POMERANTZ LLP
Jennifer Pafiti (SBN 282790)
1100 Glendon Avenue, 15th Floor
Los Angeles, CA 90024
Telephone: 310-405-7190
jpafiti@pomlaw.com

Attorney for Plaintiff

[Additional Counsel on Signature Page.]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

THE RECKSTIN FAMILY TRUST, Individually and On Behalf of All Others Similarly Situated,	Case No.
Plaintiff,	CLASS ACTION COMPLAINT
v.	JURY TRIAL DEMANDED
C3.AI, INC., THOMAS M. SIEBEL, DAVID BARTER, PATRICIA A. HOUSE, RICHARD LEVIN, MICHAEL G. MCCAFFERY, NEHAL RAJ, CONDOLEEZZA RICE, S. SHANKAR SASTRY, BRUCE SEWELL, LORENZO SIMONELLI, and STEPHEN M. WARD JR.,	
Defendants.	

Plaintiff The Reckstin Family Trust ("Plaintiff"), individually and on behalf of all others similarly situated, by Plaintiff's undersigned attorneys, for Plaintiff's complaint against Defendants, alleges the following based upon personal knowledge as to Plaintiff and Plaintiff's own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff's attorneys, which included, among other things, a review of the Defendants' public documents, conference calls and announcements made by Defendants, United States ("U.S.") Securities and Exchange

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Commission ("SEC") filings, wire and press releases published by and regarding C3.ai, Inc. ("C3.ai" or the "Company"), analysts' reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial, additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1.   This is a federal securities class action on behalf of a class consisting of all persons and entities other than Defendants that purchased or otherwise acquired: (a) C3.ai Class A common stock pursuant and/or traceable to the Offering Documents (defined below) issued in connection with the Company's initial public offering conducted on or about December 9, 2020 (the "IPO" or "Offering"); and/or (b) C3.ai securities between December 9, 2020 and February 15, 2022, both dates inclusive (the "Class Period"). Plaintiff pursues claims against the Defendants under the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act").

2.   C3.ai operates as an enterprise artificial intelligence ("AI") software company. The Company offers a variety of software-as-a-service ("SaaS") applications for enterprises and software solutions and integrated turnkey enterprise AI applications for oil and gas, chemicals, utilities, manufacturing, financial services, defense, intelligence, aerospace, healthcare, and telecommunications market segments. The Company also purports to have strategic partnerships with Baker Hughes related to oil and gas markets; FIS related to financial services markets; Raytheon; and AWS, Intel, and Microsoft.

3.   On November 13, 2020, C3.ai filed a registration statement on Form S-1 with the SEC in connection with the IPO, which, after several amendments, was declared effective by the SEC on December 8, 2020 (the "Registration Statement").

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4.   On December 9, 2020, pursuant to the Registration Statement, C3.ai's Class A common stock began publicly trading on the New York Stock Exchange ("NYSE") under the trading symbol "AI". That same day, C3.ai filed a prospectus on Form 424B4 with the SEC in connection with the IPO, which incorporated and formed part of the Registration Statement (the "Prospectus" and, collectively with the Registration Statement, the "Offering Documents").

5.   Pursuant to the Offering Documents, C3.ai issued 15.5 million shares of its Class A common stock to the public at the Offering price of $42.00 per share for approximate proceeds to the Company of $610 million after applicable underwriting discounts and commissions.

6.   The Offering Documents were negligently prepared and, as a result, contained untrue statements of material fact or omitted to state other facts necessary to make the statements made not misleading and were not prepared in accordance with the rules and regulations governing their preparation. Additionally, throughout the Class Period, Defendants made materially false and misleading statements regarding the Company's business, operations, and compliance policies. Specifically, the Offering Documents and Defendants made false and/or misleading statements and/or failed to disclose that: (i) C3.ai's partnership with Baker Hughes was deteriorating; (ii) C3.ai's was employing a flawed accounting methodology to conceal the deterioration of its Baker Hughes partnership; (iii) C3.ai faced challenges in product adoption and significant salesforce turnover; (iv) the Company overstated, *inter alia*, the extent of its investment in technology, description of its customers, its total addressable market ("TAM"), the pace of its market growth, and the scale of alliances with its major business partners; and (v) as a result, the Company's public statements were materially false and misleading at all relevant times.

7.   On February 16, 2022, during pre-market hours, Spruce Point Capital Management ("Spruce Point") issued a report and strong sell research opinion regarding C3.ai (the "Spruce Point Report"). Specifically, Spruce Point alleged that it had uncovered, *inter alia*, "[e]vidence of a severely

challenged partnership with Baker Hughes, a related-party and C3.ai's largest customer"; "[s]igns of

problematic financial reporting and accounting regarding the Baker Hughes joint venture and a revolving

door in C3.ai's Chief Financial Officer position"; that "[c]hallenges in product adoption and significant

salesforce turnover make it unlikely that C3.ai will meet aggressive analyst estimates"; "[e]vidence of

exaggerated or irreconcilable claims made by C3.ai[,]" including "numerous discrepancies" regarding

"the value of and cumulative investment made by C3.ai in its technology, description of its customers,

its total addressable market ('TAM'), the pace of its market growth and the scale of alliances with

companies such as Microsoft, Hewlett Packard Enterprises, Google Cloud, Intel and Amazon Web

Services"; and "[w]orrisome corporate governance practices and insider enrichment." As a result, Spruce

Point "conservatively estimate[d] 40% - 50% downside risk to C3.ai's share price."

8.   Following publication of the Spruce Point Report, C3.ai's stock price fell $1.01 per share,

or 3.93%, to close at $24.70 per share on February 16, 2022.

9.   As of the time this Complaint was filed, the price of C3.ai Class A common stock

continues to trade below the $42.00 per share Offering price, damaging investors.

10.   As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the

market value of C3.ai's securities, Plaintiff and other Class members have suffered significant losses and

damages.

JURISDICTION AND VENUE

11.   The claims asserted herein arise under and pursuant to Sections 11 and 15 of the Securities

Act (15 U.S.C. §§ 77k and 77o), and 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).

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12.   This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, Section 22 of the Securities Act (15 U.S.C. § 77v), and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

13.   Venue is proper in this Judicial District pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1391(b). C3.ai is headquartered in this Judicial District, Defendants conduct business in this Judicial District, and a significant portion of Defendants' activities took place within this Judicial District.

14.   In connection with the acts alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications, and the facilities of the national securities markets.

PARTIES

15.   Plaintiff, as set forth in the attached Certification, acquired C3.ai Class A common stock pursuant and/or traceable to the Offering Documents issued in connection with the Company's IPO, and/or purchased or otherwise acquired C3.ai securities at artificially inflated prices 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.

16.   Defendant C3.ai is a Delaware corporation with principal executive offices located at 1300 Seaport Boulevard, Suite 500, Redwood City, California 94063. The Company's Class A common stock trades in an efficient market on the NYSE under the trading symbol "AI".

17.   Defendant Thomas M. Siebel ("Siebel") has served as C3.ai's Chief Executive Officer and Chairman of the Board of Directors at all relevant times. Siebel signed or authorized the signing of the Registration Statement filed with the SEC.

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18.   Defendant David Barter ("Barter") has served as C3.ai's Senior Vice President and Chief Financial Officer at all relevant times. Barter signed or authorized the signing of the Registration Statement filed with the SEC.

19.   Defendants Siebel and Barter are sometimes referred to herein collectively as the "Exchange Act Individual Defendants."

20.   The Exchange Act Individual Defendants possessed the power and authority to control the contents of C3.ai's SEC filings, press releases, and other market communications. The Exchange Act Individual Defendants were provided with copies of C3.ai's SEC filings 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 to cause them to be corrected. Because of their positions with C3.ai, and their access to material information available to them but not to the public, the Exchange Act 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 being made were then materially false and misleading. The Exchange Act Individual Defendants are liable for the false statements and omissions pleaded herein.

21.   C3.ai and the Exchange Act Individual Defendants are sometimes referred to herein collectively as the "Exchange Act Defendants."

22.   Defendant Patricia A. House ("House") has served as a Director of C3.ai at all relevant times. House signed or authorized the signing of the Registration Statement filed with the SEC.

23.   Defendant Richard Levin ("Levin") has served as a Director of C3.ai at all relevant times. Levin signed or authorized the signing of the Registration Statement filed with the SEC.

24.   Defendant Michael G. McCaffery ("McCaffery") has served as a Director of C3.ai at all relevant times. McCaffery signed or authorized the signing of the Registration Statement filed with the SEC.

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25. Defendant Nehal Raj ("Raj") served as a Director of C3.ai at the time of the IPO. Raj signed or authorized the signing of the Registration Statement filed with the SEC.

26. Defendant Condoleezza Rice ("Rice") has served as a Director of C3.ai at all relevant times. Rice signed or authorized the signing of the Registration Statement filed with the SEC.

27. Defendant S. Shankar Sastry ("Sastry") has served as a Director of C3.ai at all relevant times. Sastry signed or authorized the signing of the Registration Statement filed with the SEC.

28. Defendant Bruce Sewell ("Sewell") has served as a Director of C3.ai at all relevant times. Sewell signed or authorized the signing of the Registration Statement filed with the SEC.

29. Defendant Lorenzo Simonelli ("Simonelli") served as a Director of C3.ai at the time of the IPO. Simonelli signed or authorized the signing of the Registration Statement filed with the SEC.

30. Defendant Stephen M. Ward Jr. ("Ward") has served as a Director of C3.ai at all relevant times. Ward signed or authorized the signing of the Registration Statement filed with the SEC.

31. The Exchange Act Individual Defendants and Defendants House, Levin, McCaffery, Raj, Rice, Sastry, Sewell, Simonelli, and Ward are sometimes referred to herein collectively as the "Securities Act Individual Defendants."

32. As directors, executive officers and/or major shareholders of the Company, the Securities Act Individual Defendants participated in the solicitation and sale of C3.ai securities in the IPO for their own benefit and the benefit of C3.ai. The Securities Act Individual Defendants were key members of the IPO working group and executives of C3.ai who pitched investors to purchase the shares sold in the IPO, including in IPO road shows.

33. The Exchange Act Defendants and the Securities Act Individual Defendants are sometimes collectively, in whole or in part, referred to herein as the "Defendants."

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SUBSTANTIVE ALLEGATIONS

Background

34.   C3.ai operates as an enterprise AI software company. The Company offers a variety of SaaS applications for enterprises, as well as software solutions and integrated turnkey enterprise AI applications for oil and gas, chemicals, utilities, manufacturing, financial services, defense, intelligence, aerospace, healthcare, and telecommunications market segments. The Company also has purported strategic partnerships with Baker Hughes related to oil and gas markets; FIS related to financial services markets; Raytheon; and AWS, Intel, and Microsoft.

35.   On November 13, 2020, C3.ai filed the Registration Statement on Form S-1 with the SEC in connection with the IPO, which, after several amendments, was declared effective by the SEC on December 8, 2020.

36.   On December 9, 2020, pursuant to the Registration Statement, C3.ai's Class A common stock began publicly trading on the NYSE under the trading symbol "AI". That same day, C3.ai filed the Prospectus on Form 424B4 with the SEC in connection with the IPO, which incorporated and formed part of the Registration Statement.

37.   Pursuant to the Offering Documents, C3.ai issued 15.5 million shares of its Class A common stock to the public at the Offering price of $42.00 per share for approximate proceeds to the Company of $610 million after applicable underwriting discounts and commissions.

Materially False and Misleading Statements Issued in the Offering Documents

38.   In providing an overview of the Company, the Offering Documents stated, in relevant part:

Extensive Partner Ecosystem

We have established strategic relationships with technology leaders including AWS, Baker Hughes, Fidelity National Information Services, or FIS, Google, IBM,

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Microsoft, and Raytheon. These world-leading technology companies can marshal tens of thousands of talented resources to establish and serve small, medium, and large C3.ai customer relationships at global scale.

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Sales Alliances

Strategic partnerships are core to our growth strategy with market-leading companies offering highly leveraged distribution channels to various markets.

To date, we have established such a partnership with Baker Hughes to address the needs of the global oil and gas market, with FIS to address needs in the financial services market, with Raytheon to serve the U.S. defense and intelligence communities, and with Microsoft and Adobe to address the next generation of CRM.

In addition, we have announced global alliances with AWS, IBM, Intel, and Microsoft to jointly market, sell, and service our combined solutions across industry verticals.

In the majority of our sales opportunities we are aligned with one or more of these partners.

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Growth Strategy

We are substantially investing in the expansion of our direct enterprise sales and service organization both geographically and across vertical markets to expand the use of C3.ai solutions within existing customers and establish new customer relationships.

We will continue to focus on the success of our customers to increase penetration of our existing customer base.

We will continue to expand our major account sales organization to focus on large enterprise software agreements.

We will continue to expand our enterprise sales organization globally, focused on divisions of Fortune 500 companies as well as with smaller and medium-sized businesses.

We will expand our leveraged distribution channel with additional strategic partners like Baker Hughes, FIS, Microsoft, and Raytheon.

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We will continue to develop high volume distribution channels including digital marketing, telesales, and strategic distributors, particularly to address the needs of small and medium businesses.

We are bringing new product families to market that we believe will develop into substantial recurring revenue streams for C3.ai.

We expect to enter into additional strategic development and distribution agreements, like those we have in place with Baker Hughes, FIS, Microsoft, and Raytheon, that we expect will provide us highly leveraged access to other vertical and horizontal markets.

39. Further, in describing the Company's "Go-to-Market Strategy," the Offering Documents stated, in relevant part:

Our go-to-market strategy is focused on large organizations recognized as leaders in their respective industries or public sectors, and who are attempting to solve complicated business problems by digitally transforming their operations. These large organizations, or lighthouse customers, include companies and public agencies within the oil and gas, power and utilities, aerospace and defense, industrial products, and financial services industries, among others. This has resulted in C3.ai powering some of the largest and most complex Enterprise AI applications worldwide. These lighthouse customers serve as proof points for other potential customers in their particular industries. Today, we have a customer base of a relatively small number of large organizations that generate high average total subscription contract value, but we expect that, over time, as more customers adopt our technology based on the proof points provided by these lighthouse customers, the revenue represented by these customers will decrease as a percentage of total revenue. As our AI Suite is industry agnostic, we also expect to expand into other industries as we grow. For example, for the fiscal year ended April 30, 2018, revenue from customers in the financial services, oil and gas, aerospace and defense, manufacturing, and utilities industries represented 0%, 1%, 3%, 29%, and 67% of our total revenue, respectively, and in the six months ended October 31, 2020, revenue from these customers represented 10%, 30%, 16%, 20%, and 25% of our total revenue, respectively.

As of October 31, 2020, we had 30 Entities and 64 customers. While almost all our Entities represent large revenue commitments, our top two Entities each represented over 10% of our total revenue for the fiscal year ended April 30, 2020.

Acquiring new customers and further penetrating our existing customers is the intent of our go-to-market effort and drivers of our growth. Making new and existing customers successful is critical to our long-term success. After we help our customers solve their initial use cases, they typically identify incremental opportunities within their operations and expand their use of our products by either purchasing additional C3 AI Applications or by subscribing to the C3 AI Suite to develop their own AI applications.

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The size and sophistication of our customers' businesses demonstrate the flexibility, speed, and scale of our products, and maximize the potential value to our customers. To be a credible partner to our customers, who often are industry leaders, we deploy a motivated and highly educated team of C3 personnel and partners. We go-to-market primarily leveraging our direct sales force, and during the fiscal year ended April 30, 2020, we substantially increased the number of direct sales resources. We also complement and supplement our sales force with a number of go-to-market partners.

- *Strategic Vertical Industry Partners*. We have developed an alliance program to partner with recognized leaders in their respective industries, such as Baker Hughes, Fidelity National Information Services, or FIS, and Raytheon, to develop, market, and sell solutions that are natively built on or tightly integrated with the C3 AI Suite.

- *Consulting and Services Partners*. As part of a global industry alliance, we partner with IBM Global Services, as well as a number of systems integrators specializing in Enterprise AI implementations.

- *Hyperscale Cloud and Infrastructure*. We have formed global strategic go-to-market alliances with hyperscale cloud providers including Amazon, FIS, Google, and Microsoft. In addition, we have strategic alliances with leading hardware infrastructure providers to deliver our software optimized for their technology. These partners include Hewlett Packard Enterprise, and Intel. These partners supply infrastructure solutions, data management and processing services, or hardware and networking devices (e.g. IoT gateways) to support C3.ai product implementations and complement C3.ai's products.

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In addition to the activities of our field sales organization, our success in attracting new customers will depend on our ability to expand our ecosystem of strategic partners and the number of industry verticals that they serve. Our strategic go-to-market alliances vastly extend our reach globally. Some of our most notable partners include Baker Hughes, FIS, IBM, and Microsoft. Each strategic partner is a leader in its industry, with a substantial installed customer base and extensive marketing, sales, and services resources that we can leverage to engage and serve customers anywhere in the world. Using our AI Suite as the development suite, we leverage our model-driven architecture to efficiently build new cross-industry and industry-specific applications based on identifying requirements across our customer base of industry leaders and through our industry partners. Our strategy with strategic partners is to establish a significant use case and prove the value of our AI Suite with a flagship customer in each industry in which we participate. We have done this with our strategic vertical industry partner in oil and gas, Baker Hughes, as well as with our iconic global customers, some of whom are deploying C3.ai technology to optimize thousands of critical assets globally across their upstream, midstream, and downstream operations. We establish formal sales and marketing plans with each partner, including specific sales goals and dedicated budgets, and we work closely with these partners to

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identify specific target accounts. We intend to grow the business we do with each partner and to add more partners as we expand the vertical markets we serve. We also offer revenue generating trials of our applications as part of our customer acquisition strategy.

In June 2019, we entered into a three-year arrangement with Baker Hughes as both a leading customer and as a partner in the oil and gas industry. This arrangement included a subscription to our AI Suite for their own operations (which we refer to below as direct subscription fees), the exclusive right for Baker Hughes to resell our offerings worldwide in the oil and gas industry, and the non-exclusive right to resell our offerings in other industries. Under the arrangement, Baker Hughes made minimum, non-cancelable, total revenue commitments to us of $50.0 million, $100.0 million, and $170.0 million, which are inclusive of their direct subscription fees of $39.5 million per year, for each of the fiscal years ending April 30, 2020, 2021, and 2022, respectively, with the remainder to be generated from the resale of our solutions by the Baker Hughes sales organization. During the fiscal year ended April 30, 2020, we recognized as revenue the full value of the first year of the direct subscription agreement and the value of deals brought in by Baker Hughes through the reseller arrangement. This arrangement was revised in June 2020 to extend the term by an additional two years, for a total of five years, with an expiration date in the fiscal year ending April 30, 2024 and to modify the annual amount of Baker Hughes' commitments to $53.3 million, $75.0 million, $125.0 million, and $150.0 million, which are inclusive of their revised direct subscription fees of $27.2 million per year over the fiscal years ending April 30, 2021, 2022, 2023, and 2024, respectively. Any shortfalls against the total annual revenue commitment made to us by Baker Hughes will be assessed and recorded by us at the end of the fourth quarter of each fiscal year. We are obligated to pay Baker Hughes a sales commission on subscriptions to our products and services offerings it resells in excess of these minimum revenue commitments.

Our RPO related to Baker Hughes, which includes both direct subscriptions and reseller arrangements, is comprised of $19.9 million related to deferred revenue and $20.0 million from non-cancellable contracts as of April 30, 2019, $2.4 million related to deferred revenue and $84.8 million from non-cancellable contracts as of April 30, 2020, and $16.9 million related to deferred revenue and $91.9 million of commitments from non-cancellable contracts as of October 31, 2020.

As of July 31, 2019, October 31, 2019, January 31, 2020, April 30, 2020, July 31, 2020, and October 31, 2020 the total remaining amount of Baker Hughes' minimum revenue commitments not yet contracted under the direct subscription fee or reseller arrangement, and thus subject to the shortfall annual provisions, under the entire arrangement was $194.0 million, $195.0 million, $190.3 million, $183.8 million, $270.9 million, and $249.9 million, respectively.

40.   In addition, in discussing the Company's TAM, the Offering Documents stated, in relevant part:

Large Total Addressable Market

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We serve a large and rapidly growing market, estimated to be $174 billion in 2020, growing to $271 billion in 2024, based on IDC and Gartner reports.

Our total addressable market, or TAM, comprises multiple enterprise software segments that are growing at a combined compound annual growth rate, or CAGR, of 12%:

- *Enterprise AI Software*. According to IDC, the relatively new but rapidly growing global Enterprise AI software market totaled $18 billion in 2020, and will grow to $44 billion in 2024—a 24% CAGR.7 We address this market with our AI Suite and full portfolio of AI Applications.

- *Enterprise Infrastructure Software*. The C3 AI Suite replaces a wide range of existing enterprise infrastructure software categories, including Application Development, Application Infrastructure and Middleware, Data Integration Tools and Data Quality Tools, and Master Data Management Products. According to Gartner, the size of the infrastructure software market across these four segments totaled $63 billion in 2020, and will grow to $82 billion in 2024—a 7% CAGR.

- *Enterprise Applications*. C3 AI Applications address a wide range of Analytics and Business Intelligence use cases as well as the Customer Experience and Relationship Management (CRM) segment. According to Gartner, the size of the software market across these segments totaled $93 billion in 2020, and will grow to $145 billion in 2024—a 12% CAGR.

C3.ai is an active participant in the Enterprise AI/ML, Data Analytics, Cloud Computing, and Digital Transformation markets. According to IDC, by 2022, 65% of CIOs will digitally empower and enable front-line workers with data, AI, and security and by 2025, 80% of CIOs alongside lines-of-business will implement intelligent capabilities to sense, learn, and predict changing customer behaviors

41.   Finally, in discussing the Company's "extensive partner ecosystem," the Offering Documents stated, in relevant part:

We have established strategic relationships with technology leaders including Amazon Web Services, or AWS, Baker Hughes, Fidelity National Information Services, or FIS, Google, IBM, Microsoft, and Raytheon. These world-leading technology companies can marshal tens of thousands of talented resources to establish and serve small, medium, and large C3.ai customer relationships at global scale.

We form go-to-market and product co-development alliances with our partners that combine our AI expertise and technology with our partners' deep domain expertise to bring next-generation C3.ai solutions to joint customers. Our partnerships include strategic alliances across four categories:

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- *Industry Partners*. Each industry partnership focuses on a key vertical. We have formed global strategic alliances in the energy industry with France-based global energy leader ENGIE (also a customer); in oil and gas with Baker Hughes, a global leader in oilfield services (also a customer); and in financial services with FIS, leading technology provider to the global financial services industry; and in the U.S. Federal and aerospace sectors with Raytheon, one of the world's largest aerospace and defense manufacturers.

- *Hyperscale Cloud and Infrastructure Partners*. We have formed global strategic go-to-market alliances with hyperscale cloud providers including Amazon, Microsoft, and Google. In addition, we have strategic alliances with leading hardware infrastructure providers to deliver our software optimized for their technology. These partners include Hewlett Packard Enterprise and Intel.

- *Consulting and Services*. We have formed a global strategic go-to-market alliance with IBM Global Business Services, who employs more than 100,000 service professionals. We have also established partnerships with select specialized systems integrators that provide application design and development, data engineering, data science, and systems integration services, including Aubay, BGP, CMC, Data Reply, Infoedge Technology, Informatica El Corte Ingles, Intelia, Neal Analytics, Ortec, Pariveda, SCAP, and Synechron. These alliances are focused on helping organizations accelerate their Enterprise AI and digital transformation programs.

- *Independent Software Vendors*. Our ISV partners develop, market, and sell application solutions that are natively built on or tightly integrated with the C3 AI Suite. The C3 AI Suite enables ISVs to deliver AI capabilities to their installed user base that enhance or complement existing ISV application functionality. As of September 2020, ISV partners include ENGIE, FIS, and Ortec.

42.   The statements referenced in ¶¶ 38-41 were materially false and misleading because the Offering Documents were negligently prepared and, as a result, contained untrue statements of material fact or omitted to state other facts necessary to make the statements made not misleading and were not prepared in accordance with the rules and regulations governing their preparation. Specifically, the Offering Documents made false and/or misleading statements and/or failed to disclose that: (i) C3.ai's partnership with Baker Hughes was deteriorating; (ii) C3.ai's was employing a flawed accounting methodology to conceal the deterioration of its Baker Hughes partnership; (iii) C3.ai faced challenges in product adoption and significant salesforce turnover; (iv) the Company overstated, *inter alia*, the extent

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of its investment in technology, description of its customers, its total addressable market ("TAM"), the

pace of its market growth, and the scale of alliances with its major business partners; and (v) as a result,

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

Materially False and Misleading Statements Issued During the Class Period

43.   The Class Period begins on December 9, 2020, when C3.ai's Class A common stock

began publicly trading on the NYSE pursuant to the materially false or misleading statements or

omissions in the Offering Documents, as referenced in ¶¶ 38-41, *supra*.

44.   On March 1, 2021, C3.ai issued a press release announcing the Company's third quarter

fiscal 2021 results. The press release stated, in relevant part:

> "We continue to establish our leadership as the only enterprise AI software pure play," said
> CEO Thomas M. Siebel. "This is a large and rapidly growing market; we continue to
> innovate; we continue to expand our market-partner ecosystem and associated distribution
> capacity; and we continue to demonstrate technology leadership. I believe that we are
> increasingly well-positioned to establish a global market leadership position in enterprise
> AI software."
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> ***
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> • C3 AI significantly expanded its market-partner ecosystem to broaden its
>   distribution and service network globally. In addition to expanding its market
>   partnership activities with Microsoft, Baker Hughes, and ENGIE, C3 AI extended
>   our relationship with Raytheon to serve the defense and intelligence communities;
>   with FIS, a global financial services software company, to serve the banking and
>   financial services industries; and with Infor to serve the global ERP market.

45.   That same day, C3.ai hosted an earnings call with investors and analysts to discuss the

Company's Q3 2021 results (the "Q3 2021 Earnings Call"). During the scripted portion of the Q3 2021

Earnings Call, Defendant Siebel stated, in relevant part:

> We continue to expand our market partner ecosystem and the associated increased
> distribution capacity associated with that. We continue to demonstrate technology
> leadership. I believe that we are increasingly well positioned to establish a global market
> leadership position in enterprise AI software. So let's talk about the financial highlights.
> All in all, it was a strong third quarter. Revenue in the third quarter was $49.1 million.
> $42.7 million of that was subscription revenue, an increase of 23% from a year earlier.

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Subscriptions have increased to 87% of our revenue mix. Services revenue for the quarter was $6.4 million or 13% of total revenue, representing a decrease of 4% from a year ago. Non-GAAP operating expenses for the quarter increased to $49.2 million, up 27% from a year ago and non-GAAP operating loss for the quarter was $11.9 million compared to $8.4 million year ago.

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Addressing strategic partnerships. Core to our market growth strategy is; one, the evolution of our global direct geographic and vertical market sales organizations to include major accounts, enterprise sales, mid-market sales and mass market sales channels; and two, the expansion of our market partner ecosystem in both horizontal and vertical markets. We realized significant benefits from these efforts in the third quarter with increased geographical expansion, increased vertical diversification, significant growth in software subscriptions and importantly, increased volume and diversity in the average contract in our sales pipeline. By way of example, our average total subscription contract value decreased from $12.1 million in fiscal year '20 to $5.2 million in Q3 fiscal '21. This is substantial progress. We continue to build and increase our engagement with our partner ecosystem as a key growth strategy and enabling us to significantly expand our market reach and serve customers across industries globally. In the third quarter, we established for expanded such partnerships with Microsoft, Baker Hughes, ENGIE, Shell, Infor, FIS and Raytheon, and you can expect to see continued activity, accelerated activity in this area going forward.

46.   Also during the scripted portion of the Q3 2021 Earnings Call, Defendant Barter stated, in relevant part:

An important aspect of our model is the usage of market partners. It is a leveraged selling model that significantly extends our sales reach into each industry vertical. Our partners possess deep domain expertise in their respective vertical markets, a commitment to enterprise AI and a significant customer base that will benefit from our enterprise AI applications. This will provide us with sales leverage overtime. It is worth noting that our contract with Baker Hughes, our market partner for oil and gas, includes a very specific contraction commitment. It is a five year agreement and the total contract value is $450 million. Their commitment to C3.ai increases over the five year term of the agreement. This offers predictable growth in the years ahead. For example, the Baker Hughes commitment is $75 million in fiscal year '22 compared to $53 million in fiscal year '21.

47.   Further, when asked a question on the Q3 2021 Earnings Call regarding "vertical partner focus," Defendant Siebel responded, in relevant part:

And then across all sectors, we have vertical market sales organizations in oil and gas, in utilities, in financial services, in precision health, et cetera. And you can get expect that each of the -- the goal is that each of these vertical markets we will align with a leveraged

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market partner. So the classic case is Baker Hughes. So we've aligned in oil and gas with Baker Hughes, this is a 24 roughly, I think, billion dollar oil services company that gives us access to 12,000 people now selling with us around the world. And there's virtually not one of the largest, say 20 or 30 oil companies, that we're not in active sales motion with, whether it's Aramco, ADNOC, Rosneft Gazprom, Shell, and 12,000 salespeople is a lot of sales capacity.

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So we're dealing with, by the time you roll in companies like what we're doing with Microsoft and Adobe, in okay, in CRM, what we're doing with oil gas and Baker Hughes, what we're doing in banking with FIS, okay, what we're doing in manufacturing and particularly, with Infor, we're dealing with literally tens of thousands of people that are selling for us around the world. And if we're able to successfully execute this strategy in the next two, three years, honestly, I think we can put the lights out on the market before anybody else gets here. So this is core to the strategy. I think nobody has ever [encountered] this before. We believe it's a core competence for us. And expect and specifically people like me and [Indiscernible] who you know to be spending a significant amount of time on this. And then we brought in a very senior executive by the name of Gene Reznik, who was the Chief Strategy Officer at Accenture, here to head up this initiative of coordinating the vertical market partners. So we expect a significant investment here and expect in the coming quarters, there will be additional announcements with these vertical market partners that we think will give us a -- increase our competitive advantage in the market.

48.   On March 2, 2021, C3.ai filed a Quarterly Report on Form 10-Q with the SEC, reporting the Company's financial and operating results for its fiscal quarter ended January 31, 2021 (the "Q3 2021 10-Q"). The Q3 2021 10-Q contained substantively similar descriptions of the Company's "go-to market strategy" as referenced in ¶ 39, *supra*.

49.   Appended to the Q3 2021 10-Q as exhibits were signed certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") by Defendants Siebel and Barter attesting that, "the information contained in the [Q3 2021 10-Q] fairly presents, in all material respects, the financial condition and results of operations of the Company"

50.   On June 2, 2021, C3.ai issued a press release announcing the Company's fiscal 2021 results. The press release stated, in relevant part:

"We achieved strong business and financial results in the fourth quarter and full fiscal year, as we advance our leadership position as the enterprise AI application software pure play,"

said CEO Thomas M. Siebel. "The enterprise AI software market is rapidly growing, and we see accelerating interest in enterprise AI solutions across industries, geographies, and market segments. We are aggressively investing to extend our product and technology leadership and to expand our market-partner ecosystem and associated distribution capacity. As we continue to execute on delivering high-value outcomes for customers, we are increasingly well-positioned to establish a global market leadership position in enterprise AI application software. Bottom line, performance was strong across the board and we are planning for accelerating growth in the coming year."

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- The company saw continued success in its partnership with Baker Hughes, exceeding its FY 2021 revenue target for the alliance.

51.   That same day, C3.ai hosted an earnings call with investors and analysts to discuss the Company's fiscal 2021 results (the "2021 Earnings Call"). During the scripted portion of the 2021 Earnings Call, Defendant Siebel stated, in relevant part:

We exceeded our guidance for both revenue and non-GAAP operating income. Our bookings grew, believe it or not, over 500% in Q4 compared to the quarter a year earlier. Our bookings grew 179% quarter-to-quarter. Revenue in the fourth quarter was $52.3 million, an increase of 26% year-over-year. Subscription revenue for the quarter was $43.1 million, up from $36.8 million a year ago, an increase of 17% year-over-year. Gross profit for the quarter was $40.6 million, a 78% gross margin compared to $32.1 million gross profit a year ago, an increase in gross profit of 26% year-over-year. Our remaining performance obligations were $293.8 million compared to $239.7 million a year earlier, an increase of 23% year-over-year. Including cancelable orders, our non-GAAP RPO was $345.1 million compared to $246.9 million a year ago, an increase of 40% year-over-year. Our total enterprise AI customer count at the end of the year was 89, representing an 82% growth rate year-over-year.

[. . .] Total revenue for the year was $183.2 million, up from $156.7 million a year ago, an increase of 17% year-over-year. Subscription revenue for the year was $157.4 million, up from $135.4 million a year earlier, an increase of 16% year-over-year. Subscription revenue – importantly, subscription revenue, as a percentage of total revenue, remained 86%, constant year-over-year. Gross profit for the year was $138.7 million, a 76% gross margin compared to $117.9 million gross profit a year ago, an increase of 18% year-over-year. Most importantly, our average contract value for the year continued to decrease from $16.2 million in fiscal year '19 to $12.1 million in fiscal year '20 to $7.2 million in fiscal year '21, providing smoothing growth in bookings and greater revenue visibility going forward.

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> Again, importantly, the total number of C3.ai customers at the end of the year was 89, up from 49 at the end of the previous year, an 82% increase year-over-year. We continue to expand our market partner ecosystem to extend our global distribution and service capabilities. During the quarter, C3 expanded its relationship with strategic partner and financial technology leader, FIS to launch joint solutions for the financial services industry, including FIS Credit Intelligence, powered by C3.ai. And this builds upon the previously announced launch of FIS AML, or Anti-Money Laundering compliance powered by C3.ai. The company saw continued success in its partnership with Baker Hughes, exceeding its fiscal year '21 revenue target for the alliance. The company formed a wide-ranging strategic alliance with Infor, an ERP technology cloud leader, to jointly expand enterprise-class AI solutions across industries and extend Infor's native machine learning capabilities.

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52.	Also during the scripted portion of the 2021 Earnings Call, Defendant Barter stated, in relevant part:

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> Our fourth quarter revenue growth is a meaningful improvement over the 19% growth in Q3 and the 11% growth in the first half of the fiscal year, which reflected the impact COVID had on our business. Subscription revenue increased to $43.1 million in the fourth quarter, while professional services revenue grew to $9.2 million reflecting strong customer implementation activity and engagement with Baker Hughes that will make our virtual data and reliability applications even more compelling for oil and gas customers. In Q4, 82% of our revenue was from subscriptions and 18% from professional services. On a full year basis, 86% of our revenue was from subscriptions and 14% was from professional services consistent with our revenue mix in fiscal year 2020. We continue to anticipate subscription revenue mix in the upper 80% range on a trended basis. However, there may be some variation in the revenue mix quarter-to-quarter.

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> Our revenue related to the Baker Hughes market partner relationship was $55.9 million and it exceeded its revenue commitment of $55.3 million. Baker Hughes partnership revenue increased 20% compared to $46.7 million of revenue generated in fiscal year 2020. In our financials, a portion of the Baker Hughes partner revenue is reported as related party revenue as it is contracted directly with Baker Hughes and the balance of the revenue reflects situations where C3.ai has the contractual relationship with the end customer, but Baker Hughes assisted with the sales process. In the fourth quarter, the related party revenue was $13.8 million and the non-related party component was $8.7 million. For full fiscal year 2021, related party revenue was $35.4 million and the non-related party revenue was $20.5 million.

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53.	On June 25, 2021, C3.ai filed an Annual Report on Form 10-K with the SEC, reporting

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the Company's financial and operating results for its fiscal quarter and year ended April 30, 2021 (the

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"2021 10-K"). The 2021 10-K contained substantively similar descriptions of the Company's partner

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ecosystem, growth strategy, go-to-market strategy, and addressable market, as referenced in ¶¶ 38-41, *supra*.

54.   Further, with respect to the Company's revenue for the fiscal years ended April 30, 2021 and 2020, the 2021 10-K stated, *inter alia*, that "[s]ubscription revenue as a percentage of total revenue remained 86% for the fiscal years ended April 30, 2021 and 2020, respectively"; that "[s]ubscription revenue increased by $22.0 million, or 16%, for the fiscal year ended April 30, 2021, compared to the prior fiscal year, predominantly driven by revenue growth of $22.0 million from new customers or expanding relationships with existing C3 AI customers"; and that "[p]rofessional services revenue increased by $4.6 million, or 22%, for the fiscal year ended April 30, 2021, compared to the prior fiscal year, predominantly due to the timing and mix of implementation services projects for new C3 AI Application customers."

55.   Appended to the 2021 10-K as exhibits were signed certifications pursuant to SOX by Defendants Siebel and Barter attesting that, "the information contained in the [2021 10-K] fairly presents, in all material respects, the financial condition and results of operations of the Company"

56.   On September 1, 2021, C3.ai issued a press release announcing the Company's Q1 fiscal 2022 results. The press release stated, in relevant part:

> "We began our fiscal year 2022 with strong results in the first quarter, including year-over-year increases of 29% in revenue and 31% in gross profit," said CEO Thomas M. Siebel. "We significantly expanded our market-partner ecosystem in Q1, entering into a strategic alliance with Google Cloud to allow the entire Google Cloud global sales and service organization to co-sell and service the entire family of C3 AI applications."
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> - C3 AI expanded its enterprise AI footprint in Defense, Chemicals, Financial Services, Manufacturing, Oil & Gas, Energy Sustainability, and Utilities, with new enterprise production deployments at LyondellBasell, Shell, ENGIE, and Con Edison. C3 AI also initiated new enterprise AI projects with Baker Hughes, Ball Corporation, Cargill, Cummins, ENGIE, FIS, Koch Industries, Missile Defense

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Agency, Morsco, and Standard Chartered Bank, as well as expanded business with Cargill, LyondellBasell, and Standard Chartered Bank.

57.   That same day, C3.ai hosted an earnings call with investors and analysts to discuss the Company's Q1 fiscal 2022 results (the "Q1 2022 Earnings Call"). During the scripted portion of the Q1 2022 Earnings Call, Defendant Siebel stated, in relevant part:

> Subscription revenue was $46.1 million, up from $35.7 million one year ago, an increase of 29% year-over-year. Non-GAAP gross profit was $40.9 million, a 78% gross margin compared to $30.2 million gross profit, a 75% gross margin a year earlier. This was an increase in gross margin of 35% year-over-year.
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> We initiated new enterprise AI projects with Baker Hughes, Ball Corporation, Cargill, Cummins, ENGIE, FIS, Koch Industries, the Missile Defense Agency, Morsco, and Standard Chartered Bank and we significantly expanded business with Cargill, LyondellBasell and Standard Chartered Bank. In the course of the quarter, we continued to advance our product leadership position in enterprise AI.

58.   Also during the scripted portion of the Q1 2022 Earnings Call, Defendant Barter stated, in relevant part, "[i]n the first quarter, total revenue from our partnership with Baker Hughes was $16.1 million, up 69% year-over-year. As a reminder, a portion of this revenue is reported as related party revenue where they end customer contracted directly with Baker Hughes or where the revenue relates to Baker Hughes as a customer.

59.   On September 2, 2021, C3.ai filed a Quarterly Report on Form 10-Q with the SEC, reporting the Company's financial and operating results for the quarter ended July 31, 2021 (the "Q1 2022 10-Q"). The Q1 2022 10-Q contained substantively similar descriptions of the Company's "go-to market strategy" as referenced in ¶ 39, *supra*.

60.   Appended to the Q1 2022 10-Q as exhibits were signed certifications pursuant to SOX by Defendants Siebel and Barter attesting that, "the information contained in the [Q1 2022 10-Q] fairly presents, in all material respects, the financial condition and results of operations of the Company"

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61.   On December 1, 2021, C3.ai issued a press release announcing the Company's Q2 fiscal 2022 results. The press release stated, in relevant part:

"We closed another strong quarter, including a revenue increase of 41% from a year ago that exceeds our guidance and sell-side analysts' expectations," said CEO Thomas M. Siebel. "We expanded our important relationship with Baker Hughes extending the contract term, significantly increasing its value, and securing that value as a guaranteed future C3 AI revenue stream. We further diversified our enterprise AI production footprint across many industries and continued to innovate with the delivery of C3 AI Data Vision, that fundamentally reinvents the enterprise software user experience."

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- C3 AI significantly expanded and restructured its strategic relationship with Baker Hughes for the second time, increasing the value of the contract by $45 million to $495 million, extending its term from five to six years, and guaranteeing C3 AI a minimum of $357 million of GAAP revenue over the next 3.5 years. The newly expanded contract also introduced a new pricing model and selling structure designed to further accelerate sales of C3 AI software products into the Baker Hughes customer base.

62.   That same day, C3.ai hosted an earnings call with investors and analysts to discuss the Company's Q2 fiscal 2022 results (the "Q2 2022 Earnings Call"). During the scripted portion of the Q2 2022 Earnings Call, Defendant Siebel stated, in relevant part:

Let's address customer momentum. We expanded and extended our strategic partnership with Baker Hughes last quarter for the second time. In June of 2020, we extended the agreement for the first time by extending the agreement for two years and increasing the cash and revenue commitments to C3 from Baker by $130 million. This October, we increased the value of the contract again this time by an additional $45 million to $495 million and extended its term from five to six years, importantly now guaranteeing a minimum of $357 million in revenue to C3 over the next 3.5 years.

63.   Also during the scripted portion of the Q2 2022 Earnings Call, Defendant Barter stated, in relevant part:

Revenue was $58.3 million, which is above the high end of our guidance, and it represented an increase of 41% from the prior year. Within revenue, subscription revenue was $47.4 million, up 32% from a year ago. Professional services revenue increased to $10.9 million. Despite the higher proportion of professional services revenue in the second quarter, we continue to target our subscription revenue mix in the high 80% range.

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The amendment of our JV with Baker Hughes, which Tom referenced in his remarks, enhances our backlog and our revenue visibility. The amendment includes several noteworthy improvements. One, it increased the total contract value by $45 million; two, it extended the JV term by one year; and three, a new pricing model makes it easier for Baker Hughes to further accelerate the sales of C3 AI software. Since future revenue from Baker Hughes is now contracted and committed, the majority of the future revenue related to the JV agreement is now included in GAAP RPO.

64.   On December 2, 2021, C3.ai filed a Quarterly Report on Form 10-Q with the SEC, reporting the Company's financial and operating results for the quarter ended October 31, 2021 (the "Q2 2022 10-Q"). The Q2 2022 10-Q contained substantively similar descriptions of the Company's "go-to market strategy" as referenced in ¶ 39, *supra*.

65.   Appended to the Q2 2022 10-Q as exhibits were signed certifications pursuant to SOX by Defendants Siebel and Barter attesting that, "the information contained in the [Q2 2022 10-Q] fairly presents, in all material respects, the financial condition and results of operations of the Company"

66.   The statements referenced in ¶¶ 43-65 were materially false and misleading because the Exchange Act Defendants made false and/or misleading statements, as well as failed to disclose material adverse facts about the Company's business, operations, and compliance policies. Specifically, the Exchange Act Defendants made false and/or misleading statements and/or failed to disclose that: (i) C3.ai's partnership with Baker Hughes was deteriorating; (ii) C3.ai's was employing a flawed accounting methodology to conceal the deterioration of its Baker Hughes partnership; (iii) C3.ai faced challenges in product adoption and significant salesforce turnover; (iv) the Company overstated, *inter alia*, the extent of its investment in technology, description of its customers, its total addressable market ("TAM"), the pace of its market growth, and the scale of alliances with its major business partners; and (v) as a result, the Company's public statements were materially false and misleading at all relevant times.

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The Truth Emerges

67. On February 16, 2022, during pre-market hours, Spruce Point issued a report and strong sell research opinion regarding C3.ai. Specifically, the Spruce Point report alleged, in relevant part:

- We believe C3.ai took advantage of the frothy environment for high growth, technology story stocks to raise capital in late December 2020. Seizing the ticker "AI", and backed by legendary Silicon Valley investor Thomas Siebel, the Company's stock surged to $177 from its $42 per share IPO price. This allowed early investors to exit at attractive prices while the business now struggles
  - However, we believe the euphoria shrouded C3's dark history of business model pivots and restructuring since its founding in 2009; first chasing smart grid opportunities, pivoting its name to C3 IoT, and finally settling on C3.ai to capture the artificial intelligence buzz
  - Siebel attracted multiple brand name investors, Board members, and strategic partners and alliances to support the Company and generate an IPO buzz such as Microsoft, Koch Industries, Baker Hughes, Google, and Condoleezza Rice
- However, now that market ebullience has subsided, Spruce Point believes C3 will come under greater scrutiny as a money-losing company with good, but complex and difficult to sell technology, that has failed to gain broad market acceptance
- We believe a struggling partnership with Baker Hughes/GE, whose contract has been renegotiated three times, is propping up sales through minimum guarantees. Aggressive, if not outright flawed accounting methods appear to be embellishing results. Notably, this is the same Baker Hughes management that came under scrutiny by whistleblower Harry Markopolos in a scathing report on GE in 2019

We find multiple instances of claims made by C3 that appear to be exaggerated, or don't reconcile with our research findings:

- <u>Cumulative Investment In The C3 Technology Platform</u>: claimed to be $1.0 billion vs. our $500-$785m estimate

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- <u>Total Addressable Market (TAM)</u>: C3 materially changed its TAM claim during the IPO process from $170 to $271 billion

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Spruce Point's diligence indicates significant strain with C3's JV with Baker Hughes. Baker Hughes is its largest customer (30% FY'21 /Sales). We believe it plausible that the JV may cease to exist beyond the remaining contract duration
- In 2019, C3 announced a joint venture with Baker Hughes / GE (BHGE or now BH) that resulted in BH purchasing 15% of C3's equity, its CEO Lorenzo

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Simonelli joining C3's Board, and BH guaranteeing minimum annual sales to C3 totaling $320m over three years from a combination of direct product purchases by BH for internal use, and product resales to its oil and gas customers

- o Since the original JV agreement signed in 2019, BH's commitment to the JV has waned significantly as there have been two material amendments (2nd amendment on June 1, 2020, 3rd amendment on October31, 2021) that postponed and reduced the peak annual revenue commitments
- A former C3 employee we spoke with said, "*Baker Hughes is a marriage that is not working. The people are not happy. They can't sell the C3 product. It's a nightmare for them to sell it. The culture of C3 is so different that they can't work together.*" Stating further that, "*Baker Hughes just invested and entered a JV with a company called Augury and they can do everything that C3 is currently doing for them.*"
- We believe public actions taken by BH paints the same picture:
  - o From April through June of 2021, BH sold $145m of its investment in C3
  - o The 3rd JV amendment on Oct 31, 2021 was adverse to C3 by eliminating the remaining minimum revenue commitment for FY22, reducing and delaying its peak revenue commitment until FY25 and offering price discounts to prospective customers
  - o December 17, 2021, BH's CEO Lorenzo Simonelli resigned from C3's Board of Directors

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68.   Following publication of the Spruce Point Report, C3.ai's stock price fell $1.01 per share, or 3.93%, to close at $24.70 per share on February 16, 2022.

69.   As of the time this Complaint was filed, the price of C3.ai Class A common stock continues to trade below the $42.00 per share Offering price, damaging investors.

70.   As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of C3.ai's securities, Plaintiff and other Class members have suffered significant losses and damages.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

71.   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 other than Defendants that

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purchased or otherwise acquired: (a) C3.ai Class A common stock in the IPO or purchased C3.ai Class A common stock thereafter in the stock market pursuant and/or traceable to the Company's Offering Documents issued in connection with the IPO; and/or (b) C3.ai securities during the Class Period; and 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.

72.   The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, C3.ai securities were actively traded on the NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by C3.ai 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.

73.   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.

74.   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. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

75.   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:

- whether the federal securities laws were violated by Defendants' acts as alleged herein;

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- whether statements made by Defendants to the investing public in the Offering Documents for the IPO, or during the Class Period, misrepresented material facts about the business, operations and management of C3.ai;

- whether the Securities Act Individual Defendants negligently prepared the Offering Documents for the IPO and, as a result, the Offering Documents contained untrue statements of material fact or omitted to state other facts necessary to make the statements made not misleading, and were not prepared in accordance with the rules and regulations governing their preparation;

- whether the Exchange Act Individual Defendants caused C3.ai to issue false and misleading financial statements during the Class Period;

- whether certain Defendants acted knowingly or recklessly in issuing false and misleading financial statements;

- whether the prices of C3.ai securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and

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

76.   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 make 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.

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

- Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

- the omissions and misrepresentations were material;

- C3.ai securities are traded in an efficient market;

- the Company's shares were liquid and traded with moderate to heavy volume during the Class Period;

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- the Company traded on the NYSE and was covered by multiple analysts;

- the misrepresentations and omissions alleged would tend to induce a reasonable investor to misjudge the value of the Company's securities; and

- Plaintiff and members of the Class purchased, acquired and/or sold C3.ai securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

78.   Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

79.   Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

COUNT I

(Violations of Section 11 of the Securities Act Against All Defendants)

80.   Plaintiff repeats and incorporates each and every allegation contained above as if fully set forth herein, except any allegation of fraud, recklessness or intentional misconduct.

81.   This Count is brought pursuant to Section 11 of the Securities Act, 15 U.S.C. § 77k, on behalf of the Class, against Defendants.

82.   The Offering Documents for the IPO were inaccurate and misleading, contained untrue statements of material facts, omitted to state other facts necessary to make the statements made not misleading, and omitted to state material facts required to be stated therein.

83.   C3.ai is the registrant for the IPO. Defendants named herein were responsible for the contents and dissemination of the Offering Documents.

84.   As issuer of the shares, C3.ai is strictly liable to Plaintiff and the Class for the misstatements and omissions in the Offering Documents.

85.   None of the Defendants named herein made a reasonable investigation or possessed reasonable grounds for the belief that the statements contained in the Offering Documents were true and without omissions of any material facts and were not misleading.

86.   By reasons of the conduct herein alleged, each Defendant violated, and/or controlled a person who violated Section 11 of the Securities Act.

87.   Plaintiff acquired C3.ai shares pursuant and/or traceable to the Offering Documents for the IPO.

88.   Plaintiff and the Class have sustained damages. The value of C3.ai securities has declined substantially subsequent to and because of Defendants' violations.

COUNT II

(Violations of Section 15 of the Securities Act Against the Securities Act Individual Defendants)

89.   Plaintiff repeats and incorporates each and every allegation contained above as if fully set forth herein, except any allegation of fraud, recklessness or intentional misconduct.

90.   This Count is asserted against the Securities Act Individual Defendants and is based upon Section 15 of the Securities Act, 15 U.S.C. § 77o.

91.   The Securities Act Individual Defendants, by virtue of their offices, directorship, and specific acts were, at the time of the wrongs alleged herein and as set forth herein, controlling persons of C3.ai within the meaning of Section 15 of the Securities Act. The Securities Act Individual Defendants had the power and influence and exercised the same to cause C3.ai to engage in the acts described herein.

92.   The Securities Act Individual Defendants' positions made them privy to and provided them with actual knowledge of the material facts concealed from Plaintiff and the Class.

93.   By virtue of the conduct alleged herein, the Securities Act Individual Defendants are liable for the aforesaid wrongful conduct and are liable to Plaintiff and the Class for damages suffered.

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COUNT III

(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against the Exchange Act Defendants)

4   94.   Plaintiff repeats and re-alleges each and every allegation contained above as if fully set

5 forth herein.

6   95.   This Count is asserted against the Exchange Act Defendants and is based upon Section

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8 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

9   96.   During the Class Period, the Exchange Act Defendants engaged in a plan, scheme,

10 conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts,

11 transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiff and

12 the other members of the Class; made various untrue statements of material facts and omitted to state

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14 material facts necessary in order to make the statements made, in light of the circumstances under which

15 they were made, not misleading; and employed devices, schemes and artifices to defraud in connection

16 with the purchase and sale of securities. Such scheme was intended to, and, throughout the Class Period,

17 did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; (ii)

18 artificially inflate and maintain the market price of C3.ai securities; and (iii) cause Plaintiff and other

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20 members of the Class to purchase or otherwise acquire C3.ai securities and options at artificially inflated

21 prices. In furtherance of this unlawful scheme, plan and course of conduct, the Exchange Act Defendants,

22 and each of them, took the actions set forth herein.

23   97.   Pursuant to the above plan, scheme, conspiracy and course of conduct, each of the

24 Exchange Act Defendants participated directly or indirectly in the preparation and/or issuance of the

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26 quarterly and annual reports, SEC filings, press releases and other statements and documents described

27 above, including statements made to securities analysts and the media that were designed to influence the

28 market for C3.ai securities. Such reports, filings, releases and statements were materially false and

misleading in that they failed to disclose material adverse information and misrepresented the truth about C3.ai's finances and business prospects.

98.	By virtue of their positions at C3.ai, the Exchange Act Defendants had actual knowledge of the materially false and misleading statements and material omissions alleged herein and intended thereby to deceive Plaintiff and the other members of the Class, or, in the alternative, the Exchange Act Defendants acted with reckless disregard for the truth in that they failed or refused to ascertain and disclose such facts as would reveal the materially false and misleading nature of the statements made, although such facts were readily available to the Exchange Act Defendants. Said acts and omissions of the Exchange Act Defendants were committed willfully or with reckless disregard for the truth. In addition, each of the Exchange Act Defendants knew or recklessly disregarded that material facts were being misrepresented or omitted as described above.

99.	Information showing that the Exchange Act Defendants acted knowingly or with reckless disregard for the truth is peculiarly within the Exchange Act Defendants' knowledge and control. As the senior managers and/or directors of C3.ai, the Exchange Act Individual Defendants had knowledge of the details of C3.ai's internal affairs.

100.	The Exchange Act Individual Defendants are liable both directly and indirectly for the wrongs complained of herein. Because of their positions of control and authority, the Exchange Act Individual Defendants were able to and did, directly or indirectly, control the content of the statements of C3.ai. As officers and/or directors of a publicly-held company, the Exchange Act Individual Defendants had a duty to disseminate timely, accurate, and truthful information with respect to C3.ai's businesses, operations, future financial condition and future prospects. As a result of the dissemination of the aforementioned false and misleading reports, releases and public statements, the market price of C3.ai securities was artificially inflated throughout the Class Period. In ignorance of the adverse facts

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concerning C3.ai's business and financial condition which were concealed by the Exchange Act Defendants, Plaintiff and the other members of the Class purchased or otherwise acquired C3.ai securities at artificially inflated prices and relied upon the price of the securities, the integrity of the market for the securities and/or upon statements disseminated by the Exchange Act Defendants, and were damaged thereby.

101.   During the Class Period, C3.ai securities were traded on an active and efficient market. Plaintiff and the other members of the Class, relying on the materially false and misleading statements described herein, which the Exchange Act Defendants made, issued or caused to be disseminated, or relying upon the integrity of the market, purchased or otherwise acquired shares of C3.ai securities at prices artificially inflated by the Exchange Act Defendants' wrongful conduct. Had Plaintiff and the other members of the Class known the truth, they would not have purchased or otherwise acquired said securities, or would not have purchased or otherwise acquired them at the inflated prices that were paid. At the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value of C3.ai securities was substantially lower than the prices paid by Plaintiff and the other members of the Class. The market price of C3.ai securities declined sharply upon public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

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

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

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COUNT IV

(Violations of Section 20(a) of the Exchange Act Against the Exchange Act Individual Defendants)

104.   Plaintiff repeats and re-alleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

105.   During the Class Period, the Exchange Act Individual Defendants participated in the operation and management of C3.ai, and conducted and participated, directly and indirectly, in the conduct of C3.ai's business affairs. Because of their senior positions, they knew the adverse non-public information about C3.ai's misstatement of income and expenses and false financial statements.

106.   As officers and/or directors of a publicly owned company, the Exchange Act Individual Defendants had a duty to disseminate accurate and truthful information with respect to C3.ai's financial condition and results of operations, and to correct promptly any public statements issued by C3.ai which had become materially false or misleading.

107.   Because of their positions of control and authority as senior officers, the Exchange Act Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which C3.ai disseminated in the marketplace during the Class Period concerning C3.ai's results of operations. Throughout the Class Period, the Exchange Act Individual Defendants exercised their power and authority to cause C3.ai to engage in the wrongful acts complained of herein. The Exchange Act Individual Defendants therefore, were "controlling persons" of C3.ai within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of C3.ai securities.

108.   Each of the Exchange Act Individual Defendants, therefore, acted as a controlling person of C3.ai. By reason of their senior management positions and/or being directors of C3.ai, each of the Exchange Act Individual Defendants had the power to direct the actions of, and exercised the same to

cause, C3.ai to engage in the unlawful acts and conduct complained of herein. Each of the Exchange Act Individual Defendants exercised control over the general operations of C3.ai and possessed the power to control the specific activities which comprise the primary violations about which Plaintiff and the other members of the Class complain.

109. By reason of the above conduct, the Exchange Act Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by C3.ai.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment against Defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

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

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

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

DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.

Dated: March 4, 2022

Respectfully submitted,

POMERANTZ LLP

By: *s/ Jennifer Pafiti*
Jennifer Pafiti (SBN 282790)
1100 Glendon Avenue, 15th Floor
Los Angeles, CA 90024
Telephone: 310-405-7190
jpafiti@pomlaw.com

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POMERANTZ LLP
Jeremy A. Lieberman
(*pro hac vice* application forthcoming)
J. Alexander Hood II
(*pro hac vice* application forthcoming)
600 Third Avenue, 20th Floor
New York, New York 10016
Telephone: (212) 661-1100
Facsimile: (917) 463-1044
jalieberman@pomlaw.com
ahood@pomlaw.com

WOHL & FRUCHTER LLP
Joshua E. Fruchter
(*pro hac vice* application forthcoming)
25 Robert Pitt Drive, Suite 209G
Monsey, NY 10952
Telephone: (845) 290-6818
Facsimile: (718) 504-3773
jfruchter@wohlfruchter.com

Attorneys for Plaintiff

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ClassAction.org

This complaint is part of ClassAction.org's searchable class action lawsuit database and can be found in this post: [Class Action Alleges Artificial Intelligence Co. C3.ai Misled Investors Prior to IPO](#)