accomplished their conspiracy, common enterprise, and/or common course of conduct by causing the Company purposefully, recklessly, or negligently to conceal material facts, fail to correct such misrepresentations, and violate applicable laws. In furtherance of this

plan, conspiracy, and course of conduct, the Individual Defendants collectively and individually took the actions set forth herein. Because the actions described herein occurred under the authority of the Board, each of the Individual Defendants who was a director of Chegg was a direct, necessary, and substantial participant in the conspiracy, common enterprise, and/or common course of conduct complained of herein.

98. Each of the Individual Defendants aided and abetted and rendered substantial assistance in the wrongs complained of herein. In taking such actions to substantially assist the commission of the wrongdoing complained of herein, each of the Individual Defendants acted with actual or constructive knowledge of the primary wrongdoing, either took direct part in, or substantially assisted the accomplishment of that wrongdoing, and was or should have been aware of their overall contribution to and furtherance of the wrongdoing.

99. At all times relevant hereto, each of the Individual Defendants was the agent of each of the other Individual Defendants and of Chegg and was at all times acting within the course and scope of such agency.

CHEGG'S CODE OF CONDUCT AND CORPORATE GOVERNANCE

Code of Conduct

100. The introduction to Chegg's Code of Conduct reads, in relevant part:

> At Chegg, we are committed to the highest standards of business conduct in our relationships with one other, our student customers, our stockholders and our suppliers and partners. While we'll always compete hard and do our best to protect Chegg's interests, we won't cut legal or ethical corners to meet a business objective. And protecting Chegg's interests should never come at the expense of fairness to the students we serve nor to the companies with whom we do business. Integrity is at our core.

101. The Code of Conduct's introduction continues by stating that it "applies to our Board of Directors, all Chegg employees and contractors with whom we do business."

102. The Code of Conduct lists among the Company's values: "Integrity – be transparent candid and authentic[.]"

103. The Code of Conduct instructs that Chegg personnel must "[a]void even the appearance of a conflict[,]" adding that:

> A conflict of interest can occur when you are in a position at Chegg to influence some decision that could result in personal gain for you, your friends or your family, at the expense of Chegg, our investors or our community of users.

104. The Code of Conduct section on "Academic Integrity" reads:

> We serve a diverse academic community that operates on honesty and integrity. We seek to strengthen our nation's academic system by helping students learn, but we will not support or profit from unethical academic behavior. We will not promote plagiarism, sell pirated books, or provide materials designed to aid cheating. We do not condone piracy and will build systems to discourage our customers' unauthorized use of protected materials. Just as we strive to grow our business with integrity, we want to support the vast majority of our customers who only want to learn with integrity and compete fairly for grades.

105. In addition, the Code of Conduct states the following about using copyrighted material: "Chegg respects the valid intellectual property rights of other parties. Do not use, copy or distribute third party intellectual property without permission or arranging with the legal department to obtain the appropriate rights. The absence of a copyright notice does not mean that the materials are not copyrighted."

106. Under the heading, "Obey the Law," the Code of Conduct states, in relevant part:

> Chegg takes its responsibility to comply with the law seriously, and all Chegg employees and Board members are expected to know the major laws and regulations that apply to their job, and follow all applicable legal requirements and prohibitions. This includes being familiar with Chegg's Legal Compliance Policy and the subject matter specific policies that are a component of our Legal Compliance Policy. A few laws are worth calling out specifically.
>
> - <u>Insider trading</u>: Insider trading is both unethical and illegal. Employees, directors and their family members are prohibited from using "inside" or material non-public information about the company, or about companies with which we do business, in connection with buying or selling Chegg stock or the stock of other companies. This prohibition includes including "tipping" others who might make an investment decision on the basis of this information. Chegg has an open culture and believes in being open and transparent with its team. Yet this openness carries with it responsibility – much of our information is confidential and cannot be shared outside the company. Using this information, including non-public information regarding our suppliers and business partners, to buy or sell stock, or passing it to others so that they can trade stock, violates not only this Code, but state and federal securities laws. It is your responsibility to familiarize yourself with Chegg's Insider Trading Policy, which lays out the procedures that you and the company will follow to avoid even the appearance of such activity.

107. The Code of Conduct also contains a "Finance Code of Conduct" applicable to "the Chief Executive Officer, Chief Financial Officer, the controller, and any persons performing similar functions." The Finance Code of Conduct further provides, in relevant part:

> • <u>Honest and Ethical Conduct</u>: Senior financial officers owe a duty to Chegg to act and perform their duties ethically and honestly and with the highest sense of integrity. This requires an officer to avoid actual or apparent conflicts of interest between personal and professional relationships, which requires observation of both the form and the spirit of technical and ethical accounting standards.
>
> • <u>Conflict of Interest:</u> A "conflict of interest" occurs when an individual's private interest interferes or appears to interfere with the interests of the company. Conflicts of interest are prohibited as a matter of Chegg policy, unless they have been waived by the company. In particular, a senior financial officer must never use or attempt to use his or her position at the company to obtain any improper personal benefit for himself or herself, for his or her family, or for any other person. Any senior financial officer who is aware of a conflict of interest, or is concerned that a conflict might develop, is required to promptly discuss the matter with Audit Committee of the Board of Directors or the Chief Executive Officer and the General Counsel.
>
> • <u>Disclosure</u>: Senior financial officers are responsible for ensuring that the disclosure in the reports and documents that Chegg files with, or submits to, the Securities and Exchange Commission and in other public communications made by Chegg is full, fair, accurate, timely and understandable. Therefore, senior financial officers are required to familiarize themselves with the disclosure requirements applicable to the company as well as the business and financial operations of the company.
>
> In addition, in the performance of their duties, senior financial officers are prohibited from knowingly misrepresenting facts. A senior financial officer will be considered to have knowingly misrepresented facts if he or she knowingly (i) makes, or permits or directs another to make, materially false or misleading entries in an entity's financial statements or records; (ii) fails to correct materially false and misleading financial statements or records; (iii) signs, or permits another to sign, a document containing materially false and misleading information; or (iv) falsely responds, or fails to respond, to specific inquiries of the company's external accountant. Any senior financial officer who is aware of a material misrepresentation or omission in Chegg's financial disclosure is required to promptly report the matter to Audit Committee of the Board of Directors or the Chief Executive Officer and the General Counsel. Senior financial officers are responsible for adequately supervising the preparation of the financial disclosure in all reports the company is required to file. Adequate supervision includes closely reviewing and critically analyzing the financial information to be disclosed.
>
> • <u>Compliance</u>: It is Chegg's policy to comply with all applicable laws, rules and regulations. It is the personal responsibility of each senior financial officer to adhere to the standards and restrictions imposed by those laws, rules and regulations, and in particular, those relating to accounting and auditing matters. Each senior financial officer is

> accountable for his or her compliance with this Finance Code of Conduct as well as all those under supervision to whom this Finance Code of Conduct applies.
>
> Any senior financial officer must promptly report violations of the Finance Code of Conduct to the Audit Committee. If any senior financial officer is unsure whether a situation violates any applicable law, rule, regulation or company policy should discuss the situation with the General Counsel or the Chief Financial Officer to prevent possible problems at a later date. Failure to do so is itself a violation of this Code. To encourage officers to report any violations, Chegg will not allow retaliation for reports made in good faith.

108. Finally, the Code of Conduct provides that: "If you are aware of a suspected or actual violation of Code standards by others, you have a responsibility to report it."

Audit Committee Charter

109. The Charter of the Audit Committee of the Board of Directors of Chegg, Inc. (the "Audit Committee Charter") defines the responsibilities of the Company's Audit Committee.

110. Per the Audit Committee Charter, among the Audit Committee's "principal functions" are to "assist the Board in overseeing the integrity of the financial statements and accounting and financial reporting processes of the Company . . . as well as the Company's compliance with legal and regulatory requirements[.]"

111. An additional "principal function []" is to "oversee risk assessments and risk management pertaining to financial, accounting and tax matters of the Company."

112. The Audit Committee Charter lists among the Audit Committee's responsibilities:

> 1. Review and discuss with management and the Independent Auditors the Company's quarterly results and the related earnings press release prior to distribution to the public.
>
> 2. Periodically discuss on a general basis with management the type of information to be disclosed and type of presentation to be made regarding released financial information.
>
> * * *
>
> 9. Discuss on a general basis the type of information to be disclosed and type of presentation to be made regarding financial information and earnings guidance to analysts and rating agencies, including, in general, the types of information to be disclosed and the types of presentation to be made (paying particular attention to the use of "pro forma" or "adjusted" non-GAAP information).

* * *

11. Periodically discuss with the Company's principal accounting officer and principal in-house legal counsel the function of the Company's disclosure controls and procedures and any disclosure committee that may be established by the Company. Discuss with the Company's Chief Executive Officer and Chief Financial Officer their conclusions regarding the effectiveness of the Company's disclosure controls and procedures.

113. The Individual Defendants violated Chegg's Code of Conduct by engaging in or permitting the Company to engage in the Cheating Misconduct and the Copyright Infringement Misconduct, issuing materially false and misleading statements to the investing public, and facilitating and disguising the Individual Defendants' violations of law, including breaches of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and violations of the Exchange Act. In addition, the Individual Defendants violated the Code of Conduct by failing to act with integrity, supporting and profiting from unethical academic behavior, failing to avoid conflicts of interest, failing to respect the intellectual property rights of others, engaging in insider trading, failing to ensure the Company's disclosures were accurate, failing to ensure the Company complied with applicable laws, rules, and regulations, and failing to promptly report known violations of the Code of Conduct and the law.

114. Moreover, the Individual Defendants who served on the Company's Audit Committee during the Relevant Period violated the Audit Committee Charter by engaging in or permitting the Company to engage in the Cheating Misconduct and the Copyright Infringement Misconduct, issuing materially false and misleading statements to the investing public, and facilitating and disguising the Individual Defendants' violations of law, including breaches of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and violations of the Exchange Act. In addition the Individual Defendants who served on the Company's Audit Committee during the Relevant Period violated the Audit Committee Charter by failing to adequately oversee the integrity of the Company's financial disclosures, failing to adequately oversee the Company's compliance with legal and regulatory requirements, failing to adequately oversee the Company's risk assessments and risk management, failing to adequately discuss with management the Company's financial information prior to public distribution, and failing to adequately oversee the Company' disclosure controls and procedures.

THE INDIVIDUAL DEFENDANTS' MISCONDUCT

Background

115. Chegg is a Delaware corporation based in California. Chegg offers an online "direct-to-student" learning platform, directed at high school and college students, that provides students with digital tools and other materials to assist them with their classes.

116. Chegg's product and service offerings fall into two categories: "Chegg Services" and "Required Materials." Chegg Services encompasses the Company's subscription services, which include, *inter alia*, Chegg Study, Chegg Writing, Chegg Math Solver, and Chegg Study Pack. Required Materials includes print textbooks and eTextbooks, which the Company rents and sells to students looking to save on the cost of required materials.

117. Notably, the subscription to Chegg Study comes with Expert Q&A, a tool that allows students to ask specific questions to real-life experts with advanced-level degrees, who would then provide solutions to those questions "usually in less than an hour" and often almost immediately.

118. The revenue generated by Chegg Services accounts for most of the Company's revenues, with 81% of Chegg's revenue coming from Chegg Services and 19% from Required Materials in the 2020 Fiscal Year.

119. The early-2020 arrival and subsequent spread of Covid-19 in the United States disrupted the education sector, forcing many schools and colleges to close and transition to an online learning system. In tandem with this widespread transition to online learning, Chegg experienced a surge in its business, with Chegg's number of subscribers more than doubling by the end of 2020, Chegg's total revenues increasing by nearly 50% from the first fiscal quarter of 2020 to the second fiscal quarter of 2021, and Chegg reporting significant growth in year-over-year revenue and earnings for each quarter in the Relevant Period.

120. In light of Chegg's unprecedented growth during the pandemic, the market questioned whether Chegg's growth reflected an increasing and sustainable student demand for online learning or whether it was actually fueled by the shift to online learning, which created new opportunities for students to use Chegg's platform to cheat.

121. The Defendants, on the other hand, were less unsure, confidently attributing Chegg's pandemic-timed growth to more legitimate reasons, such as Chegg's efforts to prevent account sharing, internationalization of Chegg's business, and "more and more" students needing "more and more help" to "master their subject matter and get better grades" as a result of the inability of schools to supply that help. Accordingly, Defendants represented to the investing public that Chegg's growth during the Relevant Period was "inevitable" and not temporary, even asserting that the growth was a "permanent situation" that would continue once students returned to in-person learning because "Chegg's success in the US is not a result of people being on campus or not being on campus."

122. Moreover, Defendants rebuffed concerns that Chegg's growth was due to increasing numbers of students using Chegg's platform to cheat, emphasizing Chegg's commitment to academic integrity and claiming that "the vast majority of students who use our platform are honest and here to learn." According to Defendants, misuse of Chegg's platform represented only "an extremely small portion" of "activity on our services" and Chegg's technology "removes copyrighted material before it even gets posted." On January 13, 2021, in light of the negative media attention surrounding Chegg's role in facilitating academic cheating for countless students, Chegg announced the Honor Shield initiative, which allowed professors to "pre-submit" tests before the tests were administered to students such that Chegg could "block the ability for that question to be answered during that test time."

123. The market responded very favorably to Defendants' representations, which caused the price of Chegg's common stock to catapult from $43.79 per share immediately prior to the start of the Relevant Period to an all-time high of $113.51 per share on February 12, 2021.

124. Shortly after, the Individual Defendants caused Chegg to offer over 11 million additional shares to investors through a secondary public offering, which closed on February 22, 2021. According to a current report filed by Chegg with the SEC on February 22, 2021, a total of 11,274,600 shares were sold in the secondary public offering, 300,000 of which were Defendant Rosensweig's shares, at a price of $102.00 per share. The Company estimated that it would receive approximately $1.09 billion in net proceeds as a result. Notably, Defendant Rosensweig personally made $29,865,600 by selling his 300,000 shares at prices artificially inflated by his own false and misleading statements, which demonstrates his

motive for both making these statements and pursuing a secondary public offering, thereby exposing the Company to liability for violations of the Exchange Act.

125. Then, on November 1, 2021, Chegg announced its financial results for the quarter ended September 30, 2021, revealing that it had fewer subscribers than expected, that key revenue metrics had decelerated in growth or even contracted, and that Chegg would not be issuing guidance for the 2022 fiscal year.

126. Although Defendants attempted to scapegoat the Company's poor performance on an "industry-wide" slowdown brought about by "increased employment opportunities and compensation" and student "fatigue," the actual reason was that students were returning to in-person learning, rendering it much more difficult for students to get away with using Chegg's platform to cheat.

The Cheating Misconduct

Reports of Widespread Cheating

127. Chegg's pandemic-timed surge in subscribers and revenue was driven by Defendants' facilitation of cheating by students.

128. The mechanism of this cheating became clear when, no later than December 16, 2020, multiple news outlets[1] reported that officials at Texas A&M had discovered that students were using Chegg to cheat on their remote exams—a cheating opportunity made plentiful by remote learning brought on by Covid-19. Specifically, a significant number of students were copying and pasting answers into their online exams and other assignments from a repository made available to Chegg users. Other students, if not under pressing time constraints, were able to post questions on Chegg's website and have a Chegg tutor answer the questions, before passing off the answers as their own.

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[1] *See, e.g.*, Anna Gallegos, IHEART (Dec. 17, 2020), *Hundreds of Texas A&M Students Accused of Using Chegg to Cheat*, https://www.iheart.com/content/2020-12-17-hundreds-of-texas-am-students-accused-of-using-chegg-to-cheat/ (last visited Jan. 12, 2022); ShaCamree Gowdy, CHRON (Dec. 16, 2020), *Hundreds of Students Used Chegg to Cheat During Online Exam, Texas A&M Alleges*, https://www.chron.com/news/houston-texas/education/article/Chegg-Texas-A-M-students-cheating-virtual-classes-15808790.php (last visited Jan. 12, 2022); Kate McGee, TEXAS TRIBUNE (Dec. 16, 2020), *Texas A&M Investigating "Large Scale" Cheating Case as Universities See More Academic Misconduct in Era of Online Classes*, https://www.texastribune.org/2020/12/16/texas-am-chegg-cheating/ (last visited Jan. 12, 2022).

129. According to these news reports, in early December 2021, Texas A&M officials had emailed hundreds of students regarding the discovery of cheating "on a very large scale" after Texas A&M tracking software detected that some students, using Chegg, were completing exams so quickly that it was not possible for them to have been reading the questions. The *Texas Tribune*, noting that students at Georgia Tech University and Boston University had also been caught cheating using Chegg, quoted Timothy Powers, the director of the Aggie Honor System Office at Texas A&M, as stating that there were "hundreds of examples" of students doing this.[2] The same *Texas Tribune* article also quoted Rachel Davenport, a Texas State lecturer, as stating that online learning allowed students to be "at [their] computer not being watched" such that the "opportunity has just increased dramatically to use online sources."

Defendants Knew That Chegg's Pandemic-Timed Growth Was Driven by the Influx of Students Cheating Across the Nation

130. Although Defendants attributed legitimate business reasons as driving Chegg's pandemic-timed growth, the Individual Defendants knew throughout the Relevant Period that Chegg's pandemic-timed growth was actually driven by students taking advantage of online learning to use Chegg to cheat and that Chegg's growth would thus be unsustainable after students returned to in-person learning. Compared to online learning, in-person learning would make it much more difficult for students to cheat on Chegg's platform and stay undetected.

131. The foregoing is confirmed by the amended complaint filed in the Securities Class Action on December 8, 2022, which featured a comprehensive investigation involving the review of: (1) thousands of pages of documents provided by multiple prominent universities in response to FOIA requests; (2) interviews of over twenty professors, deans, and officials at prominent universities describing their firsthand accounts of students using Chegg's platform to cheat; (3) an empirical analysis of thousands of questions submitted to Expert Q&A during the Relevant Period; and (4) corroborating accounts of numerous former Chegg employees with direct knowledge of Chegg's business.

Droves of Students Used Chegg to Cheat Resulting in Institutions Repeatedly Notifying Chegg of Widespread Cheating

[2] https://www.texastribune.org/2020/12/16/texas-am-chegg-cheating/ (last visited Feb. 6, 2023).

132. The documents provided by universities in response to FOIA requests illustrate not only the significant extent to which students were using Chegg to cheat, but also that Defendants were repeatedly notified by universities of widespread student cheating on Chegg's platform.

133. Internal faculty emails produced by The University of California, Los Angeles ("UCLA") characterized student cheating on Chegg's platform as a "severe issue" such that it was "raining cases" of academic integrity violations. UCLA's former Dean for Students Maria Blandizzi, who notified Chegg about the cheating issue in more than ten separate letters in May 2020, noted how UCLA "experienced a 44% increase in academic misconduct reports" when comparing "March-May in 2019 and 2020." and that students were "posting actual questions of current homework assignments and exams" onto Chegg's platform for solutions.

134. Internal faculty emails provided by The Georgia Institute of Technology ("Georgia Tech") reveal additional instances of professors discovering that their students used Chegg's platform to cheat, with Dr. Jonathan S. Colton, a Georgia Tech professor, noting that "a quick poll in [Mechanical Engineering] showed widespread use of Chegg this semester," Dr. Jennifer E. Curtis, another Georgia Tech professor, describing the cheating as "rampant" after finding four out of five problems on her final exam posted on Chegg's website, and Dr. Michael Schatz, another Georgia Tech professor, stating that "there are multiple instances [of cheating] spread across multiple sections of both PHYS2211 and PHYS2212." Such instances of academic misconduct were reported to Chegg on multiple occasions. For example, on June 3, 2020, Dr. Marguerite Matherne, a Georgia Tech instructor, reported student cheating to Chegg after discovering "all three of [her] exam problems posted on Chegg Study." Then, on April 6, 2020, Dr. Marta Hatzell, a Georgia Tech associate professor, 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."

135. Student cheating on Chegg's platform had a significant impact on the state of academic integrity at the respective universities. For example, Dr. Sylvestor Eriksson-Bique, a UCLA assistant professor, wrote that "my midterms have been compromised severely by Chegg.com. Nearly all questions have been posted, sometimes many times." The result, as explained by Eriksson-Bique, was that all of his

assessments were rendered meaningless, with the tainted assessments accounting for "almost 80% of [the] course grade." Dr. Mi-Hyun Park, a UCLA professor, was unable to record the final exam grade for the "entire class."

136. Unsurprisingly, professors harbored a general distrust of Chegg and wanted Chegg to take action against the widespread cheating that was taking place. [redacted]

Defendants' Purported Efforts to Address Cheating Were Superficial

137. Despite being repeatedly notified, Defendants refused to implement even the most basic protections suggested by the universities, instead setting up obstacles to delay or discourage academic integrity investigations and to perpetuate Chegg's facilitation of student cheating. For example, according to documents provided by UCLA, Chegg refused to remove exam questions and answers from its website unless the formal procedures as described in Chegg's Honor Code were followed, meaning that the takedown request had to come "directly from the office of the dean or the body in charge of handling matters of academic investigation at the university," be "made on university letterhead," and be "dated, signed and include URLs" to those exam questions and answers. The requirement that the takedown request had to come "directly from the office of the dean" was noted as particularly "concerning" by Jasmine Rush, a UCLA associate dean, because it "create[d] a hurdle for faculty" on an already time-sensitive issue.

138. [redacted]

[redacted]

139. Defendants' purported systems for addressing student cheating, however, were ineffective, providing universities with mostly useless information and never the actual names of the students under investigation. Although Chegg did occasionally disclose the email addresses of students, subscribing to Chegg did not require students to register with their school email addresses, which meant that students could sign up with personal email addresses using fake names. These students' identities thus remained hidden from schools. Derek Newton, the editor of *The Cheat Sheet* and a writer on the issue of academic integrity, "raised this issue [of requiring school email addresses] with Chegg." According to Newton, "[Chegg] said – more or–less - that such a change is implausible because of non-standard educational e-mail addresses around the world," to which Newton noted how "[i]t's hard to imagine that a company worth something like $12 billion is flummoxed by non-standard official e-mail addresses." The excuse Chegg provided fails to explain why it could not solely require US school-enrolled students to register with their student email addresses as their student email addresses would all contain the standard ".edu" domain. Chegg's excuse is also contradicted by the fact that professors signing up on Chegg's website to

use Honor Shield were instructed to "[u]se your faculty .edu email to get started." Additionally, according to Candace Sue, Chegg's Head of Academic Relations, "a very common request," if not "almost the number one thing that we hear," from faculty was for Chegg to implement some sort of delay before questions submitted to Expert Q&A could be answered. However, Chegg's excuse for not implementing this simple solution was that since students were in need of help "right away," making students wait any length of time for answers would be "unfair" to them.

140. The interviews and written correspondence with professors, deans, and university officials similarly reveal the difficulties schools faced in trying to prevent student cheating and that Chegg was repeatedly informed of the widespread cheating taking place at the schools. Many professors also believed the Honor Shield program to be completely ineffective as students could easily avoid detection by simply making a slight modification to the questions they submitted. Honor Shield could have easily been refined to detect and block not only questions that were a verbatim match to exams pre-submitted by professors but also questions that were only a similar match. However, Defendants chose not to do so, [redacted]

141. As further demonstration of the ineffectiveness of Honor Shield and Defendants' failure to adequately address the Cheating Misconduct, [redacted]

142. The interviews and written correspondence with educators also confirm that the number of students using Chegg to cheat did indeed surge during the Relevant Period, resulting in a slew of academic

integrity investigations and violations at schools across the nation. According to the interviews, faculty members routinely discovered that up to 40% of students in their classes used Chegg, with "a vast majority of students using Chegg" for "illegitimate reasons," such as posting entire exams onto Chegg to receive solutions from experts in real-time. Notably, the faculty members were predominantly "not personally aware of any students that use [Chegg] for genuine learning purposes."

Students Used Expert Q&A to Cheat

143. Empirical analysis discussed in the amended complaint filed in the Securities Class Action on December 8, 2022, of Chegg's Expert Q&A tool confirms that: (1) usage of Expert Q&A increased drastically following the nation-wide transition to online learning; (2) the final exam periods of thirty U.S. universities and colleges coincided with even greater usage of Expert Q&A; (3) students used Expert Q&A to cheat on homework and graded assessments, with more than a quarter of 6,000 randomly sampled Expert Q&A submissions manifesting clear signs of cheating; and (4) despite Chegg's Honor Shield program and other anti-cheating measures, such as technology to convert photographed test questions into text, Chegg failed to prevent blatant instances of students using Expert Q&A to cheat, as demonstrated by common instances of experts answering questions despite Chegg's system having identified phrases such as: "[T]his is a test question and any use of online resources other than myHSSU is considered academic dishonesty"; "Make Up Test 2"; and "This test can only be taken once."

Former Employees Corroborate Improper Practices at the Company and Defendants' Knowledge Regarding the Same

144. Lastly, interviews with multiple former employees of Chegg ("FE") from the Securities Class Action with direct knowledge of Chegg's business confirm that: (1) Chegg's pandemic-timed growth was driven by students using Expert Q&A to cheat; (2) the Individual Defendants knew that Chegg's subscriber and revenue growth was driven by widespread student cheating—Chegg's "main driver for revenues;" (3) Chegg's management intentionally failed to take adequate action to prevent widespread student cheating; and (4) Defendants' claims attributing Chegg's explosive growth to Chegg's efforts to prevent account sharing were false.

145. As described by FE 1,[3] Expert Q&A and Homework Help were Chegg's "main moneymaker" and "the main reason for people to subscribe, it was driving [growth]." FE 2[4] described Expert Q&A as "absolutely" Chegg's "number one" product and that the "number one way that students found Chegg was by looking for a particular question, so Q&A is what drove the most traffic." Indeed, during the Relevant Period Chegg even launched an initiative called the "Big Egg" project to make Expert Q&A even more efficient for cheating purposes by giving students the ability to filter their searches by university and course instead of by general subject matter. As explained by FE 2, Chegg recognized that its business "would likely not go well" once students transitioned back to in-person learning and thus wanted "to do something radical with the project" to, as asserted by Chegg's executive team, "create a better experience" for its subscribers.

146. Additionally, FE 1 stated that "our CEO would sometimes talk about" student cheating "during all-hands [meetings]" and confirmed that the widespread issue of students using Chegg to cheat "was known" to Chegg and its employees. In fact, as stated by FE 5,[5] Chegg executives, including Defendants Rosensweig, Brown, and Schultz and several of Chegg's Vice Presidents, discussed student cheating during weekly meetings. FE 5 also stated that Chegg executives "always had access to data" and that Defendants Rosensweig and Schultz "knew everything, they were micromanagers." As explained by FE 8,[6] Defendants tracked user data indicating which students used Chegg to cheat; metrics such as consumer signups, retention, and consumption were then internally reported to a dashboard that was accessible by all Director-level employees and above, including the C-suite. FE 8 added that, with just a "quick look at web logs," Chegg was able to make a reasonable guess as to which students were using Chegg to cheat since the web logs "showed students checking through questions provided in search of the answers."

[3] FE 1 was employed at Chegg as an engineer from 2018 until 2022, during which she worked on the team responsible for preventing account sharing.

[4] FE 2 was employed at Chegg as a Customer Relationship Management Manager from the third fiscal quarter of 2019 until the first fiscal quarter of 2022.

[5] FE 5 was employed as Chegg's Vice President of Global Learning & Organizational Development until her departure from Chegg in October 2019.

[6] FE 8 was employed in numerous different capacities at Chegg from April 2009 until March 2019, with FE 8's most recent position being the Vice President of Operations and Data Engineering.

147. Although Defendants knew that students were using Chegg to cheat, they refused to take adequate action to prevent student cheating because, as explained by FE 4,[7] the cheating "was putting money into their pocket" and "they're not going to spend employee hours on ways to reduce money." When FE 2 reported instances of cheating, she was told that it was "not something [marketing] can really address." FE 8 stated that Chegg's investigation into student cheating was "ad hoc" and only in response to the commencement of the Pearson Action and that when the pressure from being sued by publishers had subsided, "the interest to determine if Chegg was being utilized for cheating slowed significantly."

148. Additionally, FE 1 confirmed that Chegg's efforts to prevent account sharing, which FE 1 characterized as a "Stone Age approach," were "not the driver" behind Chegg's pandemic-timed growth. FE 1 noted that Chegg's "major effort" to address account sharing occurred before the Relevant Period over a period of four or five months in 2019. FE 1 also revealed that Chegg during the Relevant Period "didn't want to go too hard on users either, the logic was that we know you are account sharing, but we still want that subscription – so there were tiers" such that Chegg would ban customers who were either "blatantly selling" their accounts or sharing, for example, "over fifty accounts." However, if the customer was "just with a group of friends, maybe five or more of your buddies," Chegg would simply "warn you about it and log you out of your accounts." Although FE 1 did acknowledge Chegg's efforts to prevent account sharing as "increasing revenues" to some extent, she did not perceive the surge in Chegg's number of subscribers to be "a result of the mitigating account sharing effort."

149. FE 5 also described Defendants Rosensweig and Brown as fixated on their personal wealth, with Defendant Brown calling himself a "one-percenter." FE 8 stated that "Dan [Rosensweig]'s job was to get the stock up and make the company look good, Dan was a salesman."

150. Thus, the Individual Defendants knew, or turned a blind eye to the truth, that the surge in Chegg's subscribers and revenue that coincided with the onset of Covid-19 and online learning was attributable to the Cheating Misconduct. Despite this, Chegg did not reveal the extent to which its rosy financial picture depended on the Cheating Misconduct, and how Chegg's finances were certain to take a meaningful hit once online learning and the cheating opportunities created by it ceased.

[7] FE 4 was employed at Chegg as a Growth & Marketing Outreach Manager from 2016 until 2019.

The Copyright Infringement Misconduct

151. The Cheating Misconduct was made even worse by the fact that Chegg was also engaged in copyright infringement in facilitating students' cheating.

152. This was revealed on September 13, 2021, when Pearson initiated the Pearson Action, captioned *Pearson Education, Inc. v. Chegg, Inc.*, Case No. 2:21-cv-16866-SDW-ESK (D.N.J.), revealing that Chegg engaged in the Copyright Infringement Misconduct by making available to Chegg subscribers answer sets to Pearson's copyrighted questions. Pearson attached as an exhibit to its complaint (Pearson Action, Document 1 & 1-1) a list of 150 of its textbooks for which Chegg was engaged in copyright infringement by providing answers to hundreds of thousands of questions contained therein. Pearson's complaint further noted that Chegg had answers for questions from approximately 9,000 textbooks, meaning that its potential liability for copyright infringement across all these titles was dramatically larger than just the 150 Pearson textbooks at issue in the Pearson Action.

153. Thus, not only were Chegg's good financial fortunes following the onset of Covid-19 attributable to the Cheating Misconduct, but the Cheating Misconduct itself was in part predicated on Chegg providing answers to copyrighted questions. By causing and/or permitting this, and failing to disclose it, the Individual Defendants damaged Chegg and exposed it to liability.

False and Misleading Statements

May 4, 2020 Press Release and Earnings Call

154. On May 4, 2020, the Company issued a press release, also attached to a Form 8-K filed with the SEC the same day, announcing its financial results for the quarter ended March 31, 2020—the first quarter with Covid-19 present in the United States. The press release touted the Company's "dramatic growth" and reported the following highlights:

- **Total Net Revenues** of $131.6 million, an increase of 35% year-over-year
- **Chegg Services Revenues** grew 33% year-over-year to $100.4 million, or 76% of total net revenues, compared to 77% in Q1 2019
- **Net Loss** was $5.7 million
- **Non-GAAP Net Income** was $29.0 million
- **Adjusted EBITDA** was $31.8 million
- **2.9 million**: number of Chegg Services subscribers, an increase of 35% year-over-year

- **235 million**: total Chegg Study content views

155. That same day, the Company held an earnings call to discuss its financial results for the quarter ended March 31, 2020. On the call, Defendant Brown explained that the "substantial increase" in the Company's subscription services "[s]ince mid-March" was "***driven by new U.S. and international subscribers to our platform as well as increased success with our account sharing efforts***, and we see these trends continuing into Q2." (Emphasis added).

156. On the same earnings call, in response to an analyst's question regarding "any changes that you're making . . . in the event that we do stay online," Defendant Rosensweig stated:

> ***[W]hether the curriculum is taught offline or online by the schools, Chegg is the beneficiary, in fact that more and more students need more and more help. And there is only one service that has incredibly high quality, has the integrity, is on demand***, is low cost, and covers every conceivable subject that you can imagine, whether it's by step-by-step solution, video and those things.

(Emphasis added).

157. In response to an analyst's question regarding whether the increased student interest and engagement in Chegg would be "sustainable" after a "return to some kind of normalcy," Defendant Rosensweig stated the following, in relevant part:

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

(Emphasis added).

158. The statements referenced in ¶¶ 155-157 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) the "substantial increase" in the number of Chegg subscribers "[s]ince mid-March" was not driven by Chegg's account sharing and internationalization efforts, "more and more students" needing "more and more help," or an organic displacement of traditional on-campus services by Chegg's services but rather by students taking

advantage of the temporary transition to online learning to use Chegg's platform to cheat; and (2) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

159. In response to an analyst's question regarding how the Company was "preparing across a range of on- and off- campus learning scenarios," Defendant Rosensweig asserted that "***the only part of our business that on-campus, off-campus can affect would be textbooks***." Defendant Rosensweig continued by stating, "***[O]ur Chegg Services business will continue to grow, whet'er it's on-campus, off-campus, whether they do a hybrid***." He concluded that "***given the momentum that we're seeing***," it "***shouldn't haven't a meaningful impact one way or the other***." (Emphasis added).

160. The statements referenced in ¶ 159 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg would not "continue to grow, whether it's on-campus, off-campus, whether they do a hybrid" because Chegg's pandemic-timed growth was the result of students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat such that Chegg's growth would be meaningfully impacted once students returned to in-person learning; and (2) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

161. On this news, the price of the Company's common stock surged 32%, from closing at $43.79 per share on May 4, 2020, to close on May 5, 2020 at $57.92 per share.

May 14, 2020 Conference

162. On May 14, 2020, the Company gave a presentation at the *48th Annual JP Morgan Global Technology, Media and Communications Conference*. During the conference, Defendant Rosensweig underscored the Company's accelerated efforts to internationalize the Company's business and prevent account sharing, claiming that "***[t]hose two things alone, internationalization and account sharing, will account for significant growth and are accounted for significant growth***." (Emphasis added).

163. During the conference, Defendant Rosensweig also claimed that the Company's recent growth was attributable to students' legitimate need for educational support, stating that:

> [W]hat happened was ***when students were moved off campus, and they had no access to a professor or a friend or the computer lab or the writing lab or in their math lab . . . without any campus support, people started taking the [Chegg Study Pack] bundle in a much more significant way***.

(Emphasis added).

164. In response to an analyst's question regarding "how does COVID-19 and remote learning change things even more," Defendant Rosensweig stated:

> ***More students are going to need more help because the schools can't supply the help. They can't scale. They can only work with the tools that they have. They never made the investment in the tools that they needed. So, we have been the beneficiary*** but not in a temporary way, like some maybe, because we just believe that ***this is inevitable***.

(Emphasis added).

165. The statements referenced in ¶¶ 162-164 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg's pandemic-timed growth was not driven by Chegg's efforts to internationalize the Company's business and prevent account sharing, students having a legitimate greater need for Chegg's services, or schools not being able to "supply the help" but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; and (2) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

June 12, 2020 Article

166. On June 12, 2020, *The New York Times* published an article of an interview conducted with Defendant Rosensweig. During the interview, the author of the article and Defendant Rosensweig had the following exchange:

> Author: 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?
>
> Defendant Rosensweig: It's always been a problem for colleges. Let's face it: Students have always found a way, whether it's in fraternities, or whether they go to Google. ***But Chegg is not built for that. 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.***

(Emphasis added).

167. The statements referenced in ¶ 166 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg was indeed "built" for cheating as students were able to submit questions to Expert Q&A and receive answers "usually in less than an hour" and often almost immediately; (2) Chegg perpetuated student cheating by refusing to implement basic protections suggested by universities and by also imposing burdensome requirements on universities and professors who sought Chegg's assistance in removing exam questions and answers from its website; and (3) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

June 24, 2020 Conference

168. On June 24, 2020, the Company attended the *Jefferies Global Consumer Conference*. In response to an analyst's question regarding whether the Company would see "continued momentum" after students returned to campus, Defendant Brown stated that the Covid-19 pandemic merely "***accelerated the inevitable***" and that "***we believe a combination of all three of those things [efforts to stop account sharing, internationalization, and the Chegg Study Pack] continues to provide tailwinds beyond this kind of short-term period***." (Emphasis added).

169. The statements referenced in ¶ 168 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) far from being "inevitable," Chegg's pandemic-timed growth was instead the result of students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; and (2) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

August 3, 2020 Press Release and Earnings Call

170. On August 3, 2020, the Company issued a press release, also attached to a Form 8-K filed with the SEC the same day, announcing its financial results for the quarter ended June 30, 2020. The press release touted the Company's financial results, reporting the following highlights:

- **Total Net Revenues** of $153.0 million, an increase of 63% year-over-year
- **Chegg Services Revenues** grew 57% year-over-year to $126.0 million, or 82% of total net revenues, compared to 86% in Q2 2019
- **Net Income** was $10.6 million
- **Non-GAAP Net Income** was $49.4 million
- **Adjusted EBITDA** was $55.5 million
- **3.7 million and 3.5 million**: number of Chegg Services subscribers including and excluding Mathway, respectively, an increase of 67% and 58% year-over-year, respectively
- **375 million**: total Chegg Study content views

171. That same day, the Company held an earnings call to discuss its financial results for the quarter ended June 30, 2020. On the call, Defendant Brown stated that "Q2 was a fantastic quarter for Chegg. We experienced unprecedented growth in our subscription services as students around the globe turned to Chegg ***to help them master their subject matter and get better grades***." (Emphasis added).

August 6, 2020 Podcast

172. On August 6, 2020, Defendant Brown was featured as a guest on *Benzinga's* **"**Premarket Prep," a live trading talk show. During the interview, Defendant Brown was asked about a short-seller report which had deemed the Company "the poster child for institutionalized academic cheating." In response, Defendant Brown stated:

> ***What you're talking about is some very isolated cases [of cheating] . . . . the fact of the matter is this: we are a learning site*** . . . . ***When you think about other services out there where there's a lot of user generated content where kids can upload papers and can upload tests, and they can download papers and download tests. That doesn't happen on Chegg — all of the content on Chegg is generated by Chegg.***
>
> * * *
>
> We also have an honor code that our students are obliged to follow and ***if we find they haven't followed that honor code then we will suspend them and at some point we expel them if they're repeat offenders*** . . . . In any environment you have some kids that want to cheat, so ***Chegg's not really the problem it's more the student.***

(Emphasis added).

August 7, 2020 Article

173. On August 7, 2020, *The Washington Post* published an article titled "Another problem with shifting education online: A rise in cheating." The article stated that a Chegg spokesman "said the company supports academic integrity and ***hasn't seen 'any relative increase in honor code issues since the covid-19 crisis began***.'" (Emphasis added).

174. The statements referenced in ¶¶ 171-173 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg's "unprecedented" growth was not driven by students turning to Chegg to "help them master their subject matter and get better grades" but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; (2) far from being confined to "very isolated cases," the issue of students using Chegg to cheat was instead "severe" and "rampant" as detailed by university responses to FOIA requests and the firsthand accounts of school faculty members across the nation such that it was "raining [academic integrity] cases" during online learning; and (3) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

September 9, 2020 Honor Code Update

175. On September 9, 2020, the Company's Honor Code was updated to state the following, in relevant part:

> [Students] should never . . . use our services for any sort of cheating or fraud . . . ***The vast majority*** of Chegg students ***use our services to help them learn and understand*** . . . . We don't tolerate abuse of our platform or services . . . ***[misuse] of our platform represents an extremely small portion*** of the activity on our services . . . ***We are constantly working to improve our abilities to detect and respond to issues around both copyright and academic integrity. We take both of these situations very seriously***, and we will respond as quickly as possible.

(Emphasis added).

176. The statements referenced in ¶ 175 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) "abuse" of Chegg's platform was not "an extremely small portion of the activity on our services," and was instead "severe" and "rampant" as detailed by university responses to FOIA requests and the firsthand accounts of school faculty members across the nation such that it was "raining [academic integrity] cases" during online learning; (2) Chegg perpetuated student cheating by refusing to implement basic protections suggested by universities and by also imposing burdensome requirements on universities and professors who sought Chegg's assistance in

removing exam questions and answers from its website; and (3) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

September 23, 2020 Speech

177. On September 23, 2020, Defendant Rosensweig gave a speech at Carnegie Mellon University's *Silicon Valley Summit Distinguished Speaker Series* in which he stated:

> What happened was twice as many people wanted it, I shouldn't say that. Truth is ***we had done a lousy job for years almost on purpose of blocking account sharing*** as I'm sure many of you know. ***When the pandemic came in the United States what happened was proximity sharing . . . went away at the same time we had been working on all this technology to block it . . . so what ended up happening was all these students that have been using it suddenly started to pay for it and we grew organically*** 58% year-over-year in the second quarter which is insane if you understand businesses.

(Emphasis added).

178. The statements referenced in ¶ 177 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg's pandemic-timed growth was not driven by Chegg's efforts to prevent account sharing but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; and (2) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

October 26, 2020 Press Release and Earnings Call

179. On October 26, 2020, the Company issued a press release, also attached to a Form 8-K filed with the SEC the same day, announcing its financial results for the quarter ended September 30, 2020. The press release reported the following highlights:

- **Total Net Revenues** of $154.0 million, an increase of 64% year-over-year
- **Chegg Services Revenues** grew 72% year-over-year to $118.9 million, or 77% of total net revenues, compared to 74% in Q3 2019
- **Net Loss** was $37.1 million
- **Non-GAAP Net Income** was $24.1 million
- **Adjusted EBITDA** was $31.9 million
- **3.7 million**: number of Chegg Services subscribers, an increase of 69% year-over-year

- **252 million**: total Chegg Study content views

180. That same day, the Company held an earnings call to discuss its financial results for the quarter ended September 30, 2020. On the call, in response to an analyst's question regarding whether the Company's recent growth would "sustain" when we "go back to a more normal environment," Defendant Rosensweig stated:

> What we can feel comfortable in saying from this semester is that ***usage is agnostic to geography. 'f you're at the school or 'f you're not at the school, you subscribe and use Chegg [in] very similar ways.*** Those they were at school and not at school are taking the same take rates of Chegg Study whethe' they're in school physically or not in school. So, for us, ***we see this as a permanent situation***, but we've always believed that that was going to be the case.

(Emphasis added).

October 27, 2020 Interview

181. On October 27, 2020, Defendant Rosensweig was interviewed on *CNBC's* "Closing Bell" program, during which Defendant Rosensweig was asked "where the demand is coming from?" In response, Defendant Rosensweig stated:

> In the U.S., ***coincidental with COVID, was the fact that we were working on account sharing efforts*** because for every one student that was paying for Chegg, two were using Chegg, so not a great business model. We were still growing over 30 percent but we are working on that. ***When COVID came and students had to leave campus, it was much harder for them to share. We've been the beneficiary of that. We built all the technology to block it, so that's why even when they went back to campus, the growth rate accelerated even more.***

(Emphasis added).

182. The statements referenced in ¶¶ 180-181 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) usage of Chegg's platform was not "agnostic to geography" given how Chegg's pandemic-timed growth was driven by the transition to online learning, which made it much easier for students to use Chegg's platform to cheat; (2) Chegg's pandemic-timed growth was not driven by Chegg's efforts to prevent account sharing but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; and (3) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

November 12, 2020 Conference

183. On November 12, 2020, the Company gave a presentation at the *Citi Virtual Education Conference*. During the conference, in response to an analyst's question regarding whether the Company's total addressable market "has changed pre-COVID and as of today," Defendant Brown stated that "***I don't think it's changed at all pre-COVID to post-COVID***" and attributed the Company's growth to "a combination of two things," the first being the Company's efforts to reduce "***account sharing in the US***." (Emphasis added).

184. The statements referenced in ¶ 183 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg's pandemic-timed growth was not driven by Chegg's efforts to prevent account sharing but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; and (2) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

The Truth Begins Emerging While False and Misleading Statements Continue

December 2020 Texas A&M Cheating Discovery

185. The truth began emerging in December 2020 when, as described above, multiple news outlets reported that Texas A&M officials had discovered widespread cheating by students who were using Chegg.

186. Despite certain aspects of the Cheating Misconduct coming to light at this time, the full extent of it, including the Copyright Infringement Misconduct and the degree to which the Company's short-term increase in revenue and subscribers was a product of this misconduct, remained undisclosed.

December 8, 2020 Conference

187. On December 8, 2020, the Company gave a presentation at the *Raymond James Technology Investors Conference*. During the conference, in response to an analyst who asked "how do you think the pandemic has shifted [] longer term consumer behavior in the online learning space," Defendant Brown stated:

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

(Emphasis added).

188. During the same conference, another analyst asked whether the Company's efforts to prevent account sharing would continue to drive growth in 2021 and 2022 or whether the Company had "largely gotten through . . . the account sharing issues?" Defendant Brown responded by claiming:

> No. No. No . . . ***when you think about account sharing . . . the tailwinds there continue into 2021, because every new user that comes onto the platform that actually subscribes to Chegg Study doesn't have the ability to share anymore . . . . those tailwinds continue as we get into 2021 and 2022 as we potentially refine some of the conditions around those technologies.***

(Emphasis added).

189. The statements referenced in ¶¶ 187-188 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg's pandemic-timed growth was not driven by Chegg's efforts to prevent account sharing but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; (2) accordingly, it was foreseeable that Chegg's pandemic-timed growth was unsustainable and would not continue once students returned to in-person learning; and (3) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

December 16, 2020 Article

190. On December 16, 2020, *KAGS News* published an article titled "Maroon, white & gray areas: Texas A&M investigating academic dishonesty with online classes." The article stated that it received the following response from Chegg Communications Manager Devonya Batiste upon reaching out to the Company:

> ***All our services***, including textbook rentals, online tutoring and revision aids, ***are designed to support the learning process and have been an invaluable resource to students, especially during the pandemic. We are deeply committed to academic integrity. The vast majority of students who use our platform are honest and here to learn. However, we take extremely seriously any attempts to cheat by a tiny fraction of users.***

(Emphasis added).

191. The statements referenced in ¶ 190 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) cheating was not limited to a "tiny fraction of users" and was instead "severe" and "rampant" as detailed by university responses to FOIA requests and the firsthand accounts of school faculty members across the nation such that it was "raining [academic integrity] cases" during online learning; and (2) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

January 13, 2021 Press Release

192. On January 13, 2021, the Company issued a press release titled "Chegg Launches HONOR SHIELD: A New Tool to Support the Integrity of Online Exams." 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 also included the following statement from Defendant Schultz:

> The ***overwhelming majority of students use our platform*** to get the support they need ***to learn and master their subjects***. The sudden impact of the Covid-19 pandemic forced many schools to go online, almost overnight, creating understandable confusion, stress, and the loss of many on-campus support services. ***As a result, a small number of students have misused our platform in ways it wasn't designed for***, which we believe is not in the spirit of the majority of hard-working students.
>
> * * *
>
> **We are working with faculty, administrators, and students**, to do our part in **protecting the integrity** of the online evaluation process.

(Emphasis added).

193. The statements referenced in ¶ 192 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Honor Shield did not allow professors to

prevent test questions from "being answered on the Chegg platform during a time-specified exam period," as confirmed by an empirical analysis of 6,000 randomly sampled Expert Q&A submissions which determined that more than a quarter of the submissions manifested clear signs of cheating; (2) Chegg was not "working with faculty, administrators, and students, to do our part in protecting the integrity of the online evaluation process" and instead set up obstacles to delay or discourage academic integrity investigations by refusing to implement basic protections suggested by universities, imposing burdensome requirements on universities and professors who sought Chegg's assistance in removing exam questions and answers from its website, and refusing to disclose the names of students under investigation; (3) "the overwhelming majority of students" who used Chegg's platform did not use it "to learn and master their subjects" given how student cheating was described as "severe" and "rampant" by university responses to FOIA requests and the firsthand accounts of school faculty members across the nation such that it was "raining [academic integrity] cases" during online learning; and (4) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

February 5, 2021 Article

194. On February 5, 2021, *Inside Higher Ed* published an article titled "A Spike in Cheating Since the Move to Remote?" The article examined a study published in the *International Journal for Educational Integrity* ("IJEI"), which linked the increase in "the number of questions asked and answered" on Chegg to "a likely increase in cheating." The article included a written statement from Candace Sue, Chegg's Director of Academic Relations, stating:

> [The authors of the IJEI study] ***mistakenly –ply -- without any evidence -- that increased usage of Chegg has [sic] correlates to an increase in cheating***. With millions of students going online in a matter of months, students have lost valuable on-campus and faculty support services, and stress and anxiety is high. ***Chegg provides much needed learning support to these students, especially during the pandemic.***
>
> * * *
>
> ***We cooperate with every official academic Honor Code investigation*** and respond to every copyright takedown request as soon as possible. We remain 100% committed to addressing this challenge.

(Emphasis added).

195. The statements referenced in ¶ 194 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg did not "cooperate with every official academic Honor Code investigation" and instead set up obstacles to delay or discourage academic integrity investigations by refusing to implement basic protections suggested by universities, imposing burdensome requirements on universities and professors who sought Chegg's assistance in removing exam questions and answers from its website, and refusing to disclose the names of students under investigation; and (2) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

February 8, 2021 Press Release and Earnings Call

196. On February 8, 2021, the Company issued a press release, also attached to a Form 8-K filed with the SEC the same day, announcing its financial results for the quarter and full year ended December 31, 2020. The press release reported the following highlights:

Q4 2020 Highlights:

- **Total Net Revenues** of $205.7 million, an increase of 64% year-over-year
- **Chegg Services Revenues** grew 64% year-over-year to $176.0 million, or 86% of total net revenues, in-line with Q4 2019
- **Net Income** was $26.0 million
- **Non-GAAP Net Income** was $77.8 million
- **Adjusted EBITDA** was $87.9 million
- **4.4 million**: number of Chegg Services subscribers, an increase of 74% year-over-year
- **476 million**: total Chegg Study content views

Full Year 2020 Highlights:

- **Total Net Revenues** of $644.3 million, an increase of 57% year-over-year
- **Chegg Services Revenues** grew 57% year-over-year to $521.2 million, or 81% of total net revenues, in-line with 2019
- **Net Loss** was $6.2 million
- **Non-GAAP Net Income** was $180.2 million
- **Adjusted EBITDA** was $207.1 million
- **6.6 million**: number of Chegg Services subscribers, an increase of 67% year-over-year
- **1,338 million**: total Chegg Study content views

197. That same day, the Company held an earnings call to discuss its financial results for the quarter and full year ended December 31, 2020. On the call, Defendant Rosensweig stated:

> We believe this ***massive shift to learning online*** accelerated by the pandemic ***is an irreversible trend*** and it's actually more student centric . . . . ***Our results reflect the growing importance of Chegg's learning support services to millions of students around the world***. In 2020 we saw year-over-year annual subscriber growth of 67%, representing over 6.6 million subscribers and total revenue growth of 57%. ***The trends towards online learning are continuing, and as a result, it gives us the confidence to raise our guidance in 2021.***

(Emphasis added).

198. Also on the call, in response to an analyst's questions regarding "some negative media stories about how students might have been abusing the Chegg product" and "how you're going to offset that issue going forward," Defendant Rosensweig stated:

> I think, once again, reporters ***don't understand what Chegg does and the way we do it. And it's sort of like traditional media defending traditional media actually – versus actually looking at the changes and the advancements that are happening in every industry.*** Look, the Internet is here to stay. Technology is here to stay. What happened for the schools, unfortunately, is they were woefully underinvested in technology. They didn't prepare to teach online. They tried not to teach online. And then when push came to shove, they gave take-home tests of – often those tests were old questions or they're auto generated . . . ***So we stepped in and we said, look, that's not what Chegg was built for. That's not what we want it for. The overwhelming majority, I mean overwhelming majority students who use us every week, whether they have a test or have a quiz or not, because they have no scalable support from their institutions,*** and frankly, overwhelmingly, none of them ever had in it in high school. ***So we're the first high-quality, affordable, on-demand support that they can use to master their subject***.
>
> But we said, look, we have a role to play here, too. And so, the first thing is we doubled the number of people that we have that handle these kinds of issues almost overnight. Because we saw our subscriber base double almost overnight, and not 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,*** which is what you asked about.
>
> ***In the case of Honor Shield, we said, look, what we want to do is provide a free tool that's really robust, that can scale, that any professor or any school in the world can pre-submit their tests and give us the specific time that those tests happened, and then we block the ability for that question to be answered during that test time.*** And then, we store them on

> a segregated server, and then the plan is to delete them all and then they go back to the professor. ***So, we stepped up and did that all within 90 days, because we saw the possibility for this.***

(Emphasis added).

199. The statements referenced in ¶¶ 197-198 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg was indeed "built" for cheating as students were able to submit questions to Expert Q&A and receive answers "usually in less than an hour" and often almost immediately; (2) the "overwhelming majority" of students did not use Chegg for legitimate reasons given how student cheating was described as "severe" and "rampant" by university responses to FOIA requests and the firsthand accounts of school faculty members across the nation such that it was "raining [academic integrity] cases" during online learning; (3) Chegg's policy did not involve "tak[ing] it down first" after getting "contacted by schools" and instead involved setting up obstacles to delay or discourage academic integrity investigations by refusing to implement basic protections suggested by universities, imposing burdensome requirements on universities and professors who sought Chegg's assistance in removing exam questions and answers from its website, and refusing to disclose the names of students under investigation; and (4) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

200. On the same earnings call, in response to an analyst's question regarding the "returns" from the Company's efforts to prevent account sharing, Defendant Rosensweig stated:

> So a lot of people ask what happens post-COVID, and I think Andy [Brown] just articulated, we are – ***Chegg's success in the US is not a result of people being on campus or not being on campus.*** It is the reality that we're great at what we do. But ***we also had an extraordinary number of people who were sharing accounts . . . they just feel it's worth it now because they weren't able to share it anymore***.

(Emphasis added).

201. Also on the call, in response to an analyst's question regarding the Company's "various growth levers" which included "international, the bundles, skills and account sharing," Defendant Rosensweig stated:

> I would say ***the one that has had the most immediate impact is account sharing***. And I think people are confusing that domestically ***as if we're a stay-home company or not a stay-home company. That's completely irrelevant to Chegg***. What's relevant is that students know who we are, they want us, we provide an unbelievable service, and the numbers reflect that.

(Emphasis added).

202. The statements referenced in ¶¶ 200-201 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg's pandemic-timed growth was not driven by Chegg's efforts to prevent account sharing but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; and (2) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

February 11, 2021 Conference

203. On February 11, 2021, Defendant Rosensweig attended the *Goldman Sachs Technology and Internet Virtual Conference*. During the conference, in response to an analyst's question about the Company's efforts to prevent account sharing, Defendant Rosensweig chiefly attributed the Company's growth since the onset of the Covid-19 pandemic to the Company's efforts to eliminate the "stealing and reselling" of account login information, implementation of "2-step authentication," and the fact that "institutions are providing almost zero support to students off-campus, let alone back on campus when they get there."

204. Also during the conference, in response to an analyst who asked "what's giving you confidence to" raise guidance "at this stage with this sort of ongoing uncertainty," Defendant Rosensweig stated that "***because unlike other businesses that are affected one way by COVID, it became clear to us that whether you are on-campus or not on-campus, [it] didn't matter to Chegg's growth. So we're going to grow through when they go back to campus.***"

205. The statements referenced in ¶¶ 203-204 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg's pandemic-timed

growth was not driven by Chegg's efforts to prevent account sharing but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; (2) accordingly, it was foreseeable that Chegg's pandemic-timed growth was unsustainable and would not continue once students returned to in-person learning such that "whether [students] are on-campus or not on-campus" did matter to Chegg's growth; and (3) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

February 22, 2021 Annual Report

206. On February 22, 2021, the Company filed its annual report on Form 10-K with the SEC for the fiscal year ended December 31, 2020 (the "2020 10-K"). The 2020 10-K was signed by Defendants Rosensweig, Brown, Tomasello, Bond, Budig, LeBlanc, Levine, Sarnoff, Schlein, Whelan, and York, and contained certifications pursuant to Rule 13a-14(a) and 15d-14(a) under the Exchange Act and the Sarbanes-Oxley Act of 2002 ("SOX") signed by Defendants Rosensweig and Brown attesting to the accuracy of the financial statements contained therein, the disclosure of any material changes to the Company's internal controls, and the disclosure of any fraud committed by the Company, its officers, or its directors.

207. The 2020 10-K reported that "Chegg Services revenues increased by $189.0 million, or 57%, during the year ended December 31, 2020, compared to the same period in 2019," noting the Company's "***efforts to reduce account sharing***" as one of the "***drivers***" for the Company's recent growth.

208. The statements referenced in ¶ 207 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg's pandemic-timed growth was not driven by Chegg's efforts to prevent account sharing but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; and (2) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

March 3, 2021 Conference

209. On March 3, 2021, the Company gave a presentation at the *Morgan Stanley Technology, Media and Telecom Conference*. During the conference, in response to an analyst's question regarding the sustainability of the Company's growth, Defendant Rosensweig stated:

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

(Emphasis added).

March 11, 2021 Conference

210. On March 11, 2021, the Company gave a presentation at the *Jefferies Virtual Online Education/e-Learning Summit*. During the conference, in response to an analyst who asked "[h]ow . . . [d]o you think about the world and education over the next couple of years," Defendant Rosensweig emphasized that the Company had been "accelerating growth before the pandemic and the pandemic just accelerated it more" and that "***post the pandemic, it's not going to go back to the way that it was***" since "***the issue for Chegg was never whether you're physically on a campus or at home, the issue for Chegg was an acknowledgment that what we do is what students need and schools cannot offer it, and do not offer it.***" (Emphasis added).

211. Also during the conference, in response to an analyst's question regarding the impact of the Company's efforts to stop password sharing, Defendant Rosensweig stated:

> [W]hat 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.***

(Emphasis added).

212. The statements referenced in ¶¶ 209-211 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading.

Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg's pandemic-timed growth was not "more than anything else" driven by Chegg's efforts to prevent account sharing but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; (2) Chegg was not "agnostic of where the physical seat of the student is" because Chegg's pandemic-timed growth was the result of students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat such that Chegg's growth would be meaningfully impacted once students returned to in-person learning; and (3) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

April 16, 2021 Proxy Statement

213. On April 16, 2021, the Company filed the 2021 Proxy Statement with the SEC. Defendants Rosensweig, Sarnoff, Bond, Budig, LeBlanc, Levine, Schlein, Whelan and York solicited the 2021 Proxy Statement filed pursuant to Section 14(a) of the Exchange Act, which contained material misstatements and omissions.

214. The 2021 Proxy Statement called for Company shareholders to vote to, *inter alia*: (1) elect Defendants LeBlanc, Levine, and Sarnoff to the Board; (2) approve, via non-binding advisory vote, the 2020 Fiscal Year compensation of the Company's named executive officers, including Defendants Rosensweig, Brown, Schultz, and Fillmore; and (3) ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2021.

215. Regarding "Financial Performance Highlights," the 2021 Proxy Statement stated the following, in relevant part:

> Chegg Services Revenue increased by $189.0 million, or 57%, during the year ended December 31, 2020, compared to the same period in 2019, primarily due to a 67% increase in subscriber growth ***driven by increased global penetration, our efforts to reduce account sharing***, the widespread transition to remote learning as a result of the COVID-19 pandemic, and subscribers from our recent acquisitions. During the year ended December 31, 2020, the COVID-19 pandemic had a positive impact to our business and results of operations as we saw an increase in the acceleration of subscriber growth and engagement with our learning platform. However, the COVID-19 pandemic also subjects our business to numerous risks and uncertainties, most of which are beyond our control and cannot be

> predicted, including when colleges will resume in-person classes or how well they will overcome the impacts of the COVID-19 pandemic.

(Emphasis added).

216. The 2021 Proxy Statement stated the following regarding the performance-based portion of named executive officer compensation:

> We grant PSUs [performance-based restricted stock units] because they are linked to stockholder value creation, like RSUs [here meaning time-based restricted stock units], but are also leveraged to our financial performance and allow us to set appropriate annual goals that we believe are critical to drive long-term success. On March 1, 2020, the Compensation Committee granted PSU awards to our NEOs subject to the achievement of certain financial performance goals and conditioned on the executive officer's service up to and through the applicable multi-year, time-based vesting dates.
>
> ***These PSUs will be earned and eligible to vest contingent on the achievement of two equally weighted performance metrics: (1) fiscal year 2020 Chegg Services Revenue and (2) fiscal year 2020 adjusted EBITDA (both as defined below). These two metrics were selected because the Compensation Committee believes that Chegg Services Revenue growth and adjusted EBITDA, a non-GAAP measure of profitability, are the most important drivers of stockholder value for Chegg in 2020*** as they are primary components of our overall revenue growth and profitability***. The selection of these two measures as PSU metrics ensures our executive officers are incentivized in accordance with the long-term interests of our stockholders.*** The performance metrics and their timing are synchronized with the board-approved corporate strategic plan and associated metrics and targets.
>
> We currently use a one-year performance period (with a multi-year time-based vesting schedule) to allow us the flexibility to set appropriate annual goals to drive stockholder value given our high growth expectations and the rapidly changing nature of the industry in which we operate. Because of the potential risks to performance and motivation that are associated with improperly setting goals in a high-growth environment, the Compensation Committee has not adopted multi-year performance goals at this time but will continually monitor this topic.

(Emphasis added.)

217. With respect to the Company's Code of Conduct, the 2021 Proxy Statement stated that: "We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees. . . . To satisfy the disclosure requirement under Item 5.05 of Form 8-K, any amendments or waivers of our Code of Business Conduct and Ethics pertaining to a member of our Board of Directors or one of our executive officers will be disclosed on our website[.]" The 2021 Proxy Statement also stated that: "Our employees are required to comply with our Code of Business Conduct and Ethics[.]"

218. Regarding the "Board of Directors' Role in Risk Oversight," the 2021 Proxy statement said:

> Our Board of Directors, as a whole, has responsibility for risk oversight, although the committees of our Board of Directors oversee and review risk areas which are particularly relevant to them. The risk oversight responsibility of our Board of Directors and its committees is supported by our management reporting processes, which are designed to provide visibility to the Board of Directors and to our personnel that are responsible for risk assessment and information management about the identification, assessment and management of critical risks and management's risk mitigation strategies. These areas of focus include, but are not limited to, competitive, economic, operational, financial (accounting, credit, liquidity and tax), legal, regulatory, compliance and reputational risks.
>
> Each committee of the Board of Directors meets in executive session with key management personnel and representatives of outside advisers to oversee risks associated with their respective principal areas of focus. The Audit Committee reviews our major financial risk exposures and the steps management has taken to monitor and control such exposures, including our risk assessment and risk management policies and guidelines. The Governance and Sustainability Committee reviews our major legal compliance risk exposures and monitors the steps management has taken to mitigate these exposures, including our legal risk assessment and legal risk management policies and guidelines. The Compensation Committee reviews our major compensation-related risk exposures, including consideration of whether compensation rewards and incentives encourage undue or inappropriate risk taking by our personnel, and the steps management has taken to monitor or mitigate such exposures.

219. Defendants Rosensweig, Sarnoff, Bond, Budig, LeBlanc, Levine, Schlein, Whelan and York caused the 2021 Proxy Statement to be false and misleading, with regard to the statements in ¶¶ 215–218 by failing to disclose that: (1) although the Company claimed that its subscriber growth during the year ended December 31, 2020 was "driven by increased global penetration" and "our efforts to reduce account sharing," Chegg's subscriber growth was actually driven by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; (2) although the Company claimed that, in awarding performance-based compensation, it used certain metrics to "ensure[][Chegg's] executive officers are incentivized in accordance with the long-term interests of our stockholders[,]" the selected metrics actually rewarded the Company's officers for a short-term increase in revenue caused by a combination of the Covid-19 pandemic and the Cheating Misconduct, and that these metrics would meaningfully decline once widespread remote learning ended; (3) although the Company claimed its directors and officers adhered to the Code of Conduct and that it would disclose waivers of the policy, the

Individual Defendants violated the Code of Conduct either without waivers or without such waivers being disclosed; and (4) the Board, and its committees were not properly exercising their risk oversight functions, including their review of the risk exposures described, as evidenced by the occurrence of the wrongdoing alleged herein, which involved members of the Board.

220. In addition, the 2021 Proxy Statement was materially false and misleading, and failed to disclose material facts necessary to make the statement made not false and misleading, because the 2021 Proxy Statement failed to disclose, *inter alia*, that: (1) Chegg was engaged in the Cheating Misconduct and the Copyright Infringement Misconduct; (2) Chegg's pandemic-timed growth in revenue and subscribers was not driven by Chegg's account sharing and internationalization efforts, "more and more students" needing "more and more help" to "master their subject matter and get better grades," or an organic displacement of traditional on-campus services by Chegg's services, but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; (3) usage of Chegg's platform was not "agnostic to geography" given how Chegg's pandemic-timed growth was driven by the temporary transition to online learning, which made it much easier for students to use Chegg's platform to cheat; (4) far from being confined to "very isolated cases," the issue of students using Chegg to cheat was instead "severe" and "rampant" as detailed by university responses to FOIA requests and the firsthand accounts of school faculty members across the nation such that it was "raining [academic integrity] cases" during online learning; (5) Chegg was indeed "built" for cheating as students were able to submit questions to Expert Q&A and receive answers "usually in less than an hour" and often almost immediately; (6) Chegg was not "working with faculty, administrators, and students, to do our part in protecting the integrity of the online evaluation process" and instead set up obstacles to delay or discourage academic integrity investigations by refusing to implement basic protections suggested by universities, imposing burdensome requirements on universities and professors who sought Chegg's assistance in removing exam questions and answers from its website, and refusing to disclose the names of students under investigation; (7) the Honor Shield program did not allow professors to prevent test questions from "being answered on the Chegg platform during a time-specified exam period," as confirmed by an empirical analysis of 6,000 randomly sampled Expert Q&A submissions which determined that more than

a quarter of the submissions manifested clear signs of cheating; (8) due to the foregoing, it was foreseeable that Chegg's pandemic-timed growth was unsustainable and would not continue once students returned to in-person learning; (9) accordingly, it was unreasonable for Defendants to raise revenue and EBITDA guidance for the second half of 2021; and (10) the Company failed to maintain internal controls. As a result of the foregoing, Chegg's public statements were materially false and misleading at all relevant times.

221. As a result of Defendants Rosensweig, Sarnoff, Bond, Budig, LeBlanc, Levine, Schlein, Whelan and York causing the 2021 Proxy Statement to be false and misleading, Company shareholders voted, *inter alia*, to: (1) elect Defendants LeBlanc, Levine, and Sarnoff to the Board, allowing them to continue or being breaching their fiduciary duties to the Company and; (2) approve, via non-binding advisory vote, the compensation of the Company's named executive officers, including Defendants Rosensweig, Brown, Schultz, and Fillmore, who were breaching their fiduciary duties to the Company.

May 3, 2021 Press Release and Earnings Call

222. On May 3, 2021, the Company issued a press release, also attached to a Form 8-K filed with the SEC the same day, announcing its financial results for the quarter ended March 31, 2021. The press release reported the following highlights:

- **Total Net Revenues** of $198.4 million, an increase of 51% year-over-year
- **Chegg Services Revenues** grew 62% year-over-year to $162.4 million, or 82% of total net revenues, compared to 76% in Q1 2020
- **Net Loss** was $65.2 million which included a $78.2 million loss on early extinguishment of debt related to 2025 notes
- **Non-GAAP Net Income** was $46.4 million
- **Adjusted EBITDA** was $57.1 million
- **4.8 million**: number of Chegg Services subscribers, an increase of 64% year-over-year
- **356 million**: total Chegg Study content views

223. That same day, the Company held an earnings call to discuss its financial results for the quarter ended March 31, 2021. On the call, in response to an analyst's question regarding whether the Company's full year guidance accounted for any "conservatism around retention rates as students go back to campus," Defendant Rosensweig stated:

> [T]here's a lot of people that I think are confusing whether Chegg is a back to work, back to not work, we're neither of those things. We – as long as students are in ***school, they***

> ***want, they need, and they're using Chegg. It doesn't matter their geography, physical location. So, we have looked at all of the data. If you were back at school and in classroom, if you were back at school and in classroom sometimes but not the rest, or if you were at home, your conversion levels, your engagement levels, your renewal levels are almost identical. So, we are not affected by whether schools teach online or offline or teach hybrid. The only thing that could affect us, which isn't the case, is if there was no school. And that is not what happened. It's not what's happening. And so as we come to an end of COVID, it's not going to affect us negatively at all.*** And a lot of people have said our growth last year had a lot to do with COVID . . . [I]n the US, we have been working on account sharing efforts and those account [] sharing efforts were benefited from the fact that students left campus and couldn't proximity-share, sit next to somebody and share. But as you know, we have done a lot of work to block all those things. So, as students went back to school and they lived in pods or they went to classrooms, and most of their pods were people in the same class. So we saw only the positive impact of what we've done on account sharing. ***So, we are not a COVID case in any way in terms of going back or staying home. If you're in school, you want Chegg. And we have the numbers that back that up.***

(Emphasis added).

224. The statements referenced in ¶ 223 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg was "affected by whether schools teach online or offline or teach hybrid" because Chegg's pandemic-timed growth was the result of students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat such that Chegg's growth would be meaningfully impacted once students returned to in-person learning; and (2) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

May 5, 2021 Interview

225. On May 5, 2021, Defendant Brown gave an interview on *TD Ameritrade Network*, during which he stated: "***[C]learly we're not a COVID play I mean a big part of our success is really what we're doing in the business, particularly in the US, around account sharing***." (Emphasis added).

May 19, 2021 Conference

226. On May 19, 2021, the Company gave a presentation at the *Needham Virtual Technology & Media Conference*. During the conference, Defendant Brown had the following exchange with an analyst:

> Analyst: Assuming we return to primarily in-person learning this fall, what gives you the confidence in your ability to retain the so-called COVID cohort of the subscribers you added in 2020?
>
> Defendant Brown: ***We're not sure it's a COVID cohort.*** So I just want to make sure that's clear. I mean there were quite a few things that occurred kind of in the middle of 2020 that we're -- I call it, we're lapping as it were, right? One is the COVID part. What part of that is COVID? ***But at almost the same time, we started doing things around 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 . . . . And so, there are really three dynamics that we are lapping. It's not just about – it certainly isn't just about COVID.*** What – but what we do know is this is that, what we saw last year was just an acceleration of what we call the inevitable. And 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 they live their normal lives. Everything is on demand.

(Emphasis added).

227. The statements referenced in ¶¶ 225-226 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg's pandemic-timed growth was not driven by Chegg's efforts to prevent account sharing but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; and (2) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

June 17, 2021 Conference

228. On June 17, 2021, Defendant Brown gave a presentation at the *Bank of America Telecom, Media & Internet Conference*, during which he stated:

> One of the things we introduced earlier this year was . . . Honor Shield . . . . And what it was, ***was 1 more step for us to be able to help the professor guard against those folks that – and it's a very small group of folks that would potentially want to cheat on the platform . . . And so it's just one more way of many ways that we – on our platform where we have things in place to discourage and really not allow cheating for those students that decide they want to do that.***

(Emphasis added).

June 23, 2021 Honor Code Update

229. On June 23, 2021, the Company's Honor Code was updated to state the following, in relevant part:

> Honoring Academic Integrity . . . ***We believe academic integrity is a fundamental part of the learning process and we work to preserve it*** . . . Our products and services should never be used by you for any sort of cheating or fraud – like asking for answers to an active test exam, or copying answers online and submitting them as your own . . . ***The vast majority of Chegg students use our services to help them learn and understand*** . . . . [w]e don't tolerate abuse of our platform or services . . . ***[M]isuse of our platform represents a very small portion of the activity on our platform*** . . . ***We are constantly working to improve our abilities to detect and respond to issues around both copyright and academic integrity.*** We take both of these situations very seriously and we will respond as quickly as possible.

(Emphasis added).

230. The statements referenced in ¶¶ 228-229 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) "misuse" of Chegg's platform did not "represent[] a very small portion of the activity on our platform," and was instead "severe" and "rampant" as detailed by university responses to FOIA requests and the firsthand accounts of school faculty members across the nation such that it was "raining [academic integrity] cases" during online learning; (2) as confirmed by an empirical analysis of 6,000 randomly sampled Expert Q&A submissions which determined that more than a quarter of the submissions manifested clear signs of cheating, Honor Shield was not "just one more way of many ways that we . . . have [] in place to discourage and really not allow cheating for those students that decide they want to do that"; and (3) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

August 9, 2021 Press Release and Earnings Call

231. On August 9, 2021, the Company issued a press release, also attached to a Form 8-K filed with the SEC the same day, announcing its financial results for the quarter ended June 30, 2021. The press release reported the following highlights:

- **Total Net Revenues** of $198.5 million, an increase of 30% year-over-year
- **Chegg Services Revenues** grew 38% year-over-year to $173.5 million, or 87% of total net revenues, compared to 82% in Q2 2020
- **Net Income** was $32.8 million

- **Non-GAAP Net Income** was $71.7 million
- **Adjusted EBITDA** was $84.4 million
- **4.9 million**: number of Chegg Services subscribers, an increase of 31% year-over-year
- **367 million**: total Chegg Study content views

232. That same day, the Company held an earnings call to discuss its financial results for the quarter ended June 30, 2021. On the call, Defendant Rosensweig stated: "***It is clear wherever [students] are learning, whether online, on campus, or in a hybrid model, the value of Chegg to students is unquestionable***." (Emphasis added).

233. Also on the call, in response to an analyst's request to "talk about account sharing a little bit more" and question regarding whether the Company, in light of students' imminent return to in-person learning in the fall, would be "back into what could be a more seasonable type of cadence just given the school year and everything looking forward," Defendant Rosensweig stated:

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

(Emphasis added).

234. Also on the call, Defendant Brown stated: "Moving 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***." (Emphasis added).

235. The statements referenced in ¶¶ 232-234 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg's "value" was not tied to students learning "whether online, on campus, or in a hybrid model" and was instead tied to students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; (2) accordingly, it was foreseeable that Chegg's pandemic-timed growth was unsustainable and would not

continue once students returned to in-person learning such that it was unreasonable for Defendants to raise revenue and EBITDA guidance for the second half of 2021; and (3) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

August 11, 2021 Conference

236. On August 11, 2021, the Company gave a presentation at the *KeyBanc Technology Leadership Forum*, during which an analyst asked: "[H]elp me unpack where these incremental subscribers might be coming from and the sustainability of it." Defendant Brown responded by stating:

> So then question is where are we getting the new subscribers post that, all right? And a lot of that has to do with the type of content that we're putting on to our platform, right? So if you – once again, I look at Chegg Study very much like Amazon Prime. Amazon Prime started out as 2-day shipping way, way, way back when the same way, way back when Chegg started out as textbook solutions. Amazon Prime has added much more – many more capabilities to it, whether it be 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.***

(Emphasis added).

237. The statements referenced in ¶ 236 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg's pandemic-timed growth in subscribers was not driven by "new forms of content, new subject matters, new modalities" but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; and (2) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

August 24, 2021 Conference

238. On August 24, 2021, the Company presented at the *BMO Virtual Technology Summit*, during which an analyst asked: "Can you talk about how [Honor Shield] worked and what impact has that had[?]" Defendant Brown responded by stating:

> ***And so what we rolled out earlier in the year, like I said, called Honor Shield that allows professors to upload their tests onto Honor Shield, and we block the test for the period***

> ***of time that the test is going. So a student can't get the test – an open test and then start asking that question on Chegg Study. They can't do that . . . We just felt like we had an obligation to help these guys. It was a fairly easy technology to implement.*** It's gone reasonably well. I mean, once again, it's free to educators. So this isn't something that we're charging. They can just upload the test. It blocks those questions on our platform for that period of time. Thus far, it's going reasonably well. I mean, we always wish more educators would interact with the platform . . . ***But it's our way of saying, hey. We want students on our platform to be here to be learning, not to be cheating.***

(Emphasis added).

239. The statements referenced in ¶ 238 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Honor Shield did not "block the test for the period of time that the test is going," as confirmed by an empirical analysis of 6,000 randomly sampled Expert Q&A submissions which determined that more than a quarter of the submissions manifested clear signs of cheating; and (2) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

September 3, 2021 Podcast

240. On September 3, 2021, Defendant Rosensweig gave an interview on the *Barron's Streetwise Podcast*, during which he stated:

> Peloton, Netflix, Disney+, all those companies, they accelerated their growth. Chegg is different. We were doing phenomenally well before the pandemic, we did incredibly well through the pandemic, and ***we will continue to do extraordinarily well post-pandemic because what we do isn't dependent on where you are physically. What we do depends on whether or not you need help with learning.***

(Emphasis added).

241. The statements referenced in ¶ 240 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg's pandemic-timed growth was driven by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; (2) accordingly, it was foreseeable that Chegg's pandemic-timed growth was unsustainable and would not continue once students returned to in-person learning such that Chegg's growth was "dependent on where [students] are physically"; and (2) the Company failed to maintain internal controls. As a result

of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

September 13, 2021 Pearson Action

242. On September 13, 2021, Pearson initiated the Pearson Action, revealing that Chegg engaged in the Copyright Infringement Misconduct by making available to Chegg subscribers answer sets to Pearson's and other companies' copyrighted questions.

September 14, 2021 Conference

243. On September 14, 2021, the Company gave a presentation at the *Jefferies Virtual Software Conference*, during which an analyst inquired as to the sustainability of Chegg's pandemic-timed growth, specifically asking about "what you're seeing straight of what's actually happening on the demand side in a world that's reopening, and we're starting to see obviously everyone is going back to campus." In response, Defendant Brown stated:

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

(Emphasis added).

244. The statements referenced in ¶ 243 herein were materially false and misleading and failed to disclose material facts necessary to make the statements made not false and misleading. Specifically, the Individual Defendants failed to disclose, *inter alia*, that: (1) Chegg's pandemic-timed growth was not driven by Chegg's efforts to prevent account sharing but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; and (2) the Company failed to maintain internal controls. As a result of the foregoing, the Company's public statements were materially false and misleading at all relevant times.

The Truth Emerges

November 1, 2021 Press Release and Quarterly Report

245. The truth finally emerged on November 1, 2021, after the market had closed, when Chegg announced, in a press release and a Form 10-Q filed with the SEC, its financial results for the quarter ended September 30, 2021—i.e., a period that included the start of the first academic semester since the onset of Covid-19 where remote learning was significantly curtailed. In the press release and the Form 10-Q, Chegg revealed that it had fewer subscribers than expected, that key revenue metrics had decelerated or contracted, and that the Company would not be issuing guidance for the 2022 fiscal year.

246. Specifically, the Company reported a sequential 10% decline in subscribers, with the number of subscribers falling from 4.9 million in the previous quarter to 4.4 million in the third quarter of 2021. Additionally, from the first quarter of 2021 to the second quarter of 2021, revenue growth for Chegg Services declined year-over-year from 62% to 38%, while revenue growth for Required Materials declined year-over-year from 15% to an 8% contraction. From the second quarter of 2021 to the third quarter of 2021, revenue growth for Chegg Services further declined year-over-year from 38% to 23%. Likewise, revenue for Required Materials continued to contract year-over-year from an 8% contraction in the second quarter of 2021 to a 28% contraction in the third quarter of 2021. In total, from the first quarter 2021, to the second quarter 2021, to the third quarter 2021, the Company's total revenue growth, year-over-year, fell from 51% to 30% to 12%, respectively. The Company further shocked investors by forecasting a 5% to 6% year-over-year decline in revenue for the fourth quarter of 2021, completed missing the consensus forecast for 17% growth.

247. Moreover, Defendant Rosensweig acknowledged in prepared remarks contained in the November 1, 2021 press release that, "***in late September it became clear to us that the education industry is experiencing a slowdown***[.]" (Emphasis added).

248. On this news, the price of the Company's common stock fell from $62.76 per share at close on November 1, 2021, to close on November 2, 2021 at $32.12 per share, a remarkable drop of $30.64 per share or nearly 50%.

249. On October 19, 2022, the Board promoted Defendant Schultz from President of Learning Services to COO. As President of Learning Services, Defendant Schultz oversaw Chegg's learning

services, including Chegg Study, Writing, and Math, and thus had direct knowledge of the wrongdoing alleged herein. The Board's decision to promote Defendant Schultz in spite of this indicates that the Board has and continues to facilitate the Cheating Misconduct.

Insider Sales

250. Defendants Rosensweig, Schultz, Fillmore, Lem, Tomasello, Sarnoff, and York made insider sales, detailed above, at prices artificially inflated by the false and misleading statements at issue for collective proceeds of over $95.4 million.

251. Those sales that occurred shortly before or after the Individual Defendants caused the Company to issue false and misleading statement contribute to an inference that these Individual Defendants knew of the falsity of the statements and were cashing in while the Company's common stock continued to trade at artificially inflated prices.

252. For example, following the false and misleading statements issued in the May 4, 2020 press release, Defendant Shultz sold 47,376 shares of Company common stock for proceeds of about $3.2 million on May 5, 2020; Defendant Sarnoff sold 66,666 shares of Company common stock for proceeds of about $4.3 million on May 13, 2020; Defendant Rosensweig sold 28,000 shares of Company common stock for proceeds of about $1.8 million on May 14, 2020, and Defendant Fillmore sold 49,442 shares of Company common stock for proceeds of about $3.2 million on May 18, 2020.

253. Prior to the false and misleading statements issued in the August 3, 2020 press release, Defendant Schultz sold 82,459 shares of Company common stock for proceeds of about $6.6 million on July 31, 2020. Following the false and misleading statements issued in the August 3, 2020 press release, Defendant Rosensweig sold 28,000 shares of Company common stock for proceeds of about $2.4 million on August 5, 2020.

254. Prior to the false and misleading statements issued in the October 26, 2020 press release, Defendant Rosensweig sold 28,000 shares of Company common stock for proceeds of about $2.3 million on October 12, 2020.

255. As previously mentioned, following the false and misleading statements issued in the February 8, 2021 press release, Defendant Rosensweig sold 300,000 shares of Company common stock

in the secondary public offering for proceeds of about $29.9 million on February 22, 2021. Shortly thereafter, on March 3, 2021, Defendant Fillmore sold 51,505 shares of Company common stock for proceeds of about $4.8 million.

256. Just before the false and misleading statements contained in the 2021 Proxy Statement were filed with the SEC on April 16, 2021, Defendant Fillmore sold 19,174 shares of Company common stock for proceeds of about $1.8 million on April 13, 2021. Just afterwards, on April 23, 2021, Defendant Schultz sold 30,000 shares of Company common stock for proceeds of about $2.8 million. Just three days later, on April 26, 2020, Defendant Schultz sold another 30,000 shares of Company common stock for proceeds of about $2.9 million. Not only did these sales just after the Company made false and misleading statements that artificially inflated the price of the Company's common stock, they also occurred just before the Company made more false and misleading statements which would artificially inflate the price of the Company's common stock, in the May 3, 2021 press release.

257. The timing and amounts of these insider sales, made while the price of the Company's common stock was artificially inflated, further demonstrate that the Individual Defendants, including those who served on the Board, knew of the falsity of the statements made and that those Individual Defendants who made insider sales were using this knowledge to enrich themselves while the Company's common stock remained inflated.

The Individual Defendants' Knowledge

258. Throughout the Relevant Period, the Individual Defendants had access to internal metrics regarding the activity of the Company's subscribers such that they knew or recklessly disregarded the true extent of the Cheating Misconduct. At a conference in February 2020, Defendant Rosensweig stated that "we own the customer, we own the data" and "we know exactly what [students] use . . . . We can watch everything they use, that's how we know over 2 million pieces of content are viewed in that one service every day of Chegg." At another conference, Defendant Rosensweig stated that Chegg "track[s] every single action" and that "we do track not only by the country, we do track by the school and by the subject in the school." Moreover, Defendant Brown stated at a March 2021 conference call that "it's not just how many people come on per day" as Chegg "actually measure[s] it by what are they engaging with."

Defendant Brown also stated at a June 2020 conference that "[w]e have daily metrics" and "hourly metrics" that helped with understanding Chegg's "core levers."

259. [redacted]

260. [redacted]

261. [redacted]

262. [redacted]

263. The Individual Defendants were aware that Chegg's pandemic-timed growth was inextricably tied to the onset of Covid-19, with Defendant Rosensweig stating during an interview on October 27, 2020 that "[w]hen COVID came and students had to leave campus, it was much harder for

them to share. We've been the beneficiary of that." Because the Individual Defendants represented that Chegg's pandemic-timed growth was accelerated by students' inability to share Chegg subscriptions with each other as a result of students no longer living on campus together, they should have reasonably foreseen that Chegg's pandemic-timed growth would be unsustainable once students returned *en masse* to in-person learning. Despite knowing this, the true extent of the Cheating Misconduct, and that students were widely expected to return to in-person learning for the upcoming fall semester of 2021 for the first time since the onset of Covid-19, [redacted] Soon after, on August 9, 2021, the Company issued a press release announcing it was raising guidance for the remainder of 2021.

264. [redacted] The 2020 10-K purported that the Company's "efforts to reduce account sharing" as one of the "drivers" for the Company's pandemic-timed growth.

265. [redacted]

[redacted]

266. [redacted]

267. [redacted]

268. [redacted]

[redacted] Moreover, Defendant Rosensweig knew that Chegg's growth was affected by whether students were "physically on a campus or at home," or in other words, whether students were doing in-person or online learning. For example, at a conference on March 11, 2021, Defendant Rosensweig asserted that "post the pandemic, [Chegg is] not going to go back to the way that it was" since "the issue for Chegg was never whether you're physically on a campus or at home." This statement is contradicted by representations Defendant Rosensweig made at a different conference held just a week earlier on March 3, 2021, during which he acknowledged that Chegg's efforts to prevent account sharing were "accelerated by COVID, meaning because students couldn't proximity share, be in the same dorms, be in the same room, they couldn't share as much, so you really saw the full usage of Chegg." Although Defendant Rosensweig claimed it was a nonissue to Chegg as to whether students were "physically on campus or at home," he knew this was false given his earlier acknowledgement that students losing the ability to "proximity share" had a positive effect on Chegg's growth.

269. [redacted]

270. [redacted]

[redacted]

271. Throughout the Relevant Period, the names of Chegg's subscribers were accessible to the Individual Defendants. On October 31, 2022, the United States Federal Trade Commission ("FTC") filed an action against Chegg alleging that, as a result of Chegg's lax data security practices, Chegg had failed to protect "millions of students' sensitive information." Such information included, *inter alia*, users' "first and last names," "email addresses," and "passwords."

272. Although Defendant Rosensweig's prepared remarks, included in the Company's press release issued on November 1, 2021, stated that "in late September [2021] it became clear to us that the education industry is experiencing a slowdown," [redacted] Defendant Rosensweig stated during an interview held on September 3, 2021 that "we will continue to do extraordinarily well post-pandemic because what we do isn't dependent on where you are physically."

273. [redacted]

[redacted]

DAMAGES TO CHEGG

274. As a direct and proximate result of the Individual Defendants' misconduct, Chegg has lost and expended, and will lose and expend, many millions of dollars.

275. Such expenditures include, but are not limited to, legal fees associated with the Securities Class Action filed against the Company and three of the Individual Defendants, legal fees associated with the Pearson Action filed against the Company, and amounts paid to outside lawyers, accountants, and investigators in connection thereto.

276. Such expenditures also include, but are not limited to, the cost of implementing measures to remediate the Cheating Misconduct and the Copyright Infringement Misconduct.

277. Such losses include, but are not limited to, handsome compensation and benefits paid to the Individual Defendants who breached their fiduciary duties to the Company, including bonuses tied to the Company's attainment of certain objectives, and benefits paid to the Individual Defendants who breached their fiduciary duties to the Company.

278. As a direct and proximate result of the Individual Defendants' conduct, Chegg has also suffered and will continue to suffer a loss of reputation and goodwill, and a "liar's discount" that will plague the Company's stock in the future due to the Company's and their misrepresentations and the Individual Defendants' breaches of fiduciary duties and unjust enrichment.

DERIVATIVE ALLEGATIONS

279. Plaintiffs bring this action derivatively and for the benefit of Chegg to redress injuries suffered, and to be suffered, because of the Individual Defendants' breaches of their fiduciary duties as directors and/or officers of Chegg, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, violations of the Exchange Act, as well as the aiding and abetting thereof, and for contribution under Sections 10(b) and 21D of the Exchange Act.

280. Chegg is named solely as a nominal party in this action. This is not a collusive action to confer jurisdiction on this Court that it would not otherwise have.

281. Plaintiffs are, and have continuously been at all relevant times, shareholders of Chegg. Plaintiffs will adequately and fairly represent the interests of Chegg in enforcing and prosecuting their rights, and, to that end, have retained competent counsel, experienced in derivative litigation, to enforce and prosecute this action.

DEMAND FUTILITY ALLEGATIONS

282. Plaintiffs incorporate by reference and reallege each and every allegation stated above as if fully set forth herein.

283. A pre-suit demand on the Board of Chegg is futile and, therefore, excused. At the time of filing of this action, the Board consists of Defendants Rosensweig, Sarnoff, Bond, Budig, LeBlanc, Levine, Schlein, Whelan and York (collectively, the "Director-Defendants"), and non-party Marcela Martin (collectively with the Director-Defendants, the "Directors"). Plaintiffs need only to allege demand futility as to five of ten Directors that were on the Board at the time this action was commenced.

284. Demand is excused as to all of the Director-Defendants because each of them faces, individually and collectively, a substantial likelihood of liability as a result of the scheme they engaged in knowingly or recklessly to cause or permit the Company to engage in the Cheating Misconduct and the Copyright Infringement Misconduct and to make and/or cause the Company to make false and misleading statements and omissions of material facts. Furthermore, while the price of the Company's common stock was artificially inflated by their misconduct, the Director-Defendants further breached their fiduciary duties by causing the Company to initiate a secondary public offering which enriched Defendant Rosensweig while subjecting the Company to liability for violations of the Exchange Act. In yet further

breach, three of them engaged in insider sales at these artificially inflated prices for a collective $54.5 million in proceeds, demonstrating their motive for facilitating and participating in the fraud. This renders the Director-Defendants unable to impartially investigate the charges and decide whether to pursue action against themselves and the other perpetrators of the scheme.

285. In complete abdication of their fiduciary duties, the Director-Defendants either knowingly or recklessly participated in causing or permitting the Company to engage in the Cheating Misconduct and the Copyright Infringement Misconduct and making and/or causing the Company to make the materially false and misleading statements alleged herein. The fraudulent scheme was, *inter alia*, intended to make the Company appear more profitable and attractive to investors. As a result of the foregoing, the Director-Defendants breached their fiduciary duties, face a substantial likelihood of liability, are not disinterested, and demand upon them is futile, and thus excused.

286. Additional reasons that demand on Defendant Rosensweig is futile follow. Defendant Rosensweig has served as the Company's CEO and President since February 2010, as Chairperson of the Board from March 2010 to July 2018, and as Co-Chairperson of the Board since July 2018. As such, the Company provides Defendant Rosensweig with his principal occupation for which he receives lucrative compensation. Thus, as the Company admits, he is a non-independent director. As CEO and Co-Chairperson throughout the Relevant Period, Defendant Rosensweig was ultimately responsible for all of the false and misleading statements and omissions that were made by or on behalf of the Company, including, *inter alia*, those contained in the press releases and the 2020 10-K, which he personally signed and signed SOX certifications for. In addition, he solicited the 2021 Proxy Statement which contained false and misleading elements that contributed, *inter alia*, to shareholders approving, on an advisory basis, his unjust compensation. As the Company's highest officer and as a trusted Co-Chairperson, he conducted little, if any, oversight of the Company's engagement in the schemes to engage in the Cheating Misconduct, the Copyright Infringement Misconduct, and to make false and misleading statements; consciously disregarded his duties to monitor such controls over reporting and engagement in the schemes; and consciously disregarded his duties to protect corporate assets. His insider sales before the fraud was exposed, many of which coincided with him and the Company making false and misleading statements,

yielded approximately $48.8 million in proceeds and demonstrate his motive in facilitating and participating in the fraud. Furthermore, Defendant Rosensweig is a defendant in the Securities Class Action. For these reasons, too, Defendant Rosensweig breached his fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus demand upon him is futile and, therefore, excused.

287. Additional reasons that demand on Defendant Sarnoff is futile follow. Defendant Sarnoff has served as Co-Chairperson of the Board since July 2018 and as a Company director since August 2012. He is also a member of the Audit Committee. As Co-Chairperson, he receives substantial compensation. In addition, Defendant Sarnoff solicited the 2021 Proxy Statement, which contained false and misleading elements that contributed, *inter alia*, to shareholders reelecting him to the Board. He also signed, and thus personally made the false and misleading statements in the 2020 10-K. As the Company's trusted Co-Chairperson, he conducted little, if any, oversight of the Company's engagement in the schemes to engage in the Cheating Misconduct, the Copyright Infringement Misconduct, and to make false and misleading statements; consciously disregarded his duties to monitor such controls over reporting and engagement in the schemes; and consciously disregarded his duties to protect corporate assets. His insider sale before the fraud was exposed, which coincided with the Company making false and misleading statements, yielded approximately $4.3 million in proceeds and demonstrates his motive in facilitating and participating in the fraud. For these reasons, too, Defendant Sarnoff breached his fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus demand upon him is futile and, therefore, excused.

288. Additional reasons that demand on Defendant Bond is futile follow. Defendant Bond has served as a Company director since December 2020, and she is a member of the Compensation Committee. Defendant Bond has received and continues to receive significant compensation for her role as a director. In addition, she solicited the 2021 Proxy Statement, which contained false and misleading elements that benefitted the other Individual Defendants. She also signed, and thus personally made the false and misleading statements in the 2020 10-K. As a trusted Company director, she conducted little, if any, oversight of the Company's engagement in the schemes to engage in the Cheating Misconduct, the

Copyright Infringement Misconduct, and to make false and misleading statements; consciously disregarded her duties to monitor such controls over reporting and engagement in the schemes; and consciously disregarded her duties to protect corporate assets. For these reasons, too, Defendant Bond breached her fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus demand upon her is futile and, therefore, excused.

289. Additional reasons that demand on Defendant Budig is futile follow. Defendant Budig has served as a Company director since November 2015. She also serves as Chair of the Audit Committee. Defendant Budig has received and continues to receive significant compensation for her role as a director. In addition, she solicited the 2021 Proxy Statement, which contained false and misleading elements that benefitted the other Individual Defendants. She also signed, and thus personally made the false and misleading statements in the 2020 10-K. As a trusted Company director, she conducted little, if any, oversight of the Company's engagement in the schemes to engage in the Cheating Misconduct, the Copyright Infringement Misconduct, and to make false and misleading statements; consciously disregarded her duties to monitor such controls over reporting and engagement in the schemes; and consciously disregarded her duties to protect corporate assets. For these reasons, too, Defendant Budig breached her fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus demand upon her is futile and, therefore, excused.

290. Additional reasons that demand on Defendant LeBlanc is futile follow. Defendant LeBlanc has served as a Company director since July 2019, and he is a member of the Governance and Sustainability Committee. Defendant LeBlanc has received and continues to receive significant compensation for his role as a director. In addition, he solicited the 2021 Proxy Statement, which contained false and misleading elements that, *inter alia*, contributed to his reelection to the Board. He also signed, and thus personally made the false and misleading statements in the 2020 10-K. As a trusted Company director, he conducted little, if any, oversight of the Company's engagement in the schemes to engage in the Cheating Misconduct, the Copyright Infringement Misconduct, and to make false and misleading statements; consciously disregarded his duties to monitor such controls over reporting and engagement in the schemes; and consciously disregarded his duties to protect corporate assets. For these reasons, too,

Defendant LeBlanc breached his fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus demand upon him is futile and, therefore, excused.

291. Additional reasons that demand on Defendant Levine is futile follow. Defendant Levine has served as a Company director since May 2013. She also serves as Chair of the Governance and Sustainability Committee and as a member of the Compensation Committee. Defendant Levine has received and continues to receive significant compensation for her role as a director. In addition, she solicited the 2021 Proxy Statement, which contained false and misleading elements that, *inter alia*, contributed to her reelection to the Board. She also signed, and thus personally made the false and misleading statements in the 2020 10-K. As a trusted Company director, she conducted little, if any, oversight of the Company's engagement in the scheme to engage in the Cheating Misconduct, the Copyright Infringement Misconduct, and to make false and misleading statements; consciously disregarded her duties to monitor such controls over reporting and engagement in the scheme; and consciously disregarded her duties to protect corporate assets. For these reasons, too, Defendant Levine breached her fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus demand upon her is futile and, therefore, excused.

292. Additional reasons that demand on Defendant Schlein is futile follow. Defendant Schlein has served as a Company director since December 2008, and he is a member of both the Governance and Sustainability Committee and the Audit Committee. Defendant Schlein has received and continues to receive significant compensation for his role as a director. In addition, he solicited the 2021 Proxy Statement, which contained false and misleading elements that benefitted the other Individual Defendants. He also signed, and thus personally made the false and misleading statements in the 2020 10-K. As a trusted Company director, he conducted little, if any, oversight of the Company's engagement in the schemes to engage in the Cheating Misconduct, the Copyright Infringement Misconduct, and to make false and misleading statements; consciously disregarded his duties to monitor such controls over reporting and engagement in the schemes; and consciously disregarded his duties to protect corporate assets. For these reasons, too, Defendant Schlein breached his fiduciary duties, faces a substantial

likelihood of liability, is not independent or disinterested, and thus demand upon him is futile and, therefore, excused.

293. Additional reasons that demand on Defendant Whelan is futile follow. Defendant Whelan has served as a Company director since June 2019. She also serves as Chair of the Compensation Committee. Defendant Whelan has received and continues to receive significant compensation for her role as a director. In addition, she solicited the 2021 Proxy Statement, which contained false and misleading elements that benefitted the other Individual Defendants. She also signed, and thus personally made the false and misleading statements in the 2020 10-K. As a trusted Company director, she conducted little, if any, oversight of the Company's engagement in the schemes to engage in the Cheating Misconduct, the Copyright Infringement Misconduct, and to make false and misleading statements; consciously disregarded her duties to monitor such controls over reporting and engagement in the schemes; and consciously disregarded her duties to protect corporate assets. For these reasons, too, Defendant Whelan breached her fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus demand upon her is futile and, therefore, excused.

294. Additional reasons that demand on Defendant York is futile follow. Defendant York has served as a Company director since June 2013. He also serves as a member of both the Compensation Committee and the Governance and Sustainability Committee. Defendant York has received and continues to receive significant compensation for his role as a director. In addition, he solicited the 2021 Proxy Statement, which contained false and misleading elements that benefitted the other Individual Defendants. He also signed, and thus personally made the false and misleading statements in the 2020 10-K. As a trusted Company director, he conducted little, if any, oversight of the Company's engagement in the schemes to engage in the Cheating Misconduct, the Copyright Infringement Misconduct, and to make false and misleading statements; consciously disregarded his duties to monitor such controls over reporting and engagement in the schemes; and consciously disregarded his duties to protect corporate assets. His insider sales before the fraud was exposed, which yielded approximately $1.4 million in proceeds, demonstrate his motive in facilitating and participating in the fraud. For these reasons, too,

Defendant York breached his fiduciary duties, faces a substantial likelihood of liability, is not independent or disinterested, and thus demand upon him is futile and, therefore, excused.

295. Additional reasons that demand on the Board is futile follow.

296. Throughout the Relevant Period, the Director-Defendants had access to internal metrics regarding the activity of the Company's subscribers such that they knew or should have known the true extent of the Cheating Misconduct. [redacted]

297. [redacted]

[redacted]

298. Moreover, as described above, Defendants Rosensweig, Sarnoff, and York directly engaged in insider trading, in violation of federal law. While in possession of material non-public information, Defendants Rosensweig, Sarnoff, and York collectively received proceeds in excess of $54.5 million as a result of insider transactions executed during the period when the Company's stock price was artificially inflated due to the false and misleading statements alleged herein. Defendant Rosensweig and Sarnoff, in particular, engaged in insider sales that seemingly coincided with the Company making false and misleading statements. Therefore, demand in this case is futile as to them, and further excused.

299. Further still, Defendants Rosensweig, Sarnoff, Bond, Budig, LeBlanc, Levine, Schlein, Whelan and York approved the Company's February 2021 secondary offering of its common stock to investors at prices artificially inflated by their own misconduct, enriching Defendant Rosensweig by $29,865,600 at the expense of making the Company violate the Exchange Act. This breach of fiduciary duties has subjected the Company, and certain of the Individual Defendants, to a substantial likelihood of liability in the Securities Class Action. Therefore, demand in this case is futile as to them, and further excused.

300. Additionally, the Director-Defendants have longstanding business and personal relationships with each other and the other Individual Defendants that preclude them from acting independently and in the best interests of the Company and the shareholders. Defendants Rosensweig, Brown, Schultz, Fillmore, and Sarnoff have worked at the Company together for approximately a decade, with Schultz—with the longest tenure—having joined in 2008, and Fillmore—the last of the five to join—having joined in 2013. Moreover, Defendants Bond and Levine were MBA students together at Harvard

Business School in 2005. These conflicts of interest precluded the Director-Defendants from adequately monitoring the Company's operations and internal controls and calling into question each other's and the remaining Individual Defendants' conduct. Thus, any demand on the Director-Defendants would be futile.

301. Defendants Budig (as Chair), Sarnoff, and Schultz (collectively, the "Audit Committee Defendants"), served on the Company's Audit Committee during the Relevant Period. The Audit Committee Defendants violated the Audit Committee Charter by engaging in or permitting the scheme to cause the Company to engage in the Cheating Misconduct and the Copyright Infringement Misconduct, to issue materially false and misleading statements to the investing public, and to facilitate and disguise the Individual Defendants' violations of law, including breaches of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and violations of the Exchange Act. In addition the Audit Committee Defendants violated the Audit Committee Charter by failing to adequately oversee the integrity of the Company's financial disclosures, failing to adequately oversee the Company's compliance with legal and regulatory requirements, failing to adequately oversee the Company's risk assessments and risk management, failing to adequately discuss with management the Company's financial information prior to public distribution, and failing to adequately oversee the Company' disclosure controls and procedures. Moreover, despite the Audit Committee Defendants knowing that Chegg's pandemic-timed growth was inextricably tied to the onset of Covid-19 such that it was reasonably foreseeable to them that Chegg's pandemic-timed growth would be unsustainable once students returned to in-person learning, [redacted] Soon after, on August 9, 2021, the Company issued a press release announcing it was raising guidance for the remainder of 2021, even though students were widely expected to return to in-person learning for the upcoming fall semester of 2021. Thus, the Audit Committee Defendants breached their fiduciary duties, are not disinterested, and demand is excused as to them.

302. In violation of the Code of Conduct, the Director-Defendants engaged in or permitted the scheme to cause the Company to engage in the Cheating Misconduct and the Copyright Infringement

Misconduct, to issue materially false and misleading statements to the investing public, and to facilitate and disguise the Individual Defendants' violations of law, including breaches of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, and violations of the Exchange Act. In addition, the Individual Defendants violated the Code of Conduct by failing to act with integrity, supporting and profiting from unethical academic behavior, failing to avoid conflicts of interest, failing to respect the intellectual property rights of others, engaging in insider trading, failing to ensure the Company's disclosures were accurate, failing to ensure the Company complied with applicable laws, rules, and regulations, and failing to promptly report known violations of the Code of Conduct and the law. Thus the Director-Defendants breached the Company's own Code of Conduct, are not disinterested, and demand is excused as to them.

303. Chegg has been and will continue to be exposed to significant losses due to the wrongdoing complained of herein, yet the Directors have not filed any lawsuits against the Director-Defendants or any others who were responsible for that wrongful conduct to attempt to recover for Chegg any part of the damages Chegg suffered and will continue to suffer thereby. Thus, any demand upon the Directors would be futile.

304. The acts complained of herein constitute violations of fiduciary duties owed by Chegg's officers and directors, and these acts are incapable of ratification.

305. The Director-Defendants may also be protected against personal liability for their acts of mismanagement and breaches of fiduciary duty alleged herein by directors' and officers' liability insurance if they caused the Company to purchase it for their protection with corporate funds, i.e., monies belonging to the stockholders of Chegg. If there is a directors' and officers' liability insurance policy covering the Director-Defendants, it may contain provisions that eliminate coverage for any action brought directly by the Company against the Director-Defendants, known as, *inter alia*, the "insured-versus-insured exclusion." As a result, if the Director-Defendants were to sue themselves or certain of the officers of Chegg, there would be no directors' and officers' insurance protection. Accordingly, the Director-Defendants cannot be expected to bring such a suit. On the other hand, if the suit is brought derivatively, as this action is brought, such insurance coverage, if such an insurance policy exists, will

provide a basis for the Company to effectuate a recovery. Thus, demand on the Director-Defendants is futile and, therefore, excused.

306. The Individual Defendants' conduct described herein and summarized above could not have been the product of legitimate business judgment as it was based on bad faith and intentional, reckless, or disloyal misconduct. Thus, none of the Director-Defendants can claim exculpation from their violations of duty pursuant to the Company's charter (to the extent such a provision exists). As all of the Director-Defendants, and if not all at least a majority of the Directors, face a substantial likelihood of liability, they are self-interested in the transactions challenged herein and cannot be presumed to be capable of exercising independent and disinterested judgment about whether to pursue this action on behalf of the shareholders of the Company. Accordingly, demand is excused as being futile.

307. If there is no directors' and officers' liability insurance, then the Director-Defendants will not cause Chegg to sue the Individual Defendants named herein, since, if they did, they would face a large uninsured individual liability. Accordingly, demand is futile in that event, as well.

308. Thus, for all of the reasons set forth above, all of the Director-Defendants, and, if not all of them, at least five of the Directors, cannot consider a demand with disinterestedness and independence. Consequently, a demand upon the Board is excused as futile.

FIRST CLAIM

Against Defendants Rosensweig, Sarnoff, Bond, Budig, LeBlanc, Levine, Schlein, Whelan and York for Violations of Section 14(a) of the Exchange Act

309. Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

310. Section 14(a) of the Exchange Act, 15 U.S.C. § 78n(a)(1), provides that "[i]t shall be unlawful for any person, by use of the mails or by any means or instrumentality of interstate commerce or of any facility of a national securities exchange or otherwise, in contravention of such rules and regulations as the [SEC] may prescribe as necessary or appropriate in the public interest or for the protection of investors, to solicit or to permit the use of his name to solicit any proxy or consent or authorization in respect of any security (other than an exempted security) registered pursuant to section 12 of this title [15 U.S.C. § 78l]."

311. Rule 14a-9, promulgated pursuant to § 14(a) of the Exchange Act, provides that no proxy statement shall contain "any statement which, at the time and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact, or which omits to state any material fact necessary in order to make the statements therein not false or misleading." 17 C.F.R. § 240.14a-9.

312. Under the direction and watch of the Defendants Rosensweig, Sarnoff, Bond, Budig, LeBlanc, Levine, Schlein, Whelan and York, the 2021 Proxy Statement failed to disclose that: (1) Chegg was engaged in the Cheating Misconduct and the Copyright Infringement Misconduct; (2) Chegg's pandemic-timed growth in revenue and subscribers was not driven by Chegg's account sharing and internationalization efforts, "more and more students" needing "more and more help" to "master their subject matter and get better grades," or an organic displacement of traditional on-campus services by Chegg's services, but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; (3) usage of Chegg's platform was not "agnostic to geography" given how Chegg's pandemic-timed growth was driven by the temporary transition to online learning, which made it much easier for students to use Chegg's platform to cheat; (4) far from being confined to "very isolated cases," the issue of students using Chegg to cheat was instead "severe" and "rampant" as detailed by university responses to FOIA requests and the firsthand accounts of school faculty members across the nation such that it was "raining [academic integrity] cases" during online learning; (5) Chegg was indeed "built" for cheating as students were able to submit questions to Expert Q&A and receive answers "usually in less than an hour" and often almost immediately; (6) Chegg was not "working with faculty, administrators, and students, to do our part in protecting the integrity of the online evaluation process" and instead set up obstacles to delay or discourage academic integrity investigations by refusing to implement basic protections suggested by universities, imposing burdensome requirements on universities and professors who sought Chegg's assistance in removing exam questions and answers from its website, and refusing to disclose the names of students under investigation; (7) the Honor Shield program did not allow professors to prevent test questions from "being answered on the Chegg platform during a time-specified exam period," as confirmed by an empirical analysis of 6,000 randomly sampled Expert Q&A submissions which determined that more than a quarter of the submissions manifested clear signs of

cheating; (8) due to the foregoing, it was foreseeable that Chegg's pandemic-timed growth was unsustainable and would not continue once students returned to in-person learning; (9) accordingly, it was unreasonable for Defendants to raise revenue and EBITDA guidance for the second half of 2021; and (10) the Company failed to maintain internal controls. As a result of the foregoing, Chegg's public statements were materially false and misleading at all relevant times.

313. Defendants Rosensweig, Sarnoff, Bond, Budig, LeBlanc, Levine, Schlein, Whelan and York also caused the 2021 Proxy Statement to be false and misleading by failing to disclose that: (1) although the Company claimed that its subscriber growth during the year ended December 31, 2020 was "driven by increased global penetration" and "our efforts to reduce account sharing," Chegg's subscriber growth was actually driven by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; (2) although the Company claimed that, in awarding performance-based compensation, it used certain metrics to "ensure[][Chegg's] executive officers are incentivized in accordance with the long-term interests of our stockholders[,]" the selected metrics actually rewarded the Company's officers for a short-term increase in revenue caused by a combination of the Covid-19 pandemic and the Cheating Misconduct, and that these metrics would meaningfully decline once widespread remote learning ended; (3) although the Company claimed its directors and officers adhered to the Code of Conduct and that it would disclose waivers of the policy, the Individual Defendants violated the Code of Conduct either without waivers or without such waivers being disclosed; and (4) the Board's and its committees' risk oversight functions were not properly being exercised, as evidenced by the occurrence of the wrongdoing alleged herein, which involved members of the Board.

314. Defendants Rosensweig, Sarnoff, Bond, Budig, LeBlanc, Levine, Schlein, Whelan and York knew that by misrepresenting or failing to disclose the foregoing material facts, the statements contained in the 2021 Proxy Statement were materially false and misleading. The misrepresentations and omissions were material to Plaintiffs in voting on the matters set forth for shareholder determination in the 2021 Proxy Statement, including but not limited to, the election of directors.

315. The false and misleading elements of the 2021 Proxy Statement, led Company shareholders to, *inter alia*: (1) elect Defendants LeBlanc, Levine, and Sarnoff to the Board, allowing them to continue

or being breaching their fiduciary duties to the Company and (2) approve, via non-binding advisory vote, the compensation of the Company's named executive officers, including Defendants Rosensweig, Brown, Schultz, and Fillmore, who were breaching their fiduciary duties to the Company.

316. The Company was damaged as a result of Defendants Rosensweig, Sarnoff, Bond, Budig, LeBlanc, Levine, Schlein, Whelan and York's material misrepresentations and omissions in the 2021 Proxy Statement.

317. Plaintiffs on behalf of Chegg have no adequate remedy at law.

SECOND CLAIM

Against Individual Defendants for Breach of Fiduciary Duties

318. Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

319. Each Individual Defendant owed to the Company the duty to exercise candor, good faith, and loyalty in the management and administration of Chegg's business and affairs.

320. Each of the Individual Defendants violated and breached his or her fiduciary duties of candor, good faith, loyalty, reasonable inquiry, oversight, and supervision.

321. The Individual Defendants' conduct set forth herein was due to their intentional or reckless breach of the fiduciary duties they owed to the Company, as alleged herein. The Individual Defendants intentionally or recklessly breached or disregarded their fiduciary duties to protect the rights and interests of Chegg.

322. In breach of their fiduciary duties, the Individual Defendants caused or permitted the Company to engage in the Cheating Misconduct and the Copyright Infringement Misconduct.

323. In further breach of their fiduciary duties owed to Chegg, the Individual Defendants willfully or recklessly made and/or caused the Company to make false and misleading statements and omissions of material fact that failed to disclose, *inter alia*, that: (1) Chegg was engaged in the Cheating Misconduct and the Copyright Infringement Misconduct; (2) Chegg's pandemic-timed growth in revenue and subscribers was not driven by Chegg's account sharing and internationalization efforts, "more and more students" needing "more and more help" to "master their subject matter and get better grades," or

an organic displacement of traditional on-campus services by Chegg's services, but rather by students taking advantage of the temporary transition to online learning to use Chegg's platform to cheat; (3) usage of Chegg's platform was not "agnostic to geography" given how Chegg's pandemic-timed growth was driven by the temporary transition to online learning, which made it much easier for students to use Chegg's platform to cheat; (4) far from being confined to "very isolated cases," the issue of students using Chegg to cheat was instead "severe" and "rampant" as detailed by university responses to FOIA requests and the firsthand accounts of school faculty members across the nation such that it was "raining [academic integrity] cases" during online learning; (5) Chegg was indeed "built" for cheating as students were able to submit questions to Expert Q&A and receive answers "usually in less than an hour" and often almost immediately; (6) Chegg was not "working with faculty, administrators, and students, to do our part in protecting the integrity of the online evaluation process" and instead set up obstacles to delay or discourage academic integrity investigations by refusing to implement basic protections suggested by universities, imposing burdensome requirements on universities and professors who sought Chegg's assistance in removing exam questions and answers from its website, and refusing to disclose the names of students under investigation; (7) the Honor Shield program did not allow professors to prevent test questions from "being answered on the Chegg platform during a time-specified exam period," as confirmed by an empirical analysis of 6,000 randomly sampled Expert Q&A submissions which determined that more than a quarter of the submissions manifested clear signs of cheating; (8) due to the foregoing, it was foreseeable that Chegg's pandemic-timed growth was unsustainable and would not continue once students returned to in-person learning; (9) accordingly, it was unreasonable for Defendants to raise revenue and EBITDA guidance for the second half of 2021; and (10) the Company failed to maintain internal controls. As a result of the foregoing, Chegg's public statements were materially false and misleading at all relevant times.

324. The Individual Defendants failed to correct and caused the Company to fail to rectify any of the wrongs described herein or correct the false and misleading statements and omissions of material fact referenced herein, rendering them personally liable to the Company for breaching their fiduciary duties.

325. Also in breach of their fiduciary duties, the Individual Defendants failed to maintain an adequate system of oversight, disclosure controls and procedures, and internal controls.

326. Furthermore, the Individual Defendants breached their fiduciary duties by causing Chegg to engage in a secondary public offering, while the price of Chegg's securities was artificially inflated due to the misconduct described herein, which resulted in Chegg and Defendant Rosensweig selling shares for collective proceeds of over $1 billion, subjecting Chegg to liability for violations of the Exchange Act and personally enriching Defendant Rosensweig to the tune of approximately $29.9 million.

327. In yet further breach of their fiduciary duties, during the Relevant Period, seven of the Individual Defendants engaged in lucrative insider sales, netting proceeds of approximately $95.4 million, while the price of the Company's common stock was artificially inflated due to the false and misleading statements of material fact discussed herein.

328. The Individual Defendants had actual or constructive knowledge that the Company issued materially false and misleading statements, and they failed to correct the Company's public statements. The Individual Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth, in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such material misrepresentations and omissions were committed knowingly or recklessly and for the purpose and effect of artificially inflating the price of the Company's securities and disguising insider sales.

329. The Individual Defendants had actual or constructive knowledge that they had caused the Company to improperly engage in the Cheating Misconduct and the Copyright Infringement Misconduct and to fail to maintain adequate internal controls. The Individual Defendants had actual knowledge that the Company was engaging in the Cheating Misconduct and the Copyright Infringement Misconduct, and that internal controls were not adequately maintained, or acted with reckless disregard for the truth, in that they caused the Company to improperly engage in the Cheating Misconduct and the Copyright Infringement Misconduct and to fail to maintain adequate internal controls, even though such facts were available to them. Such improper conduct was committed knowingly or recklessly and for the purpose and effect of artificially inflating the price of the Company's securities and engaging in insider sales. The

Individual Defendants, in good faith, should have taken appropriate action to correct the schemes alleged herein and to prevent them from continuing to occur.

330. These actions were not a good-faith exercise of prudent business judgment to protect and promote the Company's corporate interests.

331. As a direct and proximate result of the Individual Defendants' breaches of their fiduciary obligations, Chegg has sustained and continues to sustain significant damages. As a result of the misconduct alleged herein, the Individual Defendants are liable to the Company.

332. Plaintiffs on behalf of Chegg have no adequate remedy at law.

THIRD CLAIM

Against Individual Defendants for Unjust Enrichment

333. Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

334. By their wrongful acts, violations of law, and false and misleading statements and omissions of material fact that they made and/or caused to be made, the Individual Defendants were unjustly enriched at the expense of, and to the detriment of, Chegg.

335. The Individual Defendants either benefitted financially from the improper conduct and their making lucrative insider sales, received unjustly lucrative bonuses tied to the false and misleading statements, or received bonuses, stock options, or similar compensation from Chegg that was tied to the performance or artificially inflated valuation of Chegg, or received compensation that was unjust in light of the Individual Defendants' bad faith conduct.

336. Plaintiffs, as shareholders and representatives of Chegg, seek restitution from the Individual Defendants and seek an order from this Court disgorging all profits—including from insider sales, benefits, and other compensation, including any performance-based or valuation-based compensation—obtained by the Individual Defendants due to their wrongful conduct and breach of their fiduciary duties.

337. Plaintiffs on behalf of Chegg have no adequate remedy at law.

FOURTH CLAIM

Against the Individual Defendants for Abuse of Control

338. Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

339. The Individual Defendants' misconduct alleged herein constituted an abuse of their ability to control and influence Chegg, for which they are legally responsible.

340. As a direct and proximate result of the Individual Defendants' abuse of control, Chegg has sustained significant damages. As a result of the misconduct alleged herein, the Individual Defendants are liable to the Company.

341. Plaintiffs on behalf of Chegg have no adequate remedy at law.

FIFTH CLAIM

Against the Individual Defendants for Gross Mismanagement

342. Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

343. By their actions alleged herein, the Individual Defendants, either directly or through aiding and abetting, abandoned and abdicated their responsibilities and fiduciary duties with regard to prudently managing the assets and business of Chegg in a manner consistent with the operations of a publicly-held corporation.

344. As a direct and proximate result of the Individual Defendants' gross mismanagement and breaches of duty alleged herein, Chegg has sustained and will continue to sustain significant damages.

345. As a result of the misconduct and breaches of duty alleged herein, the Individual Defendants are liable to the Company.

346. Plaintiffs on behalf of Chegg have no adequate remedy at law.

SIXTH CLAIM

Against Individual Defendants for Waste of Corporate Assets

347. Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

348. As a further result of the foregoing, the Company will incur many millions of dollars of legal liability and/or costs to defend unlawful actions (as evidenced, for example, by the Securities Class Action and the Pearson Action), to engage in internal investigations, and to lose financing from investors and business from future customers who no longer trust the Company and its products.

349. As a result of the waste of corporate assets, the Individual Defendants are each liable to the Company.

350. Plaintiffs on behalf of Chegg have no adequate remedy at law.

SEVENTH CLAIM

Against Defendants Rosensweig, Brown, and Schultz for Contribution Under Sections 10(b) and 21D of the Exchange Act

351. Plaintiffs incorporate by reference and reallege each and every allegation set forth above, as though fully set forth herein.

352. Chegg, along with Defendants Rosensweig, Brown, and Schultz, are named as defendants in the Securities Class Action, which asserts claims under the federal securities laws for violations of Sections 10(b), 20(a), and 20A of the Exchange Act, and SEC Rule 10b-5 promulgated thereunder. If and when Chegg is found liable in the Securities Class Action for these violations of the federal securities laws, Chegg's liability will be in whole or in part due to Defendants Rosensweig's, Brown's, and Schultz's willful and/or reckless violations of their obligations as officers and/or director of Chegg.

353. Defendants Rosensweig, Brown, and Schultz, because of their positions of control and authority as officers and/or director of Chegg, were able to and did, directly and/or indirectly, exercise control over the business and corporate affairs of Chegg, including the wrongful acts complained of herein and in the Securities Class Action.

354. Accordingly, Defendants Rosensweig, Brown, and Schultz are liable under 15 U.S.C. § 78j(b), which creates a private right of action for contribution, and Section 21D of the Exchange Act, 15 U.S.C. § 78u-4(f), which governs the application of a private right of action for contribution arising out of violations of the Exchange Act.

355. As such, Chegg is entitled to receive all appropriate contribution or indemnification from Defendants Rosensweig, Brown, and Schultz.

PRAYER FOR RELIEF

FOR THESE REASONS, Plaintiffs demand judgment in the Company's favor against all Individual Defendants as follows:

(a) Declaring that Plaintiffs may maintain this action on behalf of Chegg, and that Plaintiffs are adequate representatives of the Company;

(b) Declaring that the Individual Defendants have breached and/or aided and abetted the breach of their fiduciary duties to Chegg;

(c) Determining and awarding to Chegg the damages sustained by it as a result of the violations set forth above from each of the Individual Defendants, jointly and severally, together with pre-judgment and post-judgment interest thereon;

(d) Directing Chegg and the Individual Defendants to take all necessary actions to reform and improve its corporate governance and internal procedures to comply with applicable laws and to protect Chegg and its shareholders from a repeat of the damaging events described herein, including, but not limited to, putting forward for shareholder vote the following resolutions for amendments to the Company's Bylaws and/or Certificate of Incorporation and the following actions as may be necessary to ensure proper corporate governance policies:

1. a proposal to strengthen the Board's supervision of operations and develop and implement procedures for greater shareholder input into the policies and guidelines of the Board;
2. a provision to permit the shareholders of Chegg to nominate at least five candidates for election to the Board; and
3. a proposal to ensure the establishment of effective oversight of compliance with applicable laws, rules, and regulations.

(e) Awarding Chegg restitution from the Individual Defendants, and each of them;

(f) Awarding Plaintiffs the costs and disbursements of this action, including reasonable attorneys' and experts' fees, costs, and expenses; and

(g) Granting such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiffs hereby demand a trial by jury.

Dated: February 22, 2023

Respectfully submitted,

THE ROSEN LAW FIRM, P.A.

/s/ Laurence M. Rosen
Laurence M. Rosen, Esq. (SBN 219683)
355 South Grand Avenue, Suite 2450
Los Angeles, CA 90071
Telephone: (213) 785-2610
Facsimile: (213) 226-4684
Email: lrosen@rosenlegal.com

THE BROWN LAW FIRM, P.C.
Timothy Brown
767 Third Avenue, Suite 2501
New York, NY 10017
Telephone: (516) 922-5427
Facsimile: (516) 344-6204
Email: tbrown@thebrownlawfirm.net

Co-Lead Counsel for Plaintiffs

VERIFICATION

I, Joseph Robinson am a plaintiff in the within action. I have reviewed the allegations made in this shareholder derivative complaint, know the contents thereof, and authorize its filing. To those allegations of which I have personal knowledge, I believe those allegations to be true. As to those allegations of which I do not have personal knowledge, I rely upon my counsel and their investigation and believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct. Executed this _th day of 2/15/2023, 2023.

DocuSigned by:

Joseph Robinson

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Joseph Robinson

VERIFICATION

I, Rak Joon Choi am a plaintiff in the within action. I have reviewed the allegations made in this shareholder derivative complaint, know the contents thereof, and authorize its filing. To those allegations of which I have personal knowledge, I believe those allegations to be true. As to those allegations of which I do not have personal knowledge, I rely upon my counsel and their investigation and believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct. Executed this _th day of 2/15/2023, 2023.

DocuSigned by:

Rak Joon Choi

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Rak Joon Choi