

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND**
(Southern Division)

NAME,
ADDRESS,
Individually and on Behalf of All Others
Similarly Situated,

Plaintiff,

v.

ILEARNINGENGINES, INC.,
6701 Democracy Blvd., Suite 300
Bethesda, Maryland 20817
(Montgomery County)

Harish Chidambaran,
c/o 6701 Democracy Blvd., Suite 300
Bethesda, Maryland 20817
(Montgomery County)

Sayyed Farhan Naqvi,
c/o 6701 Democracy Blvd., Suite 300
Bethesda, Maryland 20817
(Montgomery County)

Defendants.

Case No.

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

DEMAND FOR JURY TRIAL

LAW OFFICES OF HOWARD G. SMITH

Plaintiff _____ (“Plaintiff”), individually and on behalf of all others similarly situated, by and through his attorneys, alleges the following upon information and belief, except as to those allegations concerning Plaintiff, which are alleged upon personal knowledge. Plaintiff’s information and belief is based upon, among other things, his counsel’s investigation, which includes without limitation: (a) review and analysis of regulatory filings made by iLearningEngines, Inc., (“iLearningEngines” or the “Company”) with the United States (“U.S.”) Securities and Exchange Commission (“SEC”); (b) review and analysis of press releases and media reports issued by and disseminated by iLearningEngines; and (c) review of other publicly available information concerning iLearningEngines.

NATURE OF THE ACTION AND OVERVIEW

1. This is a class action on behalf of persons and entities that purchased or otherwise acquired iLearningEngines securities between April 22, 2024 and August 28, 2024, inclusive (the “Class Period”). Plaintiff pursues claims against the Defendants under the Securities Exchange Act of 1934 (the “Exchange Act”).

2. iLearningEngines purports to be an “AI-powered learning automation” software company.

3. On August 29, 2024, before the market opened, Hindenburg Research published a report titled “iLearningEngines: An Artificial Intelligence SPAC With Artificial Partners and Artificial Revenue.” In its report, Hindenburg Research alleged that that nearly all of the Company’s revenue and expenses in 2022 and 2023 were run through an undisclosed related party, which the Company refers to as their “Technology Partner.” Hindenburg Research further alleged that iLearningEngines uses its undisclosed related party relationship to report revenue and expenses that are “largely fake.” Among other things, Hindenburg alleged the Company used its undisclosed related party relationship with this Technology Partner to falsely report \$138 million

in revenue from the Indian market in 2022, when in reality, total revenue was, in fact, approximately \$853,471.00, or 99.4% less than what iLearningEngines' claimed in revenue in the country that period.

4. On this news, the Company's share price fell \$1.70 or 53.3%, to close at \$1.49 on August 29, 2024, on unusually heavy trading volume.

5. Throughout the Class Period, Defendants made materially false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that the Company's "Technology Partner" was an undisclosed related party; (2) that the Company used the undisclosed related party Technology Partner to report "largely fake" revenue and expenses; (3) that, as a result of the foregoing, the Company significantly overstated its revenue; and (4) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

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

JURISDICTION AND VENUE

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

8. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

9. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in furtherance of the alleged fraud

or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District. In addition, the Company's principle executive offices are located in this District.

10. In connection with the acts, transactions, and conduct alleged herein, Defendants directly and indirectly used the means and instrumentalities of interstate commerce, including the United States mail, interstate telephone communications, and the facilities of a national securities exchange.

PARTIES

11. Plaintiff _____, as set forth in the accompanying certification, incorporated by reference herein, purchased iLearningEngines securities during the Class Period, and suffered damages as a result of the federal securities law violations and false and/or misleading statements and/or material omissions alleged herein.

12. Defendant iLearningEngines is incorporated under the laws of Delaware with its principal executive offices located in Bethesda, Maryland. iLearningEngines' common stock trade on the NASDAQ exchange under the symbol "AILE."

13. Defendant Harish Chidambaran ("Chidambaran") was the Company's Chief Executive Officer ("CEO") at all relevant times.

14. Defendant Sayyed Farhan Naqvi ("Naqvi") was the Company's Chief Financial Officer ("CFO") at all relevant times.

15. Defendants Chidambaran and Naqvi (together, the "Individual Defendants"), because of their positions with the Company, possessed the power and authority to control the contents of the Company's reports to the SEC, press releases and presentations to securities analysts, money and portfolio managers and institutional investors, i.e., the market. The Individual

Defendants were provided with copies of the Company’s reports and press releases alleged herein to be misleading prior to, or shortly after, their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions and access to material non-public information available to them, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to, and were being concealed from, the public, and that the positive representations which were being made were then materially false and/or misleading. The Individual Defendants are liable for the false statements pleaded herein.

SUBSTANTIVE ALLEGATIONS

Background

16. iLearningEngines purports to be an “AI-powered learning automation” software company.

Materially False and Misleading

Statements Issued During the Class Period

17. The Class Period begins on April 22, 2024. On that day, iLearningEngines announced its fourth quarter and full year 2023 financial results in a press release for the fiscal year ended December 31, 2023.¹ The press release reported the Company’s financial highlights, including the Company’s receivables and cash flows attributed to the unspecified Technology Partner, as follows in relevant part:

Key Fourth Quarter & Full Year 2023 Financial Highlights

- **Revenue** – fourth quarter 2023 revenue of \$116 million increased 39% year-over-year. Full year 2023 revenue of \$421 million increased 36% year-over-year.
- **Annual Recurring Revenue (“ARR”)** – ARR of \$447 million increased 43% year-over-year.

¹ Unless otherwise stated, all emphasis in bold and italics hereinafter is added, and all footnotes are omitted.

• **Net Dollar Retention (“NDR”)** – NDR of 125% in 2023 increased compared to 117% in 2022.

• **Net Loss** – Fourth quarter GAAP net loss of \$4 million. Full year 2023 GAAP net loss of \$4 million.

• **Adjusted EBITDA & Adjusted EBITDA Margin** – Fourth quarter 2023 adjusted EBITDA of \$10 million, and full year 2023 adjusted EBITDA of \$23 million. Adjusted EBITDA margin expanded by 240 basis points in Q4 2023 compared to Q4 2022, and 85 basis points in full year 2023 compared to full year 2022.

* * *

	<u>As of December 31,</u>	
	<u>2023</u>	<u>2022</u>
Assets		
Current assets:		
Cash	\$ 4,763	\$ 856
Restricted cash	2,000	-
Accounts receivable, net of provision for credit loss of \$336 and \$0, respectively	73,498	34,698
Contract asset	509	9,408
Prepaid expenses	62	88
Total current assets	<u>80,832</u>	<u>45,050</u>
Receivable from Technology Partner	13,602	10,217
Receivable from related party	465	595
Other assets	729	885
Deferred tax assets, net	5,703	6,798
Deferred transaction costs	3,990	-
Total assets	<u>\$ 105,321</u>	<u>\$ 63,545</u>
Liabilities and shareholders' deficit		
Current liabilities:		
Trade accounts payable	\$ 3,753	\$ 787
Accrued expenses	2,982	1,284
Current portion of long-term debt, net	10,517	8,138
Contract liability	2,765	2,106
Payroll taxes payable	3,037	2,789
Other current liabilities	116	237
Total current liabilities	<u>23,170</u>	<u>15,341</u>
Convertible notes	31,547	-
Warrant liability	11,870	7,645
Long-term debt, net	10,679	9,713
Subordinated payable to Technology Partner	49,163	47,495
Other non-current liabilities	74	126
Total liabilities	<u>126,503</u>	<u>80,320</u>

* * *

	<u>Years ended December 31,</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash flows used in operating activities:			
Net (loss) income	\$ (4,407)	\$ 11,466	\$ 2,521
Adjustments to reconcile net income to net cash flows used in operating activities:			
Depreciation and amortization	128	77	—
Share based compensation expense	—	—	39
Amortization of debt discount and debt issuance costs	2,103	3,248	2,186
Provision for deferred taxes	1,095	(6,798)	—
Accretion of interest on subordinated payable to Technology Partner	1,668	1,667	1,668
Change in fair value of warrant liability	771	(248)	83
Change in fair value of convertible debts	14,147	—	—
Provision for credit losses	336	—	—
Changes in operating assets and liabilities:			
Accounts receivable	(39,136)	(18,740)	(5,395)
Receivable from related party	130	20	(350)
Contract asset	8,899	7,645	2,115
Advance to customer	—	362	(362)
Prepaid expenses and other current assets	26	(31)	(56)
Receivable from Technology Partner	(3,385)	(9,490)	(727)
Trade accounts payable	1,906	163	536
Accrued expenses and other current liabilities	(47)	702	(718)
Contract liability	659	613	613
Subordinated payable to Technology Partner	—	—	(10,503)
Payroll taxes payable	248	401	116
Deferred transaction costs	(1,307)	—	—
Net cash flows used in operating activities	<u>(16,166)</u>	<u>(8,943)</u>	<u>(8,234)</u>
Cash flows (used in) provided by investing activities:			
Purchase of property and equipment	(24)	—	(18)
Cash acquired from business acquisition	—	161	—
Net cash flows (used in) provided by investing activities:	<u>(24)</u>	<u>161</u>	<u>(18)</u>
Cash flows provided by financing activities:			
Proceeds from term loans	15,000	10,000	7,000
Repayment of term loans	(10,303)	(4,766)	(272)
Proceeds from convertible notes	17,400	—	—
Other financing activities	—	(3)	1
Net cash flows provided by financing activities:	<u>22,097</u>	<u>5,231</u>	<u>6,729</u>
Net change in cash	5,907	(3,551)	(1,523)
Cash and restricted cash, beginning of year	856	4,407	5,930
Cash and restricted cash, end of year	<u>\$ 6,763</u>	<u>\$ 856</u>	<u>\$ 4,407</u>

18. On April 22, 2024, iLearningEngines filed a Form 8-K report with the SEC which submitted, as Exhibit 99.3, Management’s Discussion and Analysis of Financial Condition and Results of Operations of Legacy iLearningEngines as of December 31, 2023 and 2022, and for the fiscal years ended December 31, 2023 and 2022 (“Exhibit 99.3”). Exhibit 99.3 reported the Company’s revenue generation operations, explaining the numerous revenue and expenses attributable to the Company’s “Technology Partner,” stating as follows in relevant part:

As described in the Technology Partner policy note in Note 2 of the audited financials, *we enter contracts with the Technology Partner through which the Technology Partner purchases and integrates our platform into the Technology Partner's own software solution provided to one of the Technology Partner's customers.* In this type of contractual arrangement, we identify the Technology Partner as our customer. In contractual arrangements in which the Technology Partner is identified as the customer, the Technology Partner's end customer may or may not be known by us. In cases in which the Technology Partner's customer is known to the Company, the geography is determined based on the location of the Technology Partner's customer and conversely, in cases in which the Technology Partner's customer is not known, the customer geography is determined based on the geography of the Technology Partner.

* * *

All customers require implementation services prior to being able to use the iLearningEngines platform. *To date iLearningEngines has outsourced these services to its technology partner ("Technology Partner") who has been trained to provide the implementation services.* Implementation services generally take one to three months and consist of the phases we follow as part of our customer onboarding process. We are the principal in the delivery of implementation services.

* * *

Operating Activities

Our largest source of operating cash is payments received from our customers. Our primary uses of cash from operating activities are R&D and sales and marketing expenses. We have historically generated negative cash flows and have supplemented working capital requirements primarily through net proceeds from debt.

Net cash used in operating activities for the year ended December 31, 2023 of \$16.2 million was primarily related to net working capital cash outflows of \$32.0 million and net loss of \$4.4 million adjusted for non-cash adjustments of \$20.2 million. The main driver of the changes in operating assets and liabilities was the increase accounts receivables. These amounts were partially offset by change in contract asset.

Net cash used in operating activities for the year ended December 31, 2022 of \$8.9 million was primarily related to our net income of \$11.5 million adjusted for non-cash adjustments of \$2.1 million and net cash outflows of \$18.4 million provided by changes in our operating assets and liabilities. Non-cash charges primarily consisted of amortization of debt. ***The main drivers of the changes in operating assets and liabilities were the accounts receivables and the receivables***

from *Technology Partner*. These amounts were partially offset by change in contract asset.

Net cash used in operating activities for the year ended December 31, 2021 of \$8.2 million was primarily related to our net income of \$2.5 million adjusted for non-cash adjustments of \$4.0 million and net cash outflows of \$14.7 million provided by changes in our operating assets and liabilities. Non-cash charges primarily consisted of amortization of debt issuance cost. *The main drivers of the changes in operating assets and liabilities were the accounts receivables and the receivables from Technology Partner.* These amounts were partially offset by change in contract asset.

19. Exhibit 99.3 reported iLearningEngines results of operations for the years ended December 31, 2023, 2022 and 2021, as follows, in relevant part:

(Dollars in thousands)	Year Ended December 31,		
	2023	2022	2021
Revenue	\$ 420,582	\$ 309,170	\$ 217,867
Cost of revenue	132,154	93,890	64,834
Gross profit	288,428	215,280	153,033
Operating expenses:			
Selling, general, and administrative expenses	140,897	105,966	74,434
Research and development expenses	128,544	97,436	70,913
Total operating expenses	269,441	203,402	145,347
Operating income	18,987	11,878	7,686
Other (expense) income:			
Interest expense	(6,274)	(6,614)	(5,047)
Change in fair value of warrant liability	(771)	248	(83)
Change in fair value of convertible notes	(14,147)	-	-
Other expense	(45)	(21)	(3)
Total other expense, net	(21,237)	(6,387)	(5,133)
Net income before income tax (expense) benefit	(2,250)	5,491	2,553
Income tax (expense) benefit	(2,157)	5,975	(32)
Net (loss) income	\$ (4,407)	\$ 11,466	\$ 2,521

* * *

Global Revenue

Global revenue increased by \$111.4 million or 36% for the year ended December 31, 2023 compared to the year ended December 31, 2022, primarily due to 17 new contracts. Please see further discussion of the change by region below.

India

Revenue in India increased by \$24.8 million or 18.0% for the year ended December 31, 2023 compared to the year ended December 31, 2022, primarily

due to two new contracts, through upsell to our existing customers of \$19.4 million, one contract churn and remaining coming from an increase in license revenue as part of renewals.

20. On April 22, 2024, iLearningEngines filed a Form 8-K report with the SEC which submitted, as Exhibit 99.4, the Company’s Consolidated Financial Statements of Legacy iLearningEngines as of December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 (“Exhibit 99.4”). Exhibit 99.4 provided further details of the Company’s alleged “Technology Partner,” reporting as follows in relevant part:

Technology Partner

In 2019, the Company entered a Master Agreement (“MA”) with the Technology Partner, which allows for quarterly netting of amounts collected by the Technology Partner from end-users, against the cost of the Technology Partner’s services rendered and billable to the Company. The MA has an initial term of five years with an automatic renewal for five additional years.

On January 1, 2021, the Company amended the interest rate with the Technology Partner which changed from a 12-month LIBOR rate plus 2.0% to a fixed rate of 3.99% through December 31, 2023. Subsequent to December 31, 2023, the Company amended the interest rate with the Technology Partner to a fixed rate of 5.99% through December 31, 2024. The Company is not required to repay any outstanding balance or accrued interest until the tenth anniversary of the effective date of termination of the MA. As of the date of these consolidated financial statements, the MA has not been terminated.

The following table summarizes the expenses charged to company by the Technology Partner that are presented within cost of revenue, selling, general and administrative expenses, and research and development expenses on the consolidated statements of operations for the years ended December 31, 2023, 2022 and 2021:

	December 31,		
	2023	2022	2021
	(In thousands)		
Cost of revenue	\$ 132,111	\$ 93,753	\$ 64,834
Selling, general and administrative expense	127,538	96,972	68,931
Research and development expense	128,539	97,396	70,836
	<u>\$ 388,188</u>	<u>\$ 288,121</u>	<u>\$ 204,601</u>

21. Exhibit 99.4 purported to disclose the extent of the Company's related party transactions and stated the following:

Related-Party Transactions

Receivable from related party

The Company had outstanding receivables from Directors in the amounts of \$0.5 million and \$0.6 million as of December 31, 2023 and December 31, 2022, respectively related to expenses that the Company incurred on behalf of the Directors.

In February 2024, the Company collected the full amount of the related party receivable from each Director. No balance is outstanding after the collection.

22. On May 16, 2024, the Company announced its first quarter 2024 financial results in a press release for the period ended March 31, 2024 (the "1Q24 Press Release"). The 1Q24 Press Release reported the Company's financial highlights, including the Company's receivables and cash flows attributed to the unspecified Technology Partner, as follows in relevant part:

First Quarter 2024 & Recent Financial Highlights

- **Revenue** – Revenue increased 33% year-over-year to \$125 million.
- **Annual Recurring Revenue ("ARR")** – ARR increased 34% year-over-year to \$479 million.
- **Net Dollar Retention ("NDR")** – Trailing 12-month NDR was 132% compared to 125% at March 31, 2023.
- **GAAP Net Loss** – Net loss was \$25.9 million, which included one-time items of \$15.1 million change in fair value of warrant liability, \$5.5 million change in fair value of convertible notes, and a \$10.0 million loss on debt extinguishment.
- **Adjusted EBITDA & Adjusted EBITDA Margin** – Adjusted EBITDA was \$9 million. Adjusted EBITDA margin expanded by approximately 480 basis points in the first quarter of 2024 compared to the first quarter of 2023.

* * *

	As of	
	March 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash	\$ 815	\$ 4,763
Restricted cash	-	2,000
Accounts receivable, net of provision for credit loss of \$510 and \$336, respectively	82,904	73,498
Contract asset	297	509
Prepaid expenses	93	62
Total current assets	<u>84,109</u>	<u>80,832</u>
Receivable from Technology Partner	14,880	13,602
Receivable from related party	-	465
Other assets	672	729
Deferred tax assets, net	5,248	5,703
Deferred transaction costs	6,882	3,990
Total assets	<u>\$ 111,791</u>	<u>\$ 105,321</u>
Liabilities and shareholders' deficit		
Current liabilities:		
Trade accounts payable	\$ 7,044	\$ 3,753
Accrued expenses	3,850	2,982
Current portion of long-term debt, net	26,026	10,517
Contract liability	1,447	2,765
Payroll taxes payable	3,037	3,037
Loan restructuring share liability	2,813	-
Other current liabilities	139	116
Total current liabilities	<u>44,356</u>	<u>23,170</u>
Convertible notes	37,712	31,547
Warrant liability	26,988	11,870
Long-term debt, net	-	10,679
Subordinated payable to Technology Partner	49,789	49,163
Other non-current liabilities	63	74
Total liabilities	<u>158,908</u>	<u>126,503</u>

* * *

	Three Months Ended	
	March 31,	
	2024	2023
Cash flows used in operating activities:		
Net (loss) income	\$ (25,935)	\$ 451
Adjustments to reconcile net (loss) income to net cash flows used in operating activities:		
Depreciation and amortization	54	26
Amortization of debt issuance costs	631	531
Change in deferred taxes	455	324
Accretion of interest on subordinated payable to Technology Partner	626	417
Change in fair value of warrant liability	15,118	280
Change in fair value of convertible notes	5,465	-
Loss on debt extinguishment	10,041	-
Provision for current expected credit losses	174	-
Changes in operating assets and liabilities:		
Accounts receivable	(9,580)	(8,104)
Receivable from related party	465	130
Contract asset	212	5,880
Prepaid expenses and other current assets	(31)	6
Receivable from Technology Partner	(1,278)	(2,405)
Trade accounts payable	958	(19)
Accrued expenses and other liabilities	429	(574)
Contract liability	(1,318)	552
Payroll taxes payable	-	305
Deferred transaction costs	(96)	-
Net cash flows used in operating activities	(3,610)	(2,200)
Cash flows from investing activities:		
Purchases of property and equipment	(9)	-
Net cash flows (used in) investing activities	(9)	-
Cash flows from financing activities:		
Proceeds from term loans	-	5,000
Repayments of term loans	(3,029)	(2,063)
Proceeds from convertible note	700	-
Net cash flows (used in) provided by financing activities	(2,329)	2,937
Net change in cash	(5,948)	737
Cash, beginning of year	6,763	856
Cash, end of period	\$ 815	\$ 1,593
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 702	\$ 670
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of warrant to purchase common shares	\$ -	\$ 514
Transaction costs capitalized which are included in trade accounts payable and accrued expenses	\$ 3,286	\$ -

23. On May 16, 2024, the Company submitted its quarterly report for the period ended March 31, 2024, on a Form 10-Q filed with the SEC, affirming the previously reported financial results. The report purported to state the extent of the Company's related party transactions, reporting transactions limited to: "Founder Shares," "Administrative Support Agreement" with its sponsor, "Promissory Notes — Related Parties," "Related Party Loans" and "Forward Purchase Agreement." The report further stated that the Company had "*concluded that our disclosure*

controls and procedures were effective as of March 31, 2024.” Specifically, the report stated, in relevant part:

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management evaluated, with the participation of our current Chief Executive Officer and Chief Financial Officer (our “Certifying Officers”), the effectiveness of our disclosure controls and procedures as of March 31, 2024, pursuant to Rule 13a-15(b) under the Exchange Act. ***Based upon that evaluation, our Certifying Officers concluded that our disclosure controls and procedures were effective as of March 31, 2024.***

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

24. On August 13, 2024, the Company announced its second quarter 2024 financial results in a press release for the period ended June 30, 2024. The press release reported the Company’s financial highlights, including the Company’s receivables and cash flows attributed to the unspecified Technology Partner, as follows in relevant part:

Second Quarter 2024 Financial Highlights –Three Months Ended June 30, 2024

- **Revenue** – Revenue increased 33.9% year-over-year to \$135.5 million.
- **Annual Recurring Revenue (“ARR”)** – ARR increased 33.2% year-over-year to \$520.8 million.
- **Net Dollar Retention (“NDR”)** – Trailing 12-month NDR continues around 130%.
- **GAAP Net Loss** – Net loss was \$314.0 million, which included an \$82.3 million one-time catch-up share-based compensation expense related to the previously announced business combination (the “Business Combination”) transaction with Arrowroot Acquisition Corp. (“Arrowroot”) and \$5.7 million of share-based

compensation expense for the quarter, and other one-time expenses of \$37.4 million change in fair value of warrant liability, \$169.9 million change in fair value of convertible notes, and an \$8.2 million gain on debt extinguishment

● **Adjusted EBITDA & Adjusted EBITDA Margin** – Adjusted EBITDA was \$4.0 million.

● **Cost of Revenue:** Cost of Revenue increased marginally from 29.7% of revenue (\$30.1 million) in the three months ended June 30, 2023 to 30.9% of revenue (\$41.8 million) in the three months ended June 30, 2024. This slight increase is linked to the implementation revenue from the new contracts that started in the three months ended June 30, 2024.

	As of	
	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash	\$ 39,242	\$ 4,763
Restricted cash	-	2,000
Accounts receivable, net of provision for credit loss of \$847 and \$336, respectively	91,182	73,498
Contract asset	253	509
Prepaid expenses and other current assets	88	62
Prepaid income tax	17	-
Total current assets	130,782	80,832
Receivable from Technology Partner	17,150	13,602
Receivable from related party	-	465
Other assets	640	729
Deferred tax assets, net	8,114	5,703
Deferred transaction costs	-	3,990
Total assets	\$ 156,686	\$ 105,321
Liabilities and shareholders' equity (deficit)		
Current liabilities:		
Trade accounts payable	\$ 966	\$ 3,753
Accrued expenses	9,138	2,982
Current portion of long-term debt, net	-	10,517
Contract liability	95	2,765
Payroll taxes payable	3,037	3,037
Derivative financial instrument – Make-Whole provision	15,839	-
Derivative financial instrument – forward purchase agreement	267	-
Excise tax payable	2,473	-
Related party payable	35	-
Equity-settled transaction costs payable	6,500	-
Other current liabilities	123	116
Total current liabilities	38,473	23,170
Convertible notes	-	31,547
Warrant liability	5,568	11,870
Revolving line of credit, net of capitalized financing cost of \$744	59,256	-
Long-term debt, net	-	10,679
Subordinated payable to Technology Partner	50,415	49,163
Other non-current liabilities	51	74
Total liabilities	153,763	126,503

* * *

	Six Months Ended	
	June 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$(339,961)	\$ (1,453)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation and amortization	61	39
Amortization of debt issuance	667	1,040
Provision for deferred taxes	726	371
Accretion of interest on subordinated payable to Technology Partner	1,252	834
Change in fair value of warrant liability	52,513	690
Change in fair value of WTI loan	(1,292)	-
Change in fair value of loan restructuring liability	15,547	-
Change in fair value of convertible notes	175,325	3,038
Change in fair value of derivative financial instrument - Make-Whole provision	14,643	-
Gain from forgiveness of deferred transaction cost	(700)	-
Loss on debt extinguishment	1,881	-
Provision for current expected credit losses	511	-
Share-based compensation	88,043	-
Changes in operating assets and liabilities:		
Accounts receivable	(18,195)	(13,817)
Receivable from related party	465	130
Contract asset	256	6,474
Prepaid expenses and other current assets	31	29
Receivable from Technology Partner	(3,548)	(5,556)
Trade accounts payable	4,153	304
Accrued expenses and other current liabilities	683	36
Contract liability	(2,670)	1,133
Payroll taxes payable	-	248
Net cash flows used in operating activities	(9,609)	(6,460)

25. On August 13, 2024, the Company submitted its quarterly report for the period ended June 30, 2024, on a Form 10-Q filed with the SEC, affirming the previously reported financial results (the “2Q 10-Q”). The 2Q 10-Q report purported to describe the Company’s relationship with its Technology Partner, stating as follows in relevant part:

Technology Partner

In 2019, the Company entered a Master Agreement (“MA”) with the Technology Partner, which allows for quarterly netting of amounts collected by the Technology Partner from end-users, against the cost of the Technology Partner’s services rendered and billable to the Company. The MA has an initial term of five years with an automatic renewal for five additional years. The MA was automatically renewed in July of 2024, refer to Note 18 for more details.

On January 1, 2021, the Company amended the interest rate with the Technology Partner which changed from a 12-month LIBOR rate plus 2.0% to a fixed rate of 3.99% through December 31, 2023. On January 5, 2024, the Company amended the interest rate with the Technology Partner to a fixed rate of 5.99% through December 31, 2024. The Company is not required to repay any outstanding balance or accrued interest until the tenth anniversary of the effective date of termination of the MA. As of the date of these condensed consolidated financial statements, the MA has not been terminated.

The following table summarizes the expenses charged to Company by the Technology Partner that are presented within “Cost of revenue,” “Selling, general and administrative expenses”, and “Research and development expenses” on the condensed consolidated statements of operations for the three months and six months ended June 30, 2024 and 2023:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
	(In thousands)		(In thousands)	
Cost of revenue	\$ 41,761	\$ 30,077	\$ 80,433	\$ 61,618
Selling, general and administrative expense	41,927	33,108	78,990	62,641
Research and development expense	41,082	30,432	78,130	59,013
Total	\$ 124,770	\$ 93,617	\$ 237,553	\$ 183,272

* * *

Operating Activities

Our largest source of operating cash is payments received from our customers. Our primary uses of cash from operating activities are R&D and sales and marketing expenses. We have historically generated negative cash flows and have supplemented working capital requirements primarily through net proceeds from debt.

Net cash used by operating activities for the six months ended June 30, 2024 of \$9.6 million was primarily related to net working capital cash outflows of \$18.8 million and net loss of \$340.0 million adjusted for non-cash adjustments of \$349.2 million. The main drivers of the changes in working capital cash out flows were increases in accounts receivable and receivables from Technology Partner, RSU tax withheld partially offset by cash inflows due to an increase in trade payables.

Net cash used in operating activities for the six months ended June 30, 2023 of \$6.5 million was primarily related to our net loss of \$1.5 million adjusted for non-cash adjustments of \$6 million and net cash outflows of \$11 million provided by changes in our operating assets and liabilities. Non-cash charges primarily consisted of amortization of debt issuance costs. The main drivers of the changes in operating assets and liabilities were the accounts receivables and the receivables from Technology Partner. These amounts were partially offset by change in contract asset.

26. The 2Q 10-Q purported to report the Company’s related party transactions, stating in relevant part:

Related party transaction

On April 1, 2024, Harish Chidambaran, the Chief Executive Officer and a major shareholder of the Company, deposited \$35,000 to the Company's operating bank account. The borrowing was deemed to be short-term and non-interest bearing. On July 29, 2024, the \$35,000 related party loan was repaid in full. In addition, a Company executive deposited \$43,500 on April 1, 2024 to the Company's operating bank account, and the Company repaid the amount on April 18, 2024.

27. The 2Q 10-Q further stated that the Company had "*concluded that our disclosure controls and procedures were effective as of June 30, 2024.*" Specifically, the 2Q 10-Q stated, in relevant part:

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management evaluated, with the participation of our current Chief Executive Officer and Chief Financial Officer (our "Certifying Officers"), the effectiveness of our disclosure controls and procedures as of June 30, 2024, pursuant to Rule 13a-15(b) under the Exchange Act. *Based upon that evaluation, our Certifying Officers concluded that our disclosure controls and procedures were effective as of June 30, 2024.*

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

28. The above statements identified in ¶¶ 17-27 were materially false and/or misleading, and failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) that the Company's "Technology Partner" was an undisclosed related party; (2) that the Company used the undisclosed related party Technology Partner to report "largely fake" revenue and expenses; (3) that, as a result of the foregoing, the Company significantly overstated its revenue; and (4) that, as a result of the

foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and/or lacked a reasonable basis.

Disclosures at the End of the Class Period

29. On August 29, 2024, before the market opened, Hindenburg Research published a report titled "iLearningEngines: An Artificial Intelligence SPAC With Artificial Partners and Artificial Revenue." In its report, Hindenburg Research alleged that that nearly all of the Company's revenue and expenses in 2022 and 2023 were run through an undisclosed related party, which the Company refers to as their "Technology Partner." Hindenburg Research further alleged that iLearningEngines uses its undisclosed related party relationship to report revenue and expenses that are "largely fake." Among other things, Hindenburg alleged the Company used its undisclosed related party relationship with this Technology Partner to falsely report \$138 million in revenue from the Indian market in 2022, when in reality, total revenue was, in fact, approximately \$853,471.00, or 99.4% less than what iLearningEngines' claimed in revenue in the country that period. Specifically, Hindenburg reported, in relevant part:

iLearningEngines' Revenue And Expenses Seem To Almost Entirely Be Run Through An Undisclosed Related Party

iLearningEngines Has A Long-Term Relationship With An Unnamed "Technology Partner"

Virtually All Of iLearningEngines' Business (~92.6% Of Revenue And ~96.7% Of CoGS in 2023) Were Reportedly Run Through The "Technology Partner"

An iLearningEngines prospectus dated February 2, 2024, discloses that substantially all the business of iLearningEngines flows through another company, which is vaguely referred to as its "Technology Partner" – a term that appears 103 times in the prospectus.

* * *

In 2023, collections by the Technology Partner were \$389.4 million, or 92.6% of iLearningEngines' total revenue of \$420.6 million. Cost of services provided by the

Technology Partner of \$388.2 million were 96.7% of iLearningEngines' 2023 cost of revenue, SG&A and R&D expenses combined.[7]

* * *

Earlier in 2022, expenses incurred by the Technology Partner represented 99.9% of the company's total cost of revenue and R&D expense and 91.5% of its SG&A expenses in 2022. [Pgs. F-4, F-20] Similarly, "collections" from the Technology Partner of \$297.7 million represented 96.3% of total 2022 revenue. [Pgs. F-4, F-21]

* * *

In November 2023, Prior To The IPO, The SEC Specifically Asked Whether iLearningEngines' Mysterious "Technology Partner" Was A Related Party

The Company Responded To The SEC That It "Is Not A Related Party"

* * *

To Check This, We First Needed To Unmask The "Technology Partner"

The Unnamed "Technology Partner" Is A Dubai-Based Entity Named Experion Technologies, FZ LLC Based On Our Analysis Of Documents Associated With A Debt Transaction Executed By iLearningEngines

On July 1st, 2019, iLearningEngines entered into a "Master Agreement" with its Technology Partner, per its filings.[11] The agreement had an initial term of 5 years, with an automatic renewal for 5 additional years.

On April 17, 2024, after completing the SPAC transaction, iLearningEngines announced a credit facility of up to \$40 million with a bank. As part of the deal exhibits, the opening paragraph of a subordination agreement with the bank discusses another key agreement for the company:

"Experion Technologies, FZ LLC... party to that certain Master Agreement, dated as of July 1, 2019, between Subordinated Creditor [Experion] And Borrower [iLearningEngines] (the 'Master Agreement')"

In other words, Experion Technologies, FZ LLC was party to a "Master Agreement" signed on the very same day, making Experion the Technology Partner.[12]

The bank deal was signed by "G Santosh Kumar" on behalf of Experion. A LinkedIn page for Santosh Kumar Gopinathan shows he is the CEO of UAE-based and similarly-named Experion Technologies Middle East & Africa FZ LLC ("Experion MEA"):

* * *

The address used on the subordination agreement for Experion Technologies, FZ LLC is the same Dubai virtual office used by Experion MEA, strongly indicating that the two entities are affiliated.

The Experion MEA website specifically discusses its role in developing the iLearningEngines product offering, confirming its relationship providing technology services for the company:

* * *

The relationship seems to be long-standing. Archived pages from Experion MEA's website show that Experion and iLearningEngines have been working together as far back as June 2013:

* * *

Sign #1 That “Technology Partner” Experion Is An Undisclosed Related Party:

The American Contact For Experion Was None Other Than The CEO Of iLearningEngines, Per A Web Capture From 2020

A Later Web Capture From 2022 Showed The American Address For Experion Was The Personal Residence Of iLearningEngines' CEO

* * *

Sign #2 That “Technology Partner” Experion Is An Undisclosed Related Party:

Indian Corporate Records For Experion's India Affiliate Show That Current iLearningEngines Senior Employees Are Directors And Shareholders, Underscoring That It Is An Active And Undisclosed Related Party

* * *

2 of 3 Experion India directors—Ratish Nair and Tom Thomas—both appointed in November 2017, are current senior employees at iLearningEngines, highlighting a direct and ongoing related-party tie between Experion and iLearningEngines. [1, 2]

Indian corporate records show the most recent “Director's Report” for Experion India as of March 2023 names 3 total directors. There have been no other director or resignation filings since, indicating that Ratish Nair and Tom Thomas are active directors at Experion India.[13]

* * *

Beyond those two current directors, Experion India was founded by a key iLearningEngines senior employee. Experion India listed current iLearningEngines' President and Chief Business Officer, Balakrishnan A.P as a founding board member and the initial contact ("B. Krishnan") for the entity in Indian corporate records. [Pgs.1-2] He was listed as a director and shareholder until April 25th, 2022, three weeks after iLearningEngines had reiterated its "go to market plans." [14] [15]

* * *

Sign #3 That "Technology Partner" Experion Is An Undisclosed Related Party:

UAE Corporate Records From June 2024 Indicate That Experion Is Partially Owned By The Brother Of iLearningEngines' Head Of Channel Partnerships

This Familial Relationship Is Not Disclosed In iLearningEngines' Filings

* * *

Sign #4 That "Technology Partner" Experion Is An Undisclosed Related Party:

Earlier UAE Corporate Records From 2019 Indicate That Experion Was Headed By iLearningEngines' President & Chief Business Officer And It's AVP Of Business Development

* * *

Sign #5 That "Technology Partner" Experion Is An Undisclosed Related Party:

iLearningEngines' Official SEC Biography For Its President Identifies That He Was "Executive Director" At Experion, But Claims His Role Ended In 2014

This Seems To Be False, Based On Data Derived From UAE Corporate Records And Web Archives Through 2019

* * *

Part II: We Suspect The Vast Majority Of iLearningEngines' Revenue Is Fake

* * *

iLearningEngines Claims Its Indian Market Has An Annual Revenue Run Rate Of \$216 Million

The Latest Financials For iLearningEngines' Sole Indian Subsidiary Reported \$853,471 In Revenue For Its Latest Fiscal Year, Or ~99.4% Less Than iLearningEngines' Claimed Revenue In The Country

iLearningEngines claims that India represents its 2nd largest market, comprising 38.7% of its 2023 revenue, or \$162.9 million. In Q2 2024, iLearningEngines' India market accounted for \$54 million in revenue, representing a 30.4% YoY increase and an annual run rate of \$216 million.

We have reviewed financials for iLearningEngines' sole India subsidiary, ILE iLearningEngines India, and found that contrary to these claims of vast India revenue and growth, the entity reported minimal economic activity.

Despite iLearningEngines' claim that India comprised \$138 million in revenue for 2022, the latest Indian subsidiary records show total revenue of just ~\$853,471 for its fiscal year ending in March 2023, or 99.4% less than iLearningEngines' claimed revenue in the country. [Pg. 8] [22] [23]

We Visited The Pune, India Location Shown On iLearningEngines' Website, And Found No Sign Of The Company

However, We Did Find A Separate AI Entity Co-Founded By iLearningEngines' "Chief AI Architect."

The Separate Entity's Website Says It Is A Partner of iLearningEngines In What Seems To Be Yet Another Undisclosed Related Party Relationship

* * *

iLearningEngines Claims It Generates \$50 Million In Revenue Per Year From One Unnamed Customer, But Spends \$30 Million Per Year To Buy "Proprietary Datasets" From The Same Customer

Based On The Size Of The Customer, The Circular Deal Appears To Either Be With Technology Partner Experion Or Facilitated Through Them

We Suspect Both The Revenue And Expenses Are Largely Fake

iLearningEngines claims that a key part of its business is acquiring "proprietary datasets" from its clients in order to train its AI. It reports that it has spent over \$160 million on datasets to date.

It discloses that the data sets are purchased primarily through one annual contract where it sells its platform to an unnamed client for \$50.3 million. Then, in a separate contract, iLearningEngines says it pays the same client an annual licensing fee of approximately \$30 million for the data.[24]

The circular relationship is highly suspicious, to put it mildly—the odds that a key customer of iLearningEngines’ product also has a separate dataset worth ~\$30 million per year seems like an unlikely coincidence.

Given that all but \$31.2 million in 2023 revenue came through “Technology Partner” Experion, we can deduce that the \$50.3 million in revenue contract and dataset expense deal must either be with or through this entity.[25]

30. On this news, the Company’s share price fell \$1.70 or 53.3%, to close at \$1.49 on August 29, 2024, on unusually heavy trading volume.

CLASS ACTION ALLEGATIONS

31. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and entities that purchased or otherwise acquired iLearningEngines securities between April 22, 2024 and August 28, 2024, inclusive, and who were damaged thereby (the “Class”). Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors, or assigns, and any entity in which Defendants have or had a controlling interest.

32. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, iLearningEngines’ shares actively traded on the NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are at least hundreds or thousands of members in the proposed Class. Millions of iLearningEngines shares were traded publicly during the Class Period on the NASDAQ. Record owners and other members of the Class may be identified from records maintained by iLearningEngines or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

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

34. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation.

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

(a) whether the federal securities laws were violated by Defendants' acts as alleged herein;

(b) whether statements made by Defendants to the investing public during the Class Period omitted and/or misrepresented material facts about the business, operations, and prospects of iLearningEngines; and

(c) to what extent the members of the Class have sustained damages and the proper measure of damages.

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

UNDISCLOSED ADVERSE FACTS

37. The market for iLearningEngines' securities was open, well-developed and efficient at all relevant times. As a result of these materially false and/or misleading statements, and/or failures to disclose, iLearningEngines' securities traded at artificially inflated prices during the

Class Period. Plaintiff and other members of the Class purchased or otherwise acquired iLearningEngines' securities relying upon the integrity of the market price of the Company's securities and market information relating to iLearningEngines, and have been damaged thereby.

38. During the Class Period, Defendants materially misled the investing public, thereby inflating the price of iLearningEngines' securities, by publicly issuing false and/or misleading statements and/or omitting to disclose material facts necessary to make Defendants' statements, as set forth herein, not false and/or misleading. The statements and omissions were materially false and/or misleading because they failed to disclose material adverse information and/or misrepresented the truth about iLearningEngines' business, operations, and prospects as alleged herein.

39. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about iLearningEngines' financial well-being and prospects. These material misstatements and/or omissions had the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all relevant times. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at artificially inflated prices, thus causing the damages complained of herein when the truth was revealed.

LOSS CAUSATION

40. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the economic loss suffered by Plaintiff and the Class.

41. During the Class Period, Plaintiff and the Class purchased iLearningEngines' securities at artificially inflated prices and were damaged thereby. The price of the Company's securities significantly declined when the misrepresentations made to the market, and/or the information alleged herein to have been concealed from the market, and/or the effects thereof, were revealed, causing investors' losses.

SCIENTER ALLEGATIONS

42. As alleged herein, Defendants acted with scienter since Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, the Individual Defendants, by virtue of their receipt of information reflecting the true facts regarding iLearningEngines, their control over, and/or receipt and/or modification of iLearningEngines' allegedly materially misleading misstatements and/or their associations with the Company which made them privy to confidential proprietary information concerning iLearningEngines, participated in the fraudulent scheme alleged herein.

APPLICABILITY OF PRESUMPTION OF RELIANCE

(FRAUD-ON-THE-MARKET DOCTRINE)

43. The market for iLearningEngines' securities was open, well-developed and efficient at all relevant times. As a result of the materially false and/or misleading statements and/or failures to disclose, iLearningEngines' securities traded at artificially inflated prices during the Class Period. On July 17, 2024, the Company's share price closed at a Class Period high of \$10.75 per share. Plaintiff and other members of the Class purchased or otherwise acquired the Company's

securities relying upon the integrity of the market price of iLearningEngines' securities and market information relating to iLearningEngines, and have been damaged thereby.

44. During the Class Period, the artificial inflation of iLearningEngines' shares was caused by the material misrepresentations and/or omissions particularized in this Complaint causing the damages sustained by Plaintiff and other members of the Class. As described herein, during the Class Period, Defendants made or caused to be made a series of materially false and/or misleading statements about iLearningEngines' business, prospects, and operations. These material misstatements and/or omissions created an unrealistically positive assessment of iLearningEngines and its business, operations, and prospects, thus causing the price of the Company's securities to be artificially inflated at all relevant times, and when disclosed, negatively affected the value of the Company shares. Defendants' materially false and/or misleading statements during the Class Period resulted in Plaintiff and other members of the Class purchasing the Company's securities at such artificially inflated prices, and each of them has been damaged as a result.

45. At all relevant times, the market for iLearningEngines' securities was an efficient market for the following reasons, among others:

(a) iLearningEngines shares met the requirements for listing, and was listed and actively traded on the NASDAQ, a highly efficient and automated market;

(b) As a regulated issuer, iLearningEngines filed periodic public reports with the SEC and/or the NASDAQ;

(c) iLearningEngines regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public

disclosures, such as communications with the financial press and other similar reporting services; and/or

(d) iLearningEngines was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

46. As a result of the foregoing, the market for iLearningEngines' securities promptly digested current information regarding iLearningEngines from all publicly available sources and reflected such information in iLearningEngines' share price. Under these circumstances, all purchasers of iLearningEngines' securities during the Class Period suffered similar injury through their purchase of iLearningEngines' securities at artificially inflated prices and a presumption of reliance applies.

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

NO SAFE HARBOR

48. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of iLearningEngines who knew that the statement was false when made.

FIRST CLAIM

Violation of Section 10(b) of The Exchange Act and

Rule 10b-5 Promulgated Thereunder

Against All Defendants

49. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

50. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase iLearningEngines’ securities at artificially inflated prices.

In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant, took the actions set forth herein.

51. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for iLearningEngines' securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

52. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about iLearningEngines' financial well-being and prospects, as specified herein.

53. Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of iLearningEngines' value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts and/or omitting to state material facts necessary in order to make the statements made about iLearningEngines and its business operations and future prospects in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities during the Class Period.

54. Each of the Individual Defendants' primary liability and controlling person liability arises from the following facts: (i) the Individual Defendants were high-level executives and/or directors at the Company during the Class Period and members of the Company's management team or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities as a senior officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and familiarity with the other defendants and was advised of, and had access to, other members of the Company's management team, internal reports and other data and information about the Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants was aware of the Company's dissemination of information to the investing public which they knew and/or recklessly disregarded was materially false and misleading.

55. Defendants had actual knowledge of the misrepresentations and/or 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 defendants' material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose and effect of concealing iLearningEngines' financial well-being and prospects from the investing public and supporting the artificially inflated price of its securities. As demonstrated by Defendants' overstatements and/or misstatements of the Company's business, operations, financial well-being, and prospects throughout the Class Period, Defendants, if they did not have actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

56. As a result of the dissemination of the materially false and/or misleading information and/or failure to disclose material facts, as set forth above, the market price of iLearningEngines' securities was artificially inflated during the Class Period. In ignorance of the fact that market prices of the Company's securities were artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, or upon the integrity of the market in which the securities trades, and/or in the absence of material adverse information that was known to or recklessly disregarded by Defendants, but not disclosed in public statements by Defendants during the Class Period, Plaintiff and the other members of the Class acquired iLearningEngines' securities during the Class Period at artificially high prices and were damaged thereby.

57. At the time of said misrepresentations and/or omissions, Plaintiff and other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known the truth regarding the problems that iLearningEngines was experiencing, which were not disclosed by Defendants, Plaintiff and other members of the Class would not have purchased or otherwise acquired their iLearningEngines securities, or, if they had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

58. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

59. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

SECOND CLAIM

Violation of Section 20(a) of The Exchange Act

Against the Individual Defendants

60. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

61. Individual Defendants acted as controlling persons of iLearningEngines within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions and their ownership and contractual rights, participation in, and/or awareness of the Company's operations and intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings, and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

62. In particular, Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

63. As set forth above, iLearningEngines and Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their position as controlling persons, Individual Defendants are liable pursuant to Section 20(a)

of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

- (a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- (b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) Such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: _____, 2024

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