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 14 WageWorks, Inc.

15 UNITED STATES DISTRICT COURT
 16 NORTHERN DISTRICT OF CALIFORNIA
 17 OAKLAND DIVISION

18 IN RE WAGeworks, INC.
 19 SECURITIES LITIGATION
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CASE NO.: 4:18-CV-01523-JSW
**DEFENDANT WAGeworks,
 INC.'S ANSWER TO THE
 CONSOLIDATED AMENDED
 CLASS ACTION COMPLAINT**
 Honorable Jeffrey S. White

1 Defendant WageWorks, Inc. (“WageWorks,” the “Company,” or “Defendant”) hereby
2 answers Plaintiffs’ Consolidated Amended Class Action Complaint for Violation of the Federal
3 Securities Laws (the “Complaint”), Dkt. No. 87, filed May 16, 2019.

4 To the extent that the paragraphs in the Complaint are grouped under headings and
5 subheadings, Defendant responds generally that the headings and subheadings do not constitute
6 factual averments, and thus the headings are not included herein. To the extent that a response is
7 deemed necessary, Defendant denies each and every heading and subheading in the Complaint.
8 Except as explicitly admitted herein, Defendant denies each and every allegation of the
9 Complaint, including without limitation, any allegations in the headings, subheadings, footnotes
10 and prayer for relief. Defendant further answers the numbered paragraphs in the Complaint as
11 follows.¹

12 1. Defendant admits that Plaintiffs purport to bring this suit under the Securities
13 Exchange Act of 1934 (the “Exchange Act”) and the Securities Act of 1933 (the “‘33 Act”)
14 against the named defendants. Defendant admits that a public offering of 2.5 million shares of
15 WageWorks stock was conducted on June 19, 2017. The remaining allegations in paragraph 1
16 purport to describe Plaintiffs’ investigation and beliefs regarding the allegations in the
17 Complaint; Defendant lacks knowledge and information sufficient to form a belief as to the truth
18 of the allegations and, on that basis, denies the allegations. Except as expressly admitted herein,
19 Defendant denies each and every allegation in paragraph 1.

20 2. Defendant admits that the Complaint purports to be a securities fraud class action
21 brought against the named defendants under the Exchange Act and the ‘33 Act on behalf of all
22 investors who purchased or otherwise acquired WageWorks common stock between May 6,
23 2016 and March 1, 2018, inclusive (the “Class Period”). Defendant admits that during the Class
24 Period, the Company issued its 2016 Form 10-K, Forms 10-Q for the second and third quarters
25 of 2016, Forms 10-Q for the first, second and third quarters of 2017 and certain press releases,
26 and participated in certain analyst calls, which documents speak for themselves. The allegations
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28 ¹ Except as noted, all capitalized terms used in this Answer have the same meaning ascribed to them in the Complaint.

1 in the last sentence in paragraph 2 contain legal conclusions as to which no response is required.
2 To the extent a response is deemed necessary, Defendant denies the allegations. Defendant
3 further denies that any act occurred that constitutes a violation of the federal securities laws and
4 denies that this action may be maintained as a class action. Except as expressly admitted herein,
5 Defendant denies each and every allegation in paragraph 2.

6 3. The first sentence in paragraph 3 contains assertions or legal conclusions as to
7 which no response is required. Defendant admits that Joseph L. Jackson was a former Chief
8 Executive Officer of the Company and that Colm M. Callan was a former Chief Financial
9 Officer of the Company but otherwise denies the allegations in the second sentence in paragraph
10 3. The allegations in the last sentence in paragraph 3 contain legal conclusions as to which no
11 response is required. To the extent a response is deemed necessary, Defendant denies the
12 allegations. Except as expressly admitted herein, Defendant denies each and every allegation in
13 paragraph 3.

14 4. Defendant admits that each of the Executive Defendants executed Sarbanes-Oxley
15 (“SOX”) certifications in connection with the Company’s Forms 10-Q and Form 10-K during the
16 Class Period, certifying that he and the Company’s other certifying officer(s) are responsible for
17 establishing and maintaining disclosure controls and procedures and internal control over
18 financing reporting for the Company and have, among things, designed such disclosure controls
19 and procedures, or caused such disclosure controls and procedures to be designed under their
20 supervision, to ensure that material information relating to the Company including its
21 consolidated subsidiaries, is made known to them by others within those entities, and to provide
22 reasonable assurance regarding the reliability of financial reporting and the preparation of
23 financial statements for external purposes in accordance with generally accepted accounting
24 principles. Defendant admits that it was determined that the Company had a material weakness
25 in its internal control over financial reporting as of December 31, 2017 related to managing
26 change and assessing risk in the areas of non-routine and complex transactions for certain time
27 periods. As to the allegation regarding investors’ knowledge, Defendant lacks knowledge and
28 information sufficient to form a belief as to the truth of the allegation, and on that basis, denies

1 the allegation. Except as expressly admitted herein, Defendant denies each and every allegation
2 in paragraph 4.

3 5. The allegations in the first sentence in paragraph 5 contain legal conclusions as to
4 which no response is required. To the extent a response is deemed necessary, Defendant denies
5 the allegations. Defendant admits that the Company executed a contract with the United States
6 Office of Personnel Management (“OPM”), dated March 1, 2016, to administer OPM’s Federal
7 Flexible Spending Account Program (“FSAFEDS”) and that in the second and third quarters and
8 full-year 2016, the Company recognized revenue for certain professional services it believed
9 were within the scope of the OPM Contract, which revenue was later restated. Defendant admits
10 that it developed the software KP Connector. Defendant admits that in the Restatement, the
11 Company recorded a \$3.7 million impairment charge in connection with the KP Connector’s
12 carrying value which was considered unrecoverable as of June 30, 2016. Except as expressly
13 admitted herein, Defendant denies each and every allegation in paragraph 5 and footnote 2.

14 6. Defendant denies the allegations in the first sentence in paragraph 6. Defendant
15 admits that the Company sent to OPM an invoice dated February 15, 2017, that the OPM
16 Contract was modified in writing (“MOD 001”), and that the modification was signed by the
17 Company’s then General Counsel on July 20, 2016. Defendant denies Plaintiff’s
18 characterization of the invoice. The invoice, MOD 001 and OPM Contract speak for themselves,
19 and Defendant refers to the documents for their complete contents. Defendant denies that the
20 Company was not entitled to be paid for services rendered under the OPM Contract prior to
21 September 1, 2016. Except as expressly admitted herein, Defendant denies each and every
22 allegation in paragraph 6.

23 7. Defendant denies the allegations in the first sentence of paragraph 7. Defendant
24 admits that the Restatement related to revenue recognition for the OPM Contract and the
25 impairment assessment for KP Connector. The remaining allegations in paragraph 7 concern the
26 impact of the Restatement on the Company’s financial results, which was reported in the
27 Company’s 2017 Form 10-K and 2016 Form 10-K/A. Defendant denies Plaintiffs’
28 characterization of the impact of the Restatement on the Company’s financial results. The 2017

1 Form 10-K and 2016 Form 10-K/A speak for themselves, and Defendant refers to the documents
2 for their complete contents. Except as expressly admitted herein, Defendant denies each and
3 every allegation in paragraph 7.

4 8. Defendant admits that KPMG served as the Company's independent auditor
5 during the Class Period. Except as expressly admitted herein, Defendant denies each and every
6 allegation in paragraph 8.

7 9. Defendant denies the allegations in the first sentence of paragraph 9. The
8 remaining allegations concern WageWorks' stock price, and Defendant refers to public records
9 of such stock prices. Except as expressly admitted herein, Defendant denies each and every
10 allegation in paragraph 9.

11 10. The first two sentences in paragraph 10 concern Mr. Jackson's sales and trading
12 history of WageWork common stock, which were reported in related Forms 4 filed with the
13 Securities and Exchange Commission ("SEC"). The Forms 4 speak for themselves, and
14 Defendant refers to the documents for their complete contents. Defendant admits that the
15 Company conducted a public offering of its common stock in June 2017 at \$69.25 per share and
16 received proceeds of approximately \$130 million. Except as expressly admitted herein,
17 Defendant denies each and every allegation in paragraph 10.

18 11. Defendant admits that OPM denied payment of the Company's February 15, 2017
19 invoice for approximately \$1.5 million before the end of 2017. Defendant admits that KPMG
20 was the Company's independent auditor at that time. Except as expressly admitted herein,
21 Defendant denies each and every allegation in paragraph 11.

22 12. Defendant admits that on March 1, 2018, the New York Stock Exchange briefly
23 halted trading of the Company's common stock and the Company announced it was delaying the
24 filing of its 2017 Form 10-K. The second and third sentences in paragraph 12 concern the
25 Company's announcement on March 2, 2018, which is contained in its Form 12b-25 that was
26 filed with the SEC. The Form 12b-25 speaks for itself, and Defendant refers to the document for
27 its complete contents. As to the allegation that the March 2018 announcement "stunned an
28 unsuspecting investment community," Defendant lacks knowledge and information sufficient to

1 form a belief as to the truth of the allegation, and on that basis, denies the allegation. As to the
2 allegations regarding WageWorks' stock price and trading volume, Defendant refers to public
3 records of such stock prices. Except as expressly admitted herein, Defendant denies each and
4 every allegation in paragraph 12.

5 13. Defendant admits that the Company publicly announced the resignations of Mr.
6 Jackson as CEO, Mr. Callan as CFO, and Kim Wilford as General Counsel on April 5, 2018, but
7 Defendant denies Plaintiffs' characterization of the resignations. Defendant admits that the
8 Audit Committee conducted an investigation of internal control over financial reporting in fiscal
9 2016 and 2017. Defendant admits that the excerpted text in quotations in the fourth sentence in
10 paragraph 13 reflects portions of statements in the Company's Form 8-K that was filed with the
11 SEC on September 12, 2018, but Defendant denies that Plaintiffs' selective quotations are
12 complete or presented with full context and denies Plaintiffs' characterization of the statements
13 made in that Form 8-K. The Form 8-K speaks for itself, and Defendant refers to the document
14 for its complete contents. To the extent that the allegations regarding Section 10A of the
15 Exchange Act in the last sentence in paragraph 5 contain legal conclusions, no response is
16 required. To the extent a response is deemed necessary, Defendant denies the allegations.
17 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
18 13.

19 14. Defendant admits that the Company publicly announced on September 12, 2018
20 that KPMG had brought certain concerns to the attention of its lead independent director.
21 Defendant denies that KPMG's August 2018 letter was addressed to WageWork's Audit
22 Committee and denies Plaintiffs' characterization of the contents of the August 2018 letter and of
23 KPMG's actions. The letter speaks for itself, and Defendant refers to the document for its
24 complete contents. Defendant further denies that Mariann Byerwalter was the chairperson of
25 WageWork's Audit Committee in August 2018 and denies that KPMG demanded her removal
26 from the Audit Committee. Plaintiffs now admit that Ms. Byerwalter "ceased being the chair of
27 the Audit Committee in February 2017." Plaintiffs' Notice of Errata, filed November 21, 2019
28 (Dkt. No. 129) ("Errata Notice"). Plaintiffs' Errata Notice further states, "Counsel for Lead

1 Plaintiff will not assert that KPMG specifically demanded the resignation of Mrs. Byerwalter or
2 argue that Mrs. Byerwalter . . . resigned at the insistence of KPMG.” *Id.* Except as expressly
3 admitted herein, Defendant denies each and every allegation in paragraph 14.

4 15. Defendant denies the allegations in the first sentence in paragraph 15. Plaintiffs
5 now admit that Ms. Byerwalter “ceased being the chair of the Audit Committee in February
6 2017.” Plaintiffs’ Errata Notice. Further, “Counsel for Lead Plaintiff will not assert that KPMG
7 specifically demanded the resignation of Mrs. Byerwalter or argue that Mrs. Byerwalter . . .
8 resigned at the insistence of KPMG.” *Id.* Defendant admits the allegations in footnote 3 but
9 denies Plaintiffs’ characterization of the March 20, 2018 claim. Except as expressly admitted
10 herein, Defendant denies each and every allegation in paragraph 15 and footnote 3.

11 16. Defendant admits that KPMG no longer served as the Company’s independent
12 auditor, effective October 31, 2018. Defendant denies that the Company removed Ms.
13 Byerwalter from the Audit Committee. *See* Plaintiffs’ Errata Notice. Except as expressly
14 admitted herein, Defendant denies each and every allegation in paragraph 16.

15 17. As to the allegation that the September 12, 2018 disclosures “stunned the market,”
16 Defendant lacks knowledge and information sufficient to form a belief as to the truth of the
17 allegation, and on that basis, denies the allegation. As to the allegations regarding WageWorks’
18 stock price and trading volume, Defendant refers to public records of such stock prices. Except
19 as expressly admitted herein, Defendant denies each and every allegation in paragraph 17.

20 18. Defendant admits that the quote in the first sentence in paragraph 18 has been
21 credited to Justice Louis D. Brandeis but denies that Justice Brandeis served as Chief Justice of
22 the United States Supreme Court.² Defendant admits the governmental authorities stated in the
23 second sentence in paragraph 18 conducted investigations of the Company, but Defendant lacks
24 knowledge and information sufficient to form a belief as to the truth of the allegations that the
25 investigations other than the SEC investigation are “ongoing,” and on that basis, denies the
26 allegations. Defendant admits that the Company issued a Restatement and that the Restatement
27 is set forth in the 2017 Form 10-K. The 2017 Form 10-K speaks for itself, and Defendant refers

28 ² *See* www.supremecourt.gov/about/members_text.aspx

1 to the document for its complete contents. Except as expressly admitted herein, Defendant
2 denies each and every allegation in paragraph 18.

3 19. Defendant admits that the excerpted text in quotations in paragraph 19 reflects
4 portions of statements in the 2017 Form 10-K, but Defendant denies that Plaintiffs' selective
5 quotes are complete or presented with full context and denies Plaintiffs' characterization of
6 statements made in the 2017 Form 10-K. The 2017 Form 10-K speaks for itself, and Defendant
7 refers to the document for its complete contents. Except as expressly admitted herein, Defendant
8 denies each and every allegation in paragraph 19.

9 20. Defendant admits that the excerpted text in quotations in paragraph 20 reflects
10 portions of statements in the 2017 Form 10-K, but Defendant denies that Plaintiffs' selective
11 quotations are complete or presented with full context, denies Plaintiffs' emphasis added with
12 bold, and denies Plaintiffs' characterization of the statements made in the 2017 Form 10-K. The
13 2017 Form 10-K speaks for itself, and Defendant refers to the document for its complete
14 contents. Except as expressly admitted herein, Defendant denies each and every allegation in
15 paragraph 20.

16 21. The allegations in paragraph 21 purport to characterize the Restatement.
17 Defendant denies Plaintiffs' characterization of the Restatement and related disclosures and
18 denies that Plaintiffs' selective quotes are complete or presented with full context. To the extent
19 the selective quotes purport to quote from unidentified SEC filings or disclosures from the
20 Company, the document(s) speaks for itself, and Defendant refers to the document for its
21 complete contents. Except as expressly admitted herein, Defendant denies each and every
22 allegation in paragraph 21.

23 22. Defendant notes that the first sentence in paragraph 22 is not a complete sentence
24 and no response is required. To the extent a response is deemed necessary, Defendant denies the
25 allegations in the first sentence. Defendant lacks knowledge and information sufficient to form a
26 belief as to the truth of the allegations regarding any Plaintiffs' or any '34 Act Class members'
27 alleged damages and, on that basis, denies the allegations. As to the allegation that Mr. Jackson
28 "has profited handsomely," Defendant lacks knowledge and information sufficient to form a

1 belief as to the truth of the allegation and, on that basis, denies the allegation. Defendant admits
2 that the Company conducted a public offering in June 2017 of common stock at \$69.25 per share
3 and received proceeds of approximately \$130 million. Except as expressly admitted herein,
4 Defendant denies each and every allegation in paragraph 22.

5 23. To the extent the chart and allegations in paragraph 23 purport to concern “the
6 artificial inflation” in the trading price of WageWork stock during the Class Period, the cause of
7 the inflation, and dates of “Corrective Disclosure,” the chart and allegations contain legal
8 conclusions or conclusions that require expert opinion, as to which no response is required. To
9 the extent a response is deemed necessary, Defendant denies the allegations and chart. To the
10 extent the chart purports to reflect information relating to Mr. Jackson’s stock sales, including
11 the date of sale and amount of proceeds, such sales are reported in Mr. Jackson’s Forms 4 filed
12 with the SEC. The Forms 4 speak for themselves, and Defendant refers to the documents for
13 their complete contents. Defendant admits that the Company conducted a public offering on
14 June 19, 2017 at \$69.25 per share. Defendant admits that Plaintiffs allege a Class Period from
15 May 6, 2016 to March 1, 2018 but denies that this action may be maintained as a class action.
16 Defendant further denies that the Restatement occurred on March 19, 2019. To the extent the
17 chart purports to reflect the price of WageWorks stock over the course of the stated timeline,
18 Defendant refers to public records of such stock prices. Except as expressly admitted herein,
19 Defendant denies each and every allegation and the chart in paragraph 23

20 24. Defendant admits that the Public Employees’ Retirement Association of New
21 Mexico (“PERA”) purports to assert claims under Sections 11, 12(a)³ and 15 of the ‘33 Act on
22 behalf of those who purchased WageWorks common stock in or traceable to the June 19, 2017
23 Form S-3 Registration Statement (the “Registration Statement”), Prospectus, and Supplemental
24 Prospectus. Defendant admits that the Complaint refers to the Registration Statement,
25 Prospectus and Supplemental Prospectus as the “Offering Documents.” Defendant denies that
26 any act occurred that constitutes a violation of the ‘33 Act and denies that this action may be

27 ³ Defendant notes that the Section 12(a) claim was asserted solely against the Underwriter
28 Defendants whom Plaintiff PERA voluntarily dismissed on September 10, 2019. *See* Dkt. No.
119.

1 maintained as a class action. Defendant lacks knowledge and information sufficient to form a
2 belief as to the truth of the allegations regarding Plaintiff PERA's or any of the putative '33 Act
3 Class members' alleged damages and, on that basis, denies the allegations. Except as expressly
4 admitted herein, Defendant denies each and every allegation in paragraph 24.

5 25. The allegations in paragraph 25 contain legal conclusions as to which no response
6 is required. To the extent a response is deemed necessary, Defendant denies the allegations.
7 Defendant admits that the June 2017 Offering raised approximately \$130 million in proceeds.
8 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
9 25.

10 26. Defendant admits that this Court has jurisdiction over this action.

11 27. Defendant admits that venue is proper in this district and that the Company's
12 principal office is located in this district. Defendant denies Plaintiffs' allegations that acts and
13 transactions complained in the Complaint constitute violations of law and that any wrongful acts
14 occurred in this district. Except as expressly admitted herein, Defendant denies each and every
15 allegation in paragraph 27.

16 28. Defendant admits that the Company has used instrumentalities of interstate
17 commerce, including but not limited to the United States mails, telephone communications, and
18 the facilities of a national securities exchange. Except as expressly admitted herein, Defendant
19 denies each and every allegation in paragraph 28.

20 29. Defendant admits that Plaintiffs Public Employees' Retirement System of
21 Mississippi ("MPERS") and the Government Employees' Retirement System of the Virgin
22 Islands ("GERS") purport to set forth in their certifications⁴ their purchases of WageWorks
23 securities during the putative Class Period. Defendant lacks knowledge and information
24 sufficient to form a belief as to the truth of the information contained in the certifications and, on
25 that basis, denies them. Defendant also lacks knowledge and information sufficient to form a
26 belief as to the truth of the allegations regarding MPERS', GERS' or any of the putative '34 Act
27 Class members' alleged damages and, on that basis, denies the allegations. Defendant also

28 ⁴ Defendant denies that one of the certifications is filed as Dkt. No. 38-7.

1 denies that it has violated any federal securities laws. Except as expressly admitted herein,
2 Defendant denies each and every allegation in paragraph 29.

3 30. Defendant lacks knowledge and information sufficient to form a belief as to the
4 truth of the allegations in paragraph 30 and, on that basis, denies them.

5 31. Defendant lacks knowledge and information sufficient to form a belief as to the
6 truth of the allegations in paragraph 31 and, on that basis, denies them.

7 32. Defendant admits that Plaintiff PERA purports to set forth in its certification its
8 purchases of WageWorks common stock issued pursuant and traceable to the Company's June
9 2017 Offering. Defendant lacks knowledge and information sufficient to form a belief as to the
10 truth of the information contained in the certification and, on that basis, denies it. Defendant also
11 lacks knowledge and information sufficient to form a belief as to the truth of the allegation that
12 Plaintiff PERA purchased WageWork stock in or are traceable to the June 2017 Offering and, on
13 that basis, denies the allegation. Defendant lacks knowledge and information sufficient to form a
14 belief as to the truth of the allegations regarding Plaintiff PERA's alleged damages and, on that
15 basis, denies the allegations. As to the allegations in the last sentence in paragraph 32,
16 Defendant lacks knowledge and information sufficient to form a belief as to the truth of the
17 allegations and, on that basis, denies the allegations. Except as expressly admitted herein,
18 Defendant denies each and every allegation in paragraph 32.

19 33. Defendant admits that WageWorks is incorporated in Delaware and that during
20 the Class Period, its principal offices were located in San Mateo, California. Defendant admits
21 that WageWorks common stock traded on the New York Stock Exchange ("NYSE") under the
22 symbol "WAGE" during the Class Period but denies that the stock continues to do so.
23 Defendant notes that WageWorks was acquired by HealthEquity, Inc. which merger closed on
24 August 30, 2019 at which point, WageWorks common stock ceased being traded on the NYSE.

25 34. Defendant admits the allegations in paragraph 34.

26 35. Defendant admits the allegations in paragraph 35.

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1 36. Defendant admits that the Executive Defendants were provided draft(s) of the
2 Company's SEC filings and certain press releases prior to issuance. Except as otherwise
3 admitted herein, Defendant denies each and every allegation in paragraph 36.

4 37. Defendant admits that the Complaint refers to WageWorks, Mr. Jackson and Mr.
5 Callan collectively as "34 Act Defendants."

6 38. With the exception of the last sentence, the allegations in paragraph 38 contain
7 legal conclusions as to which no response is required. To the extent a response is deemed
8 necessary, Defendant denies the allegations. As to the last sentence, Defendant admits that Lead
9 Plaintiff PERA purports to assert claims under the '33 Act against WageWorks, Mr. Jackson,
10 Mr. Callan, the Underwriter Defendants and the Director Defendants and that the Complaint
11 refers to these defendants as the "33 Act Defendants." Defendant denies that any act occurred
12 that constitutes a violation of the federal securities laws. Except as expressly admitted herein,
13 Defendant denies each and every allegation in paragraph 38.

14 39. Defendant admits that a public offering of 2.5 million shares of WageWorks
15 common stock was conducted in June 2017. Defendant admits that William Blair & Company,
16 LLC, Stifel, Nicolaus & Company, Inc., JMP Securities, LLC, Needham & Company, LLC and
17 Suntrust Robinson Humphrey, Inc. were underwriters for the June 2017 Offering. Except as
18 expressly admitted herein, Defendant denies each and every allegation in paragraph 39.

19 40. Defendant admits the allegations in paragraph 40. Defendant also notes that on
20 September 10, 2019, Plaintiff PERA voluntarily dismissed the Underwriter Defendants without
21 prejudice.⁵

22 41. Defendant admits that the Underwriter Defendants served as underwriters of the
23 June 2017 Offering. Except as expressly admitted herein, Defendant denies each and every
24 allegation in paragraph 41.

25 42. Defendant admits that Mariann Byerwalter, Thomas A. Bevilacqua, Bruce
26 Bodaken, Jerome D. Gramaglia, John W. Larson, and Robert L. Metzger were directors of the

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28 ⁵ See Notice of Co-Lead Plaintiff The Public Employees Retirement Association of New Mexico's Voluntary Dismissal Without Prejudice of Underserved Underwriter Defendants (Dkt. No. 119).

1 Company's Board on June 19, 2017 and that they signed the Registration Statement in connection
2 with the June 2017 Offering. Defendant admits that the Complaint names these Director
3 Defendants in Count III and Count V for alleged violations of Section 11 and Section 15 of the
4 '33 Act, respectively. Defendant further denies that any act occurred that constitutes a violation
5 of the federal securities laws. Except as expressly admitted herein, Defendant denies each and
6 every allegation in paragraph 42.

7 43. Defendant admits the allegations in paragraph 43 but denies Plaintiffs'
8 characterization that WageWorks "purports" to be a leader in CDB administration. Except as
9 expressly admitted herein, Defendant denies each and every allegation in paragraph 43.

10 44. Defendant admits the allegations in the first three sentences in paragraph 44.
11 Defendant admits that the excerpted text in indented format in paragraph 44 reflects portions of
12 statements made in the Company's Form 10-K that was filed with the SEC on February 23,
13 2017. The 2016 Form 10-K speaks for itself, and Defendant refers to the document for its
14 complete contents. Except as expressly admitted herein, Defendant denies each and every
15 allegation in paragraph 44.

16 45. Defendant admits the allegations in the first sentence in paragraph 45. Defendant
17 admits that the Company believes that January 31 is the most appropriate point-in-time measure
18 date for annual plan metrics. Except as expressly admitted herein, Defendant denies each and
19 every allegation in paragraph 45.

20 46. Defendant admits that in August 2014, the Company entered into an agreement to
21 acquire CONEXIS Benefits Administration, LP and that the purchase price was \$118 million.
22 Defendant admits that in November 2016, the Company entered into an agreement to purchase
23 ADP's Consumer Health Spending Account, COBRA, and direct bill business for approximately
24 \$235 million in cash. Except as expressly admitted herein, Defendant denies each and every
25 allegation in paragraph 46.

26 47. Defendant denies each and every allegation in paragraph 47.

27 48. The allegations in the first three sentences in paragraph 48 concern WageWorks'
28 stock price, and Defendant refers to public records of such stock prices. Defendant denies the

1 allegations in the remaining sentence in paragraph 48. Except as expressly admitted herein,
2 Defendant denies each and every allegation in paragraph 48.

3 49. Defendant admits that certain excerpted text in quotations in paragraph 49 reflects
4 portions of statements made in the Company's Form 10-K for the year ending December 31,
5 2012, but Defendant denies that Plaintiffs' selective quotations are either complete, accurate or
6 presented with full context, denies Plaintiffs' emphasis added with bold, and denies Plaintiffs'
7 characterization of the 2012 Form 10-K. The 2012 Form 10-K speaks for itself, and Defendant
8 refers to the document for its complete contents. Except as expressly admitted herein, Defendant
9 denies each and every allegation in paragraph 49.

10 50. Defendant admits that the excerpted text in quotations in the first, fourth and fifth
11 sentences in paragraph 50 reflect portions of statements made in the Company's Form 10-K,
12 filed with the SEC on February 27, 2013, but Defendant denies that Plaintiffs' selective
13 quotations are complete or presented with full context, denies Plaintiffs' emphasis added with
14 bold, and denies Plaintiffs' characterization of statements made in the 2012 Form 10-K.
15 Defendant admits that the excerpted text in quotations in the sixth and seventh sentences in
16 paragraph 44 reflect portions of statements made in the Company's Forms 10-K, filed with the
17 SEC on February 25, 2016 and February 23, 2017, respectively, but Defendant denies that
18 Plaintiffs' selective quotations are complete or presented with full context, denies Plaintiffs'
19 emphasis added with bold, and denies Plaintiffs' characterization of statements made in the 2015
20 and 2016 Forms 10-K. The 2012, 2015 and 2016 Forms 10-K speak for themselves, and
21 Defendant refers to the documents for their complete contents. The allegations in the second and
22 third sentences in paragraph 50 contain legal conclusions or assertions as to which no response is
23 required. To the extent a response is deemed necessary, Defendant denies the allegations.
24 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
25 50.

26 51. Defendant denies each and every allegation in paragraph 51.

27 52. Defendant admits that in March 2016, the Company was selected by the United
28 States Office of Personnel Management to administer its FSAFEDS program and that this

1 selection provided approximately 1.8 million eligible federal employees with access to
2 WageWork's platform. Except as expressly admitted herein, Defendant denies each and every
3 allegation in paragraph 52.

4 53. Defendant admits the allegations in paragraph 53.

5 54. Defendant admits the allegations in paragraph 54.

6 55. Defendant admits that the allegations in paragraph 55 purport to summarize a
7 memo from Patrick McFarland, Inspector General, to Beth Cobert, OPM Acting Director, dated
8 October 14, 2015. Defendant admits that the text in quotations in the first and fifth sentences in
9 paragraph 55 reflects portions of statements made in the October 14, 2015 memo, but Defendant
10 denies that Plaintiffs' selective quotations are either complete, accurate or presented with full
11 context, denies Plaintiffs' emphasis added in bold, and denies Plaintiffs' characterization of
12 statements made in the memo. The October 14, 2015 memo speaks for itself, and Defendant
13 refers to the document for its complete contents. As to the allegation in the last sentence in
14 paragraph 55 regarding OPM's "major concern," Defendant lacks knowledge and information
15 sufficient to form a belief as to the truth of the allegation and, on that basis, denies the allegation.
16 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
17 55.

18 56. Defendant admits that the allegations in paragraph 56 purport to summarize a
19 memo from Patrick McFarland, Inspector General, to Beth Cobert, OPM Acting Director, dated
20 October 14, 2015. Defendant admits that the text in quotations in the last sentence in paragraph
21 56 reflects portions of a statement made in the October 14, 2015 memo, but Defendant denies
22 that Plaintiffs' selective quotations are either complete, accurate or presented with full context,
23 denies Plaintiffs' emphasis added in bold, and denies Plaintiffs' characterization of statements
24 made in the memo. The October 14, 2015 memo speaks for itself, and Defendant refers to the
25 document for its complete contents. Except as expressly admitted herein, Defendant denies each
26 and every allegation in paragraph 56.

27 57. Defendant admits that the allegations in paragraph 57 purport to summarize a
28 memo from the OPM Office of Procurement Operations to Patrick McFarland, Inspector

1 General, dated October 22, 2015. Defendant admits that the text in quotations in paragraph 57
2 reflects portions of statements made in the October 22, 2015 memo, but Defendant denies that
3 Plaintiffs' selective quotations are complete or presented with full context. Defendant lacks
4 knowledge and information sufficient to form a belief as to the truth of the allegations in the last
5 sentence in paragraph 57 and, on that basis, denies the allegations. Except as expressly admitted
6 herein, Defendant denies each and every allegation in paragraph 57.

7 58. As to the allegations in the first sentence in paragraph 58 and the allegation
8 regarding a "bidding war" in the second sentence in paragraph 58, Defendant lacks knowledge
9 and information sufficient to form a belief as to the truth of the allegations and, on that basis,
10 denies the allegations. Except as expressly admitted herein, Defendant denies each and every
11 allegation in paragraph 58.

12 59. Defendant admits the allegations in paragraph 59.

13 60. Defendant admits that it submitted its final revised proposal in response to OPM's
14 Solicitation on February 15, 2016 and that its Volume 2 Final Revised Price Proposal ("Final
15 Volume 2") included a per account, per month fixed price. The Final Volume 2 is a document
16 that speaks for itself and Defendant refers to the document for its complete contents. Defendant
17 admits that the Company and OPM executed the OPM Contract on March 1, 2016 and that the
18 contract is Contract No. OPM3516C003. Defendant admits that Base Year 1 of the Contract is
19 from March 1, 2016 through August 31, 2016 but denies that WageWorks was required to
20 perform services during that time period at no-cost to OPM. Defendant admits that the excerpted
21 text in quotations in the ninth sentence in paragraph 60 reflects portions of statements made in
22 the OPM Contract, but Defendant denies that Plaintiffs' selective quotations are complete or
23 presented with full context. The OPM Contract speaks for itself, and Defendant refers to the
24 document for its complete contents. Except as expressly admitted herein, Defendant denies each
25 and every allegation in paragraph 60.

26 61. Defendant lacks knowledge or information sufficient to form a belief as to the
27 truth of the allegations regarding the unidentified confidential witness in paragraph 61, and on
28 that basis, deny the allegations. Defendant admits that after the award of the OPM Contract, the

1 Company employed certain employees who were former employees of ADP. Except as
2 expressly admitted herein, Defendant denies each and every allegation in paragraph 61.

3 62. Defendant lacks knowledge or information sufficient to form a belief as to the
4 truth of the allegations regarding market awareness in the first sentence in paragraph 62. As to
5 the allegations in paragraph 62 that concern WageWorks' stock price, Defendant refers to public
6 records of such stock prices. Except as expressly admitted herein, Defendant denies each and
7 every allegation in paragraph 62.

8 63. The allegations in paragraph 63 contain legal conclusions as to which no response
9 is required. To the extent a response is deemed necessary, Defendant denies each and every
10 allegation in paragraph 63.

11 64. Defendant admits that the Company issued a press release on May 5, 2016 that
12 reported its financial results for its first quarter ending March 31, 2016. Defendant admits that
13 the excerpted text in indented quotations in paragraph 64 reflects portions of statements made in
14 the May 5, 2016 press release, but Defendant denies that Plaintiffs' selective quotations are
15 complete or presented with full context. The press release speaks for itself, and Defendant refers
16 to the document for its complete contents. Except as expressly admitted herein, Defendant
17 denies each and every allegation in paragraph 64.

18 65. Defendant admits that an earning conference call took place on May 5, 2016. As
19 to the allegations in the second sentence in paragraph 65 regarding unidentified "statements"
20 "reiterated" by Mr. Jackson, Defendant lacks knowledge and information sufficient to form a
21 belief as to the truth of the allegations and, on that basis, deny the allegations. Defendant admits
22 that the excerpted text in indented format in paragraph 65 reflects portions of statements made by
23 Mr. Jackson during the May 5, 2016 call, but Defendant denies that Plaintiffs' selective
24 quotations are either complete, accurate or presented with full context. Except as expressly
25 admitted herein, Defendant denies each and every allegation in paragraph 65.

26 66. Defendant admits the allegations in the first sentence in paragraph 66. Defendant
27 admits that the excerpted text in quotations in the second sentence in paragraph 66 reflects
28 portions of a question posed by an analyst during the May 5, 2016 call and that the excerpted text

1 in indented format in paragraph 66 reflects portions of statements made by Mr. Jackson in
2 response thereto, but Defendant denies that Plaintiffs' selective quotations are either complete,
3 accurate or presented in full context. Except as expressly admitted herein, Defendant denies
4 each and every allegation in paragraph 66.

5 67. Defendant admits that the Company filed a Form 10-Q for the quarter ending
6 March 31, 2016 with the SEC on May 5, 2016 and that the Executive Defendants signed SOX
7 certifications in connection with that Form 10-Q. Defendant admits that the excerpted text in
8 indented format in paragraph 67 reflects portions of statements made in WageWorks' Form 10-Q
9 for the first quarter of 2016, but Defendant denies that Plaintiffs' selective quotations are
10 complete or presented in full context. The Form 10-Q speaks for itself, and Defendant refers to
11 the document for its complete contents. Except as expressly admitted herein, Defendant denies
12 each and every allegation in paragraph 67.

13 68. Defendant admits that the excerpted text in indented format in paragraph 68
14 reflects portions of statements made in WageWorks' Form 10-Q for the first quarter of 2016, but
15 Defendant denies that Plaintiffs' selective quotations are complete or presented in full context.
16 The Form 10-Q speaks for itself, and Defendant refers to the document for its complete contents.
17 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
18 68.

19 69. The allegations in paragraph 69 concern WageWorks' stock price, and Defendant
20 refers to public records of such stock prices. Except as expressly admitted herein, Defendant
21 denies each and every allegation in paragraph 69.

22 70. Defendants admit that a William Blair Growth Stock Conference took place on
23 June 16, 2016 at which Mr. Jackson discussed the Company's revenue results for the first quarter
24 of 2016. Defendant admits that the excerpted text in indented format in paragraph 70 reflects
25 portions of statements made by Mr. Jackson at the June 16, 2016 conference, but Defendant
26 denies that Plaintiffs' selective quotations are complete or presented in full context, denies
27 Plaintiffs' emphasis added with bold and italics, and denies Plaintiffs' characterization of
28

1 statements made in that conference. Except as expressly admitted herein, Defendant denies each
2 and every allegation in paragraph 70.

3 71. The allegations in paragraph 71 concern WageWorks' stock price, and Defendant
4 refers to public records of such stock prices. Except as expressly admitted herein, Defendant
5 denies each and every allegation in paragraph 71.

6 72. Defendant admits that on July 5, 2016, OPM issued a modification to the Contract
7 as Modification Number M0001 to Contract Number OPM3516C003 that included heightened
8 security and additional requirements but denies that the modification was executed on July 5,
9 2016. Defendant denies that the modification was a "no-cost" modification with respect to the
10 period March 1, 2016 through August 31, 2016. MOD 001 speaks for itself, and Defendant
11 refers to the document for its complete contents. Except as expressly admitted herein, Defendant
12 denies each and every allegation in paragraph 72.

13 73. Defendant admits that OPM provided a draft of MOD 001 to the Company on or
14 about July 5, 2016. Defendant admits that during the March 10, 2016 post-award kick-off
15 teleconference between OPM and WageWorks, OPM imposed new plan design requirements and
16 advised that its security requirements were under revision. Defendant admits that on April 20,
17 2016, the OPM Contracting Officer advised that draft security requirements were being prepared
18 by OPM, and that on June 10, 2016, OPM and WageWorks had a meeting to confer on OPM's
19 new plan design and security requirements. Defendant admits that MOD 001 added three
20 Information Technology Contract Clauses which included enhance security clauses, six OPM-
21 Specific Clauses and revised a certain section of the FSAFEDS Administration. MOD 001
22 speaks for itself, and Defendant refers to the document for its complete contents. Defendant
23 admits that MOD 001 was executed by Kim Wilford as General Counsel for WageWorks on July
24 20, 2016. Defendant further admits that in 2015, OPM discovered that personnel data of federal
25 government employees had been stolen. Defendant admits that ADP was contractually obligated
26 to administer claims through August 31, 2016 but denies that the administration of claims during
27 July and August 2016 was performed by ADP. Except as expressly admitted herein, Defendant
28 denies each and every allegation in paragraph 73.

1 74. Defendant admits that the Company issued a press release on August 9, 2016 that
2 reported its financial results for its second quarter ending June 30, 2016. Defendant admits that
3 the excerpted text in indented format in paragraph 74 reflects portions of statements made in the
4 August 9, 2016 press release, but Defendant denies that Plaintiffs' selective quotation is
5 complete or presented with full context. The August 9, 2016 press release speaks for itself, and
6 Defendant refers to the document for its complete contents. Except as expressly admitted herein,
7 Defendant denies each and every allegation in paragraph 74.

8 75. Defendant admits that an earnings call took place on August 9, 2016 at which the
9 analysts named in paragraph 75 were recorded to be in attendance. Defendant admits that the
10 excerpted text in indented format in paragraph 75 reflects portions of statements made by Mr.
11 Jackson and Mr. Callan on the August 9, 2016 earnings call, but Defendant denies that Plaintiffs'
12 selective quotations are either complete, accurate or presented in full context, denies Plaintiffs'
13 emphasis added in bold and italics and denies Plaintiffs' characterization of statements made on
14 that call. Except as expressly admitted herein, Defendant denies each and every allegation in
15 paragraph 75.

16 76. Defendant admits that the Company filed a Form 10-Q for the quarter ending June
17 30, 2016 with the SEC on August 9, 2016, which reported the Company's financial results for
18 the second quarter of 2016. Defendant admits that the Executive Defendants signed Sarbanes-
19 Oxley certifications in connection with that Form 10-Q. The Form 10-Q speaks for itself, and
20 Defendant refers to the document for its complete contents. Except as expressly admitted herein,
21 Defendant denies each and every allegation in paragraph 76.

22 77. Defendant admits that the Company determined that it should not have recognized
23 revenue related to the OPM professional services it had previously performed under the belief
24 that the professional services were within the scope of the OPM Contract. Except as expressly
25 admitted herein, Defendant denies each and every allegation in paragraph 77.

26 78. Defendant admits that the excerpted text in quotations and in indented format in
27 paragraph 78 reflects portions of statements made in the Company's Form 10-Q for the second
28 quarter of 2016, but Defendant denies that Plaintiffs' selective quotations are complete or

1 presented with full context and denies Plaintiffs' characterization of statements made in that
2 Form 10-Q. The Form 10-Q speaks for itself, and Defendant refers to the document for its
3 complete contents. Except as expressly admitted herein, Defendant denies each and every
4 allegation in paragraph 78.

5 79. Defendant admits that the Company issued a press release on November 9, 2016
6 that reported its financial results for its third quarter ending September 30, 2016. Defendant
7 admits that the excerpted text in quotation and in indented format in paragraph 79 reflects
8 portions of statements made in the November 9, 2016 press release, but Defendant denies that
9 Plaintiffs' selective quotations are complete or presented with full context. The November 9,
10 2016 press release speaks for itself, and Defendant refers to the document for its complete
11 contents. Except as expressly admitted herein, Defendant denies each and every allegation in
12 paragraph 79.

13 80. Defendant admits that an earnings call took place on November 9, 2016.
14 Defendant admits that the excerpted text in indented format in paragraph 80 reflects portions of
15 statements made by Mr. Jackson on the November 9, 2016 conference, but Defendant denies that
16 Plaintiffs' selective quotations are either complete, accurate or presented in full context and
17 denies Plaintiffs' characterization of statements made on that call. Except as expressly admitted
18 herein, Defendant denies each and every allegation in paragraph 80.

19 81. Defendant admits that the Company filed a Form 10-Q for the quarter ending
20 September 30, 2016 with the SEC on November 9, 2016, which reported the Company's
21 financial results for the third quarter of 2016. Defendant admits that the Executive Defendants
22 signed Sarbanes-Oxley certifications in connection with that Form 10-Q. The Form 10-Q speaks
23 for itself, and Defendant refers to the document for its complete contents. Defendant admits that
24 the third quarter 2016 financial results included revenue recognized for professional services
25 provided by the Company under the belief that the professional services were within the scope of
26 the OPM Contract, and that such revenue was subsequently restated, but Defendant denies that
27 recognition of that revenue was contrary to the language of the OPM Contract and MOD 0001.
28

1 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
2 81.

3 82. Defendant admits that the excerpted text in quotations and in indented format in
4 paragraph 82 reflects portions of statements made in the Company's Form 10-Q for the third
5 quarter of 2016, but Defendant denies that Plaintiffs' selective quotations are complete or
6 presented with full context and denies Plaintiffs' characterization of statements made in that
7 Form 10-Q. The Form 10-Q speaks for itself, and Defendant refers to the document for its
8 complete contents. Except as expressly admitted herein, Defendant denies each and every
9 allegation in paragraph 82.

10 83. Defendant admits that an analyst conference took place on January 10, 2017.
11 Defendant admits that the excerpted text in indented format in paragraph 70 reflects portions of
12 statements made by Mr. Jackson at the January 10, 2017 conference, but Defendant denies that
13 Plaintiffs' selective quotations are either complete, accurate or presented in full context, denies
14 Plaintiffs' emphasis added with bold and italics, and denies Plaintiffs' characterization of
15 statements made in that conference. Except as expressly admitted herein, Defendant denies each
16 and every allegation in paragraph 83.

17 84. Defendant denies Plaintiffs' characterization of the Company's Forms 10-Q for
18 the second and third quarters of 2016, press releases dated August 9, 2016 and November 9,
19 2016, and related conference calls. The Forms 10-Q, related press releases and conference call
20 transcripts speak for themselves, and Defendant refers to the documents for their complete
21 contents. Defendant admits that under the OPM Contract, the period for Base Year 1 was from
22 March 1, 2016 through August 31, 2016. Except as expressly admitted herein, Defendant denies
23 each and every allegation in paragraph 84.

24 85. Defendant admits that KPMG served as the Company's independent auditor in
25 2016. Defendant admits that the Company issued an invoice to OPM, dated February 15, 2017,
26 for Base Year 1 services it performed between March 1, 2016 through August 31, 2016.
27 Defendant denies that OPM was not contractually obligated to pay for such services. Except as
28 expressly admitted herein, Defendant denies each and every allegation in paragraph 85.

1 86. Defendant admits the allegations in the first sentence of paragraph 86. Except as
2 expressly admitted herein, Defendant denies each and every allegation in paragraph 86.

3 87. Defendant admits that OPM ultimately denied payment of the Company's
4 February 15, 2017 invoice for approximately \$5.1 million. Defendant admits that the excerpted
5 text in quotations in paragraph 87 reflects portions of statements made by OPM in its denial of
6 the February 15, 2017 invoice, but Defendant denies that Plaintiffs' selective quotations are
7 either complete, accurate or presented in full context and denies Plaintiffs' characterization of
8 statements made in OPM's denial. Except as expressly admitted herein, Defendant denies each
9 and every allegation in paragraph 87.

10 88. Defendant admits that the OPM Contract included a firm-fixed-price for the
11 administration of the FSAFEDS program. The allegations in the last sentence in paragraph 88
12 are unintelligible and therefore, no response is required. To the extent a response is deemed
13 necessary, Defendant denies the allegations. Except as expressly admitted herein, Defendant
14 denies each and every allegation in paragraph 88.

15 89. Defendant admits that the Company issued a press release on February 23, 2017
16 that reported its financial results for the quarter and the year ending December 31, 2016.
17 Defendant admits that the excerpted text in indented format in paragraph 89 reflects portions of
18 statements made in the February 23, 2017 press release, but Defendant denies that Plaintiffs'
19 selective quotations are complete or presented with full context. The February 23, 2017 press
20 release speaks for itself, and Defendant refers to the document for its complete contents. Except
21 as expressly admitted herein, Defendant denies each and every allegation in paragraph 89.

22 90. Defendant admits that an earnings call took place on February 23, 2017.
23 Defendant admits that the excerpted text in indented format in paragraph 90 reflects portions of
24 statements made by Mr. Jackson at the February 23, 2017 earnings call, but Defendant denies
25 that Plaintiffs' selective quotations are either complete, accurate or presented in full context and
26 denies Plaintiffs' characterization of statements made on that call. Except as expressly admitted
27 herein, Defendant denies each and every allegation in paragraph 90.
28

1 91. Defendant admits that the Company filed a Form 10-K for the year ending
2 December 31, 2016 with the SEC on February 23, 2017, which reported the Company's financial
3 results for the fourth quarter and year end 2016. Defendant admits that the Executive Defendants
4 signed Sarbanes-Oxley certifications in connection with the 2016 Form 10-K. The 2016 Form
5 10-K, including the certifications, speaks for itself, and Defendant refers to the document for its
6 complete contents. Except as expressly admitted herein, Defendant denies each and every
7 allegation in paragraph 91.

8 92. The allegations in paragraph 92 concern the contents of the Company's 2016
9 Form 10-K. The 2016 Form 10-K speaks for itself, and Defendant refers to the document for its
10 complete contents. Except as expressly admitted herein, Defendant denies each and every
11 allegation in paragraph 92.

12 93. Defendant admits that the excerpted text in indented format in paragraph 93
13 reflects portions of statements made in the Company's 2016 Form 10-K, but Defendant denies
14 that Plaintiffs' selective quotations are complete or presented with full context and denies
15 Plaintiffs' characterization of statements made in that Form 10-K. The 2016 Form 10-K speaks
16 for itself, and Defendant refers to the document for its complete contents. Except as expressly
17 admitted herein, Defendant denies each and every allegation in paragraph 93.

18 94. Defendant admits that the graph in paragraph 94 was included in the Company's
19 2016 Form 10-K, but Defendant denies Plaintiffs' characterization of the graph. The 2016 Form
20 10-K speaks for itself, and Defendant refers to the document for its complete contents. Except as
21 expressly admitted herein, Defendant denies each and every allegation in paragraph 94.

22 95. Defendant admits that the excerpted text in quotations and in indented format in
23 paragraph 95 reflects portions of statements made in the Company's 2016 Form 10-K, but
24 Defendant denies that Plaintiffs' selective quotations are either complete, accurate or presented
25 with full context and denies Plaintiffs' characterization of statements made in that Form 10-K.
26 The 2016 Form 10-K speaks for itself, and Defendant refers to the document for its complete
27 contents. Except as expressly admitted herein, Defendant denies each and every allegation in
28 paragraph 95.

1 96. Defendant admits that the Executive Defendants signed Sarbanes-Oxley
2 certifications in connection with the 2016 Form 10-K on February 23, 2017 and that the
3 certifications were attached as exhibits to the 2016 Form 10-K. Defendant admits that the
4 excerpted text in quotations and in indented format in paragraph 96 reflects portions of
5 statements made in the Sarbanes-Oxley certifications, but Defendant denies that Plaintiffs'
6 selective quotations are complete or presented with full context. The certifications speak for
7 themselves, and Defendant refers to the documents for their complete contents. Except as
8 expressly admitted herein, Defendant denies each and every allegation in paragraph 96.

9 97. Defendant admits that the excerpted text in indented format in paragraph 97
10 reflects portions of statements made in the Executive Defendants' Sarbanes-Oxley certifications
11 to the 2016 Form 10-K, but Defendant denies that Plaintiffs' selective quotations are complete or
12 presented with full context. The certifications speak for themselves, and Defendant refers to the
13 documents for their complete contents. Except as expressly admitted herein, Defendant denies
14 each and every allegation in paragraph 97.

15 98. Defendant admits that the excerpted text in indented format in paragraph 98
16 reflects statements made in the Executive Defendants' Sarbanes-Oxley certifications to the 2016
17 Form 10-K. The certifications speak for themselves, and Defendant refers to the documents for
18 their complete contents. Except as expressly admitted herein, Defendant denies each and every
19 allegation in paragraph 98.

20 99. Defendant admits that the excerpted text in indented format in paragraph 99
21 reflects portions of statements made in the Company's 2016 Form 10-K. The 2016 Form 10-K
22 speaks for itself, and Defendant refers to the document for its complete contents. Except as
23 expressly admitted herein, Defendant denies each and every allegation in paragraph 99.

24 100. Defendant admits that the excerpted text in quotations and in indented format in
25 paragraph 100 reflects portions of statements made in the Company's 2016 Form 10-K, but
26 Defendant denies that Plaintiffs' selective quotations are complete or presented with full context
27 and denies Plaintiffs' characterizations of statements made in the 2016 Form 10-K. The 2016
28 Form 10-K speaks for itself, and Defendant refers to the document for its complete contents.

1 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
2 100.

3 101. The allegations in paragraph 101 contain assertions or legal conclusions as to
4 which no response is required. To the extent a response is deemed necessary, Defendant denies
5 each and every allegation in paragraph 101. To the extent the allegations in paragraph 101
6 purport to characterize the 2016 Form 10-K, the 2016 Form 10-K speaks for itself, and
7 Defendant refers to the document for its complete contents. Except as expressly admitted herein,
8 Defendant denies each and every allegation in paragraph 101.

9 102. Defendant admits that the financial statements in the Company's Forms 10-Q for
10 the second and third quarters of 2016 and 2016 Form 10-K were executed by Mr. Callan and
11 were subsequently restated to correct certain accounting treatments. Defendant denies each and
12 every allegation in sub-paragraphs 102(a), 102(b), 102(c) and 102(d). As to the allegations in
13 sub-paragraphs 102(e) and 102(f), Defendant admits that the Company's financial statements for
14 the second and third quarters of 2016 and full year 2016 were restated and that the corrections in
15 accounting related to revenue recognition for the OPM Contract, among other things. To the
16 extent the chart in sub-paragraph 102(f) purports to set forth the impact of the Restatement due to
17 the OPM Contract, the impact was reported in the Company's 2017 Form 10-K and 2016 Form
18 10-K/A. The 2017 Form 10-K and 2016 Form 10-K/A speak for themselves, and Defendant
19 refers to the documents for their complete contents. Except as expressly admitted herein,
20 Defendant denies each and every allegation and chart in paragraph 102.

21 103. The allegations and chart in paragraph 103 concern the impact of the Restatement
22 due to the KP Connector, which was reported in the Company's 2017 Form 10-K and 2016 Form
23 10-K/A. The 2017 Form 10-K and 2016 Form 10-K/A speak for themselves, and Defendant
24 refers to the documents for their complete contents. Except as expressly admitted herein,
25 Defendant denies each and every allegation and chart in paragraph 103.

26 104. Defendant admits that the excerpted text in indented format in paragraph 104
27 reflects portions of statements made in the Company's 2017 Form 10-K, but Defendant denies
28 that Plaintiffs' selective quotations are complete or presented with full context, denies Plaintiffs'

1 emphasis added with bold and italics, and denies Plaintiffs' characterizations of statements made
2 in the 2017 Form 10-K. The 2017 Form 10-K speaks for itself, and Defendant refers to the
3 document for its complete contents. Except as expressly admitted herein, Defendant denies each
4 and every allegation in paragraph 104.

5 105. The allegations and chart in paragraph 105 concern the impact of the Restatement
6 due to the OPM Contract and KP Connector, which were reported in the Company's 2017 Form
7 10-K and 2016 Form 10-K/A. The 2017 Form 10-K and 2016 Form 10-K/A speak for
8 themselves, and Defendant refers to the documents for their complete contents. Except as
9 expressly admitted herein, Defendant denies each and every allegation and chart in paragraph
10 105.

11 106. Defendant denies each and every allegation and chart in paragraph 106.

12 107. Defendant admits that an earnings call took place on May 4, 2017. Defendant
13 admits that the excerpted text in indented format in paragraph 80 reflects portions of questions
14 posed by analysts and statements made by Messrs. Jackson and Callan in response thereto on the
15 May 4, 2017 call, but Defendant denies that Plaintiffs' selective quotations are either complete,
16 accurate or presented in full context and denies Plaintiffs' characterization of statements made on
17 that call. Except as expressly admitted herein, Defendant denies each and every allegation in
18 paragraph 107.

19 108. Defendant admits that the Company filed a Form 10-Q for the quarter ending
20 March 31, 2017 with the SEC on May 4, 2017 and that the Executive Defendants signed
21 Sarbanes-Oxley certifications in connection with that Form 10-Q. The Form 10-Q speaks for
22 itself, and Defendant refers to the document for its complete contents. Except as expressly
23 admitted herein, Defendant denies each and every allegation in paragraph 108.

24 109. Defendant admits that the excerpted text in indented format in paragraph 109
25 reflects portions of statements made in the Company's Form 10-Q for the first quarter of 2017,
26 but Defendant denies that Plaintiffs' selective quotations are complete or presented with full
27 context. The Form 10-Q speaks for itself, and Defendant refers to the document for its complete
28

1 contents. Except as expressly admitted herein, Defendant denies each and every allegation in
2 paragraph 109.

3 110. Defendant denies each and every allegation in paragraph 110.

4 111. Defendant admits that an analyst conference took place on June 14, 2017 at which
5 Mr. Jackson spoke. Defendant admits that the excerpted text in quotations in paragraph 111
6 reflects portions of statements made by Mr. Jackson at the June 14, 2017 conference, but
7 Defendant denies that Plaintiffs' selective quotations are either complete, accurate or presented
8 in full context and denies Plaintiffs' emphasis added with bold. Except as expressly admitted
9 herein, Defendant denies each and every allegation in paragraph 111.

10 112. Defendant admits that the Company issued a press release on June 19, 2017,
11 announcing the filing of the Registration Statement with the SEC for a proposed public offering
12 of shares of its common stock. The June 19, 2017 press release speaks for itself, and Defendant
13 refers to the document for its complete contents. Except as expressly admitted herein, Defendant
14 denies each and every allegation in paragraph 112.

15 113. Defendant admits the allegations in paragraph 113, but Defendant denies that Mr.
16 Jackson signed the Registration Statement in the capacity of chairman of the board. Except as
17 expressly admitted herein, Defendant denies each and every allegation in paragraph 113.

18 114. Defendant admits that the Company filed its Prospectus, dated June 19, 2017, and
19 Prospectus Supplement to Prospectus with the SEC. The Prospectus and Prospectus Supplement
20 speak for themselves, and Defendant refers to the documents for their complete contents. Except
21 as expressly admitted herein, Defendant denies each and every allegation in paragraph 114.

22 115. Defendant admits the allegations in the first sentence in paragraph 115. Except as
23 expressly admitted herein, Defendant denies each and every allegation in paragraph 115.

24 116. The allegations in paragraph 116 are unintelligible and therefore, no response is
25 required. To the extent a response is deemed necessary, Defendant lacks and information
26 sufficient to form a belief as to the truth of the allegations regarding investors' "comfort" and, on
27 that basis, deny the allegations. Except as expressly admitted herein, Defendant denies each and
28 every allegation in paragraph 116.

1 117. Defendant admits that in connection with the June 2017 Offering, the
2 underwriters specified in paragraph 117 agreed to purchase WageWorks common stock in the
3 amounts set forth in paragraph 117. Except as expressly admitted herein, Defendant denies each
4 and every allegation in paragraph 117.

5 118. Defendant admits that in the June 2017 Offering, the Company sold 1,954,852
6 shares of WageWorks common stock and received approximately \$130 million in proceeds. As
7 to the allegations regarding Mr. Jackson's stock sales, exercises of options and past trading
8 practices, Mr. Jackson's transactions in WageWorks securities were reported in Forms 4 filed
9 with the SEC. The Forms 4 speak for themselves, and Defendant refers to the documents for
10 their complete contents. Defendant admits that Mr. Jackson's stock sales in June 2017 were not
11 made pursuant to a 10b5-1 trading plan. Except as expressly admitted herein, Defendant denies
12 each and every allegation in paragraph 118.

13 119. Defendant admits that an earnings call took place on August 1, 2017. Defendant
14 admits that the excerpted text in indented format in paragraph 119 reflects portions of questions
15 posed by an analyst and portions of statements made by Mr. Jackson in response thereto during
16 the August 1, 2017 call, but Defendant denies that Plaintiffs' selective quotations are either
17 complete, accurate or presented in full context and denies Plaintiffs' characterization of
18 statements made on that call. Defendant further denies that the last excerpted text in indented
19 format attributed to Mr. Jackson was made in response to the immediately preceding excerpted
20 question from an analyst. Except as expressly admitted herein, Defendant denies each and every
21 allegation in paragraph 119.

22 120. Defendant admits that the Company filed a Form 10-Q for the quarter ending June
23 30, 2017 with the SEC on May 4, 2017 and that the Executive Defendants signed Sarbanes-
24 Oxley certifications in connection with that Form 10-Q. The Form 10-Q speaks for itself, and
25 Defendant refers to the document for its complete contents. Except as expressly admitted herein,
26 Defendant denies each and every allegation in paragraph 120.

27 121. Defendant denies each and every allegation in paragraph 121.
28

1 122. Defendant admits that the Company submitted a certified claim to OPM in August
2 2017 for unpaid Base Year 1 services performed for OPM during March 1, 2016 through August
3 31, 2016 in the amounts reflected in its earlier February 15, 2017 invoice, but denies that the
4 submission was on August 16, 2017. The certified claim and February 15, 2017 invoice speak
5 for themselves, and Defendant refers to the documents for their complete contents. Defendant
6 denies that OPM did not owe the amount reflected in the certified claim or February 2017
7 invoice. Defendant denies that MOD 001 was a “no-cost” modification. Defendant admits that
8 OPM denied the certified claim in a Contracting Officer’s Final Determination (“COFD”) and
9 that the COFD is dated December 22, 2017. Except as expressly admitted herein, Defendant
10 denies each and every allegation in paragraph 122.

11 123. Defendant admits that the Company issued a press release on November 8, 2017
12 that reported its financial results for its third quarter ending September 30, 2017 and that an
13 earnings call took place on November 8, 2017. Defendant admits that the excerpted text in
14 indented format in paragraph 123 reflects portions of statements made by Mr. Jackson and
15 portions of a question posed by an analyst on the November 8, 2017 call, but Defendant denies
16 that Plaintiffs’ selective quotations are either complete, accurate or presented in full context,
17 denies Plaintiffs’ emphasis added with bold and italics, and denies Plaintiffs’ characterization of
18 statements made on that call. Except as expressly admitted herein, Defendant denies each and
19 every allegation in paragraph 123.

20 124. Defendant admits that the Company filed a Form 10-Q for the quarter ending
21 September 30, 2017 with the SEC on November 8, 2017 and that the Executive Defendants
22 signed Sarbanes-Oxley certifications in connection with that Form 10-Q. The Form 10-Q speaks
23 for itself, and Defendant refers to the document for its complete contents. Except as expressly
24 admitted herein, Defendant denies each and every allegation in paragraph 124.

25 125. Defendant denies each and every allegation in paragraph 125.

26 126. Defendant admits that the excerpted text in paragraph 126 reflects portions of
27 statements made in the Company’s Forms 10-Q for its first, second and third quarters of 2017,
28 but Defendant denies that Plaintiffs’ selective quotations are complete or presented in full

1 context, denies Plaintiffs' emphasis added with bold, and denies Plaintiffs' characterization of
2 statements made in those documents. The Forms 10-Q for the first, second and third quarters of
3 2017 speak for themselves, and Defendant refers to the documents for their complete contents.
4 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
5 126.

6 127. Defendant admits that the excerpted text in paragraph 127 reflects portions of
7 statements made in the Forms 10-Q referenced in paragraph 126, but Defendant denies that
8 Plaintiffs' selective quotations are complete or presented in full context, denies Plaintiffs'
9 emphasis added with bold, and denies Plaintiffs' characterization of statements made in those
10 documents. The Forms 10-Q for the first, second and third quarters of 2017 speak for
11 themselves, and Defendant refers to the documents for their complete contents. Except as
12 expressly admitted herein, Defendant denies each and every allegation in paragraph 127.

13 128. Defendant denies each and every allegation in paragraph 128.

14 129. Defendant admits that an analyst conference took place on January 17, 2018, at
15 which Messrs. Jackson and Callan spoke. Defendant admits that the excerpted text in indented
16 format in paragraph 129 reflects portions of statements made by Mr. Jackson and by Mr. Callan
17 at the January 17, 2018 conference, but Defendant denies that Plaintiffs' selective quotations are
18 either complete, accurate or presented in full context and denies Plaintiffs' characterizations of
19 statements made at the conference. Except as expressly admitted herein, Defendant denies each
20 and every allegation in paragraph 129.

21 130. Defendant admits that the financial reports in the Company's Forms 10-Q for the
22 first, second, and third quarters of 2017 were executed by Mr. Callan and were subsequently
23 restated to correct certain accounting treatments. Defendant denies each and every allegation in
24 sub-paragraphs 130(a), 130(b), and 130(c). As to the allegations in sub-paragraph 130(d),
25 Defendant admits that the Company submitted an invoice to OPM dated February 15, 2017 for
26 professional services provided to OPM during Base Year 1 period from March 1, 2016 through
27 August 31, 2016. The February 15, 2017 invoice speaks for itself, and Defendant refers to the
28 document for its complete contents. Defendant admits that OPM ultimately refused to pay the

1 invoice and that the Company has pursued its legal rights for payment. Except as expressly
2 admitted herein, Defendant denies each and every allegation in paragraph 130 and its sub-
3 paragraphs.

4 131. Defendant denies each and every allegation in paragraph 131.

5 132. Defendant admits that the NYSE briefly halted the trading of WageWorks
6 common stock on March 1, 2018. Defendant admits that the Company issued a press release on
7 March 1, 2018 and that the excerpted text in quotations in paragraph 132 reflects portions of
8 statements made in that press release. The March 1, 2018 press release speaks for itself, and
9 Defendant refers to the document for its complete contents. Except as expressly admitted herein,
10 Defendant denies each and every allegation in paragraph 132.

11 133. The allegations in paragraph 133 concern WageWorks' stock price and Defendant
12 refers to public records of such stock prices. Except as expressly admitted herein, Defendant
13 denies each and every allegation in paragraph 133.

14 134. Defendant admits that the Company filed a Form 12b-25 with the SEC on March
15 2, 2018. Defendant admits that the excerpted text in indented format in paragraph 134 reflects
16 portions of statements in the Form 12b-25, but Defendant denies that Plaintiffs' selective
17 quotations are complete or presented in full context, denies Plaintiffs' emphasis added with bold
18 and italics, and denies Plaintiffs' characterization of statements made in the Form 12b-25. The
19 Form 12b-25 speaks for itself, and Defendant refers to the document for its complete contents.
20 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
21 134.

22 135. Defendant denies each and every allegation in paragraph 135.

23 136. Defendant denies the allegations in the first sentence in paragraph 136. The
24 remaining allegations concern WageWorks' stock price, and Defendant refers to public records
25 of such stock prices. Except as expressly admitted herein, Defendant denies each and every
26 allegation in paragraph 136.

27 137. Defendant admits that the Company filed a Form 8-K with the SEC on March 19,
28 2018. The Form 8-K speaks for itself, and Defendant refers to the document for its complete

1 contents. Except as expressly admitted herein, Defendant denies each and every allegation in
2 paragraph 137.

3 138. Defendant admits that the Company submitted a claim to OPM on March 30,
4 2018 that was certified by WageWorks' General Counsel. Defendant admits that the excerpted
5 text in quotations in paragraph 138 reflects portions of statements made in the March 30, 2018
6 claim, but Defendant denies that Plaintiffs' selective quotations are complete or presented in full
7 context. The March 30, 2018 claim speaks for itself, and Defendant refers to the document for
8 its complete contents. Except as expressly admitted herein, Defendant denies each and every
9 allegation in paragraph 138.

10 139. Defendant admits that the Company put into place a remediation plan for reported
11 material weaknesses in internal controls, as set forth in the 2017 Form 10-K. Defendant admits
12 that the excerpted text in quotations in paragraph 139 reflects portions of statements in the
13 Company's 2017 Form 10-K, but Defendant denies that Plaintiffs' selective quotations are
14 complete or presented in full context and denies Plaintiffs' characterizations of statements made
15 in the 2017 Form 10-K. The 2017 Form 10-K speaks for itself, and Defendant refers to the
16 document for its complete contents. Except as expressly admitted herein, Defendant denies each
17 and every allegation in paragraph 139.

18 140. Defendant admits that the Company issued a press release on April 5, 2018.
19 Defendant admits that the excerpted text in indented format in paragraph 140 reflects portions of
20 statements made in the April 5, 2018 press release, but Defendant denies that Plaintiffs' selective
21 quotations are complete or presented in full context, denies Plaintiffs' emphasis added with bold,
22 and denies Plaintiffs' characterization of statements made in the press release. Except as
23 expressly admitted herein, Defendant denies each and every allegation in paragraph 140.

24 141. Defendant admits that Messrs. Jackson and Callan and Ms. Wilford resigned as
25 the Company's President and Chief Executive Officer, Chief Financial Officer, and General
26 Counsel, respectively, and notes that Mr. Jackson was appointed as Executive Chairman to the
27 Board. Except as expressly admitted herein, Defendant denies each and every allegation in
28 paragraph 141.

1 142. The allegations in the first sentence in paragraph 142 concern the contents of the
2 Company's April 5, 2018 press release. The April 5, 2018 press release speaks for itself, and
3 Defendant refers to the document for its complete contents. The remaining allegations in
4 paragraph 142 concern WageWorks' stock price, and Defendant refers to public records of such
5 stock prices. Except as expressly admitted herein, Defendant denies each and every allegation in
6 paragraph 142.

7 143. Defendant admits that OPM denied the Company's March 20, 2018 claim on June
8 21, 2018. Defendant admits that the excerpted text in quotations in paragraph 143 reflects
9 portions of statements made in OPM's June 21, 2018 letter, but Defendant denies that Plaintiffs'
10 selective quotations are complete or presented in full context, denies Plaintiffs' emphasis added
11 with bold, and denies Plaintiffs' characterization of statements made in the June 21, 2018 letter.
12 As to the remaining allegations in the last three sentences in paragraph 143, Defendant lacks
13 knowledge and information sufficient to form a belief as to the truth of the allegations and, on
14 that basis, deny the allegations. Except as expressly admitted herein, Defendant denies each and
15 every allegation in paragraph 143.

16 144. Defendant admits that in August 2018, KPMG raised certain concerns, as set forth
17 in the Company's Form 8-K, filed with the SEC on September 12, 2018. The Form 8-K speaks
18 for itself, and Defendant refers to the document for its complete contents. Except as expressly
19 admitted herein, Defendant denies each and every allegation in paragraph 144.

20 145. The allegations in paragraph 145 concern KPMG's recommendations, which are
21 set forth in the Company's 2017 Form 10-K. The 2017 Form 10-K speaks for itself, and
22 Defendant refers to the document for its complete contents. Defendant denies that KPMG
23 recommended the replacement of Ms. Byerwalter and that Ms. Byerwalter was the chairman of
24 the Audit Committee. As Plaintiffs now admit, Ms. Byerwalter "ceased being the chair of the
25 Audit Committee in February 2017" and "Counsel for Lead Plaintiff will not assert that KPMG
26 specifically demanded the resignation of Mrs. Byerwalter or argue that Mrs. Byerwalter . . .
27 resigned at the insistence of KPMG." Plaintiffs' Errata Notice. Except as expressly admitted
28 herein, Defendant denies each and every allegation in paragraph 145.

1 146. Defendant denies each and every allegation in paragraph 146.

2 147. Defendant admits the allegations in paragraph 147.

3 148. Defendant admits that the Company announced on September 12, 2018 the
4 resignations of Mr. Jackson as the Company's Executive Chairman and director, and, effective
5 September 6, 2018, of Ms. Byerwalter as a director of the Board. Defendant admits that the
6 excerpted text in quotations in paragraph 148 reflects portions of statements made in certain of
7 the Company's SEC filings, but Defendant denies that Plaintiffs' selective quotations are
8 complete or presented in full context and denies Plaintiffs' characterization of those statements.
9 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
10 148.

11 149. Defendant admits that the Company filed a Form 8-K with the SEC on September
12 12, 2018. Defendant admits that the excerpted text in indented format in paragraph 149 reflects
13 portions of statements made in that Form 8-K, but Defendant denies that Plaintiff's selective
14 quotations are complete or presented in full context, denies Plaintiffs' emphasis added with bold,
15 and denies Plaintiffs' characterization of statements made in the Form 8-K. The Form 8-K
16 speaks for itself, and Defendant refers to the document for its complete contents. Except as
17 expressly admitted herein, Defendant denies each and every allegation in paragraph 149.

18 150. Defendant denies the allegations in the first sentence in paragraph 150. As to the
19 allegations regarding "stunn[ing] the market," Defendant lacks knowledge and information
20 sufficient to form a belief as to the truth of the allegations and, on that basis, deny the
21 allegations. As to the allegations regarding WageWorks' stock price, Defendant refers to public
22 records of such stock prices. Defendant admits that the analyst referenced in the last sentence in
23 paragraph 150 reportedly made the recommendation in the excerpted text in quotations, but
24 Defendant denies that Plaintiffs' selective quotations are complete or presented in full context
25 and denies Plaintiffs' characterization of the analyst's actions. Except as expressly admitted
26 herein, Defendant denies each and every allegation in paragraph 150.

27 151. Defendant admits that the Audit Committee of the Board terminated the
28 engagement of KPMG as the Company's independent registered accountant firm on October 31,

1 2018. Defendant admits the last sentence in paragraph 151. Except as expressly admitted
2 herein, Defendant denies each and every allegation in paragraph 151.

3 152. Defendant denies that the Company filed its 2017 Form 10-K with the SEC on
4 March 19, 2018. Defendant admits that the excerpted text in quotations reflects portions of
5 statements made in the Company's 2017 Form 10-K, but Defendant denies that Plaintiffs'
6 selective quotations are complete or presented in full context. The 2017 Form 10-K speaks for
7 itself, and Defendant refers to the document for its complete contents. Except as expressly
8 admitted herein, Defendant denies each and every allegation in paragraph 152.

9 153. Defendant denies that the date of the Restatement is March 19, 2019. Defendant
10 admits that the Restatement involved the recognition of revenue related to the OPM Contract and
11 impairment charge related to KP Connector, as reported in the Company's 2017 Form 10-K.
12 Defendant admits that the excerpted text in quotations reflects portions of statements made in the
13 2017 Form 10-K, but Defendant denies that Plaintiffs' selective quotations are complete or
14 presented in full context, denies Plaintiffs' emphasis added with bold, and denies Plaintiffs'
15 characterization of statements made in the 2017 Form 10-K. The 2017 Form 10-K speaks for
16 itself, and Defendant refers to the document for its complete contents. Except as expressly
17 admitted herein, Defendant denies each and every allegation in paragraph 153.

18 154. The allegations in paragraph 154 concern the contents of the Company's 2017
19 Form 10-K. Defendant admits that the excerpted text in quotations and in indented format
20 reflects portions of statements made in the 2017 Form 10-K, but Defendant denies that Plaintiffs'
21 selective quotations are complete or presented in full context, denies Plaintiffs' emphasis added
22 with bold and italics, and denies Plaintiffs' characterization of statements made in the 2017 Form
23 10-K. The 2017 Form 10-K speaks for itself, and Defendant refers to the document for its
24 complete contents. Except as expressly admitted herein, Defendant denies each and every
25 allegation in paragraph 154.

26 155. The allegations in paragraph 155 concern the contents of the Company's 2017
27 Form 10-K. Defendant admits that the excerpted text in quotations reflects portions of
28 statements made in the 2017 Form 10-K, but Defendant denies that Plaintiffs' selective

1 quotations are complete or presented in full context, denies Plaintiffs' emphasis added with bold,
2 and denies Plaintiffs' characterization of statements made in the 2017 Form 10-K. The 2017
3 Form 10-K speaks for itself, and Defendant refers to the document for its complete contents.
4 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
5 155.

6 156. Defendant admits that the excerpted text in quotations reflects portions of
7 statements made in the Company's 2017 Form 10-K, but Defendant denies that Plaintiffs'
8 selective quotations are complete or presented in full context, denies Plaintiffs' emphasis added
9 with bold, and denies Plaintiffs' characterization of statements made in the 2017 Form 10-K.
10 The 2017 Form 10-K speaks for itself, and Defendant refers to the document for its complete
11 contents. Except as expressly admitted herein, Defendant denies each and every allegation in
12 paragraph 156.

13 157. Defendant denies each and every allegation in paragraph 157.

14 158. Defendant admits that the Company's financial statements for certain interim
15 periods and full year 2016 were revised in connection with the recognition of revenue for the
16 OPM contract and the impairment assessment for KP Connector, among other things. Except as
17 expressly admitted herein, Defendant denies each and every allegation in paragraph 158.

18 159. Defendant denies each and every allegation in paragraph 159.

19 160. The allegations in paragraph 160 contain assertions and legal conclusions as to
20 which no response is required. To the extent a response is deemed necessary, Defendant denies
21 each and every allegation in paragraph 160.

22 161. Defendant admits that OPM was a new client in 2016. As to the allegations in
23 paragraph 161 regarding unspecified discussions with and unspecified questions from unnamed
24 analysts, Defendant lacks knowledge and information sufficient to form a belief as to the truth of
25 the allegations, and on that basis, deny the allegations. Defendant admits that certain of the
26 Company's SEC filings during the Class Period referenced the Company's relationship with
27 OPM. The SEC filings speak for themselves, and Defendant refers to the documents for their
28

1 complete contents. Except as expressly admitted herein, Defendant denies each and every
2 allegation in paragraph 161.

3 162. Defendant admits that Mr. Jackson served as Chief Executive Officer and Mr.
4 Callan served as Chief Financial Officer of the Company. Except as expressly admitted herein,
5 Defendant denies each and every allegation in paragraph 162.

6 163. Defendant admits that the Executive Defendants were aware of the OPM Contract
7 and its general terms but deny that they were aware of every specific term therein. As to the
8 allegations regarding the terms of the OPM Contract, the OPM Contract speaks for itself, and
9 Defendant refers to the document for its complete contents. Defendant denies that OPM did not
10 owe money for services the Company performed under the OPM Contract prior to September 1,
11 2016. Except as expressly admitted herein, Defendant denies each and every allegation in
12 paragraph 163.

13 164. Defendant admits that the Company restated revenue that it had recognized in the
14 second and third quarters of 2016, which revenue related to OPM professional services that the
15 Company provided under the belief that the services were within the scope of the OPM Contract.
16 Defendant admits that ADP was contractually obligated to provide services to OPM prior to
17 September 1, 2016, Defendant but denies that the administration of claims for FSAFEDS during
18 July and August 2016 was performed by ADP. Except as expressly admitted herein, Defendant
19 denies each and every allegation in paragraph 164.

20 165. Defendant denies each and every allegation in paragraph 165.

21 166. Defendant denies each and every allegation in paragraph 166.

22 167. Defendant denies each and every allegation in paragraph 167.

23 168. Defendant denies each and every allegation in paragraph 168.

24 169. Defendant denies the allegations in the first four sentences in paragraph 169. As
25 to the remaining allegations regarding KPMG's August 2018 letter, the letter speaks for itself,
26 and Defendant refers to the document for its complete contents. Defendant denies that KPMG
27 recommended that Ms. Byerwalter be replaced or that Ms. Byerwalter was the Chairman of the
28 Audit at that time. As Plaintiffs now admit, Ms. Byerwalter "ceased being the chair of the Audit

1 Committee in February 2017,” and “Counsel for Lead Plaintiff will not assert that KPMG
2 specifically demanded the resignation of Mrs. Byerwalter or argue that Mrs. Byerwalter . . .
3 resigned at the insistence of KPMG.” Plaintiffs’ Errata Notice. Except as expressly admitted
4 herein, Defendant denies each and every allegation in paragraph 169.

5 170. Defendant denies each and every allegation in paragraph 170.

6 171. The allegations in paragraph 171 purport to refer to the opinion and experience of
7 an unnamed “confidential consulting forensic expert.” The credibility, reliability, experience and
8 qualifications of the unnamed “expert” have not been established; Defendant thus lacks
9 knowledge and information sufficient to form a belief as to the truth of the allegations in
10 paragraph 171, and on that basis, deny the allegations. Defendant admits that the excerpted text
11 in indented format reflects the language of subsection (b)(1) of Section 10A of the Exchange
12 Act. Except as expressly admitted herein, Defendant denies each and every allegation in
13 paragraph 171.

14 172. The allegations in paragraph 172 purport to be based on the experience of an
15 unnamed “expert.” The credibility, reliability, experience and qualifications of the unnamed
16 “expert” have not been established; Defendant thus lacks knowledge and information sufficient
17 to form a belief as to the truth of the allegations in paragraph 172, and on that basis, deny the
18 allegations. Defendant denies each and every allegation in paragraph 172.

19 173. The allegations in paragraph 173 purport to refer to the opinion of an unnamed
20 “expert.” The credibility, reliability, experience and qualifications of the unnamed “expert” have
21 not been established; Defendant thus lacks knowledge and information sufficient to form a belief
22 as to the truth of the allegations in paragraph 172, and on that basis, deny the allegations.
23 Defendant denies each and every allegation in paragraph 172.

24 174. Defendant admits that KPMG brought concerns to the attention of the Company’s
25 lead independent director, John W. Larson. Defendant admits that Mr. Larson resigned as a
26 director of the Board on October 24, 2018 and that he had not been a member of the Company’s
27 Audit Committee. Except as expressly admitted herein, Defendant denies each and every
28 allegation in paragraph 174.

1 175. Defendant denies each and every allegation in paragraph 175.

2 176. Defendant denies the allegations in the first and second sentences in paragraph
3 176. As to the allegations in the third sentence in paragraph 176 regarding Plaintiffs' belief,
4 Defendant lacks knowledge and information sufficient to form a belief as to the truth of the
5 allegations in that sentence, and on that basis, deny the allegations. Defendant admits that in
6 April 2018, Mr. Jackson resigned as President and Chief Executive Officer and that Mr. Callan
7 resigned as Chief Financial Officer of the Company. Except as expressly admitted herein,
8 Defendant denies each and every allegation in paragraph 176.

9 177. Defendant admits that BDO USA, LLP ("BDO") served as the Company's
10 independent public accounting firm. Defendant admits that the excerpted text in quotations in
11 paragraph 177 reflects portions of statements made by BDO in the Company's 2017 Form 10-K,
12 but Defendant denies that Plaintiffs' selective quotations are complete or presented in full
13 context and denies Plaintiffs' characterization of statements made in the 2017 Form 10-K. The
14 2017 Form 10-K speaks for itself, and Defendant refers to the document for its complete
15 contents. Except as expressly admitted herein, Defendant denies each and every allegation in
16 paragraph 177.

17 178. Defendant admits that the excerpted text in quotations in paragraph 178 reflects
18 portions of statements made in the 2017 Form 10-K, but Defendant denies that Plaintiffs'
19 selective quotations are complete or presented in full context, denies Plaintiffs' emphasis added
20 with bold, and denies Plaintiffs' characterization of statements made in the 2017 Form 10-K.
21 The 2017 Form 10-K speaks for itself, and Defendant refers to the document for its complete
22 contents. Except as expressly admitted herein, Defendant denies each and every allegation in
23 paragraph 178.

24 179. Defendant denies each and every allegation in paragraph 179.

25 180. Defendant admits the allegation in the third sentence in paragraph 180, as
26 reported in the Company's 2017 Form 10-K. Except as expressly admitted herein, Defendant
27 denies each and every allegation in paragraph 180.

28 181. Defendant denies each and every allegation in paragraph 181.

1 182. Defendant denies the allegations in the first sentence in paragraph 182.
2 Defendant lacks knowledge and information sufficient to form a belief as to the truth of the
3 allegations in paragraph 182 regarding unidentified confidential witnesses, and on that basis,
4 deny the allegations. Except as expressly admitted herein, Defendant denies each and every
5 allegation in paragraph 182.

6 183. The second sentence in paragraph 183 states an idiom as to which no response is
7 required. Defendant denies each and every allegation in paragraph 183.

8 184. The first sentence in paragraph 184 refers to and concerns unspecified SEC
9 filings. The Company's SEC filings speak for themselves, and Defendant refers to the
10 documents for their complete contents. Defendant admits that in connection with the
11 Restatement, it was determined that the Company had material weaknesses in its internal control
12 as set forth in the Company's 2017 Form 10-K. Except as expressly admitted herein, Defendant
13 denies each and every allegation in paragraph 184.

14 185. Defendant denies each and every allegation in paragraph 185.

15 186. Defendant admits that Mr. Jackson sold WageWorks common stock prior to and
16 during the Class Period. Except as expressly admitted herein, Defendant denies each and every
17 allegation in paragraph 186.

18 187. Defendant admits that Mr. Jackson sold WageWorks common stock prior to and
19 during the Class Period. Defendant admits that the allegations in paragraph 187 purport to state
20 and compare the number, price and value of WageWorks shares sold by Mr. Jackson during the
21 Class Period and during the 664 days prior to the Class Period (the "Pre-Class Period"). Mr.
22 Jackson's transactions in WageWork securities are reflected in his related Forms 4, filed with the
23 SEC. The Forms 4 speak for themselves, and Defendant refer to the documents for their
24 complete contents. Defendant admits that Mr. Jackson's stock sales were not made pursuant to a
25 Rule 10b-5 trading plan. Except as expressly admitted herein, Defendant denies each and every
26 allegation in paragraph 187.

27 188. Defendant admits that the allegations in paragraph 188 purport to state and
28 compare the number and proceeds from WageWorks shares sold by Mr. Jackson during the Class

1 Period and Pre-Class Period. These stock transactions are reflected in Mr. Jackson's related
2 Forms 4, filed with the SEC. The Forms 4 speak for themselves, and Defendant refer to the
3 documents for their complete contents. Except as expressly admitted herein, Defendant denies
4 each and every allegation and chart in paragraph 188.

5 189. Defendant admits that the allegations and charts in paragraph 188 purport to state
6 and compare the number and proceeds of WageWorks shares sold by Mr. Jackson during the
7 Class Period and Pre-Class Period. These stock transactions are reflected in Mr. Jackson's
8 related Forms 4, filed with the SEC. The Forms 4 speak for themselves, and Defendant refer to
9 the documents for their complete contents. Except as expressly admitted herein, Defendant
10 denies each and every allegation and charts in paragraph 189.

11 190. The allegations in paragraph 190 are assertions as to which no response is
12 required. To the extent a response is deemed necessary, Defendant denies each and every
13 allegation in paragraph 190.

14 191. Defendant admits that the allegations and table in paragraph 191 purport to state
15 the date, number, and proceeds of WageWorks shares sold by Mr. Jackson during the Pre-Class
16 Period. These stock transactions are reflected in Mr. Jackson's related Forms 4, filed with the
17 SEC. The Forms 4 speak for themselves, and Defendant refers to the documents for their
18 complete contents. Except as expressly admitted herein, Defendant denies each and every
19 allegation and charts in paragraph 191.

20 192. Defendant admits that the allegations and table in paragraph 192 purport to state
21 the date, number, and proceeds of WageWorks shares sold by Mr. Jackson during the Pre-Class
22 Period. These stock transactions are reflected in Mr. Jackson's related Forms 4, filed with the
23 SEC. The Forms 4 speak for themselves, and Defendant refers to the documents for their
24 complete contents. Except as expressly admitted herein, Defendant denies each and every
25 allegation and charts in paragraph 192.

26 193. Defendant admits that the allegations and graph in paragraph 193 concern
27 WageWorks' stock price, and Defendant refers to public records of such stock prices. Except as
28

1 expressly admitted herein, Defendant denies each and every allegation and graph in paragraph
2 193.

3 194. The allegations in paragraph 194 contain legal conclusions as to which no
4 response is required. To the extent a response is deemed necessary, Defendant denies each and
5 every allegation in paragraph 194.

6 195. Defendant admits that Mr. Jackson did not sell any WageWorks stock between
7 March 1, 2018 and September 6, 2018 and that Mr. Jackson's WageWorks stock purchases
8 during the Class Period were made pursuant to an employee stock purchase plan. Mr. Jackson's
9 acquisition of WageWorks stock during the Class Period are reflected in his related Forms 4,
10 filed with the SEC. The Forms 4 speak for themselves, and Defendant refers to the documents
11 for their complete contents. Except as expressly admitted herein, Defendant denies each and
12 every allegation in paragraph 195.

13 196. Defendant admits that the allegations in paragraph 196 purport to cite to SEC
14 Regulation S-X, 17 C.F.R. § 210.4-01(a)(1) and 17 C.F.R. § 210.10-01(a)(5), but Defendant
15 denies Plaintiffs' characterization of SEC Regulation S-X, 17 C.F.R. § 210.4-01(a)(1) and 17
16 C.F.R. § 210.10-01(a)(5). SEC Regulation S-X, 17 C.F.R. § 210.4-01(a)(1) and 17 C.F.R. §
17 210.10-01(a)(5) speak for themselves. Except as expressly admitted herein, Defendant denies
18 each and every allegation in paragraph 196.

19 197. Defendant admits that the SEC issued an interpretation on MD&A in 1989 and
20 December 2003. Defendant admits that the excerpted text in quotations and in indented format
21 in paragraph 197 reflects portions of statements in Item 303 of SEC Regulation S-K at 17 C.F.R.
22 § 229.303(a), SEC Interpretation: *Management's Discussion and Analysis of Financial*
23 *Condition and Results of Operation; Certain Investment Company Disclosures*, dated May 18,
24 1989 (the "1989 SEC Interpretation"), and *Interpretation: Commission Guidance Regarding*
25 *Management's Discussion and Analysis of Financial Condition and Results of Operations*, dated
26 December 19, 2003 (the "2003 SEC Interpretation"), but Defendant denies that Plaintiffs'
27 selective quotations are complete or presented with full context, denies Plaintiffs' emphasis with
28 bold and italics, and denies that Plaintiffs' characterization of 17 C.F.R. § 229.303(a), the 1989

1 SEC Interpretation, and the 2003 SEC Interpretation is complete or accurate. 17 C.F.R. §
2 229.303(a), the 1989 SEC Interpretation, and the 2003 SEC Interpretation speak for themselves.
3 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
4 197.

5 198. Defendant admits that the allegations in paragraph 197 purport to cite to a portion
6 of Item 303 of SEC Regulation S-K at 17 C.F.R. § 229.303(a)(3)(ii) and 17 C.F.R. §
7 229.303(a)(1). Defendant admits that the excerpted text in indented format in paragraph 197
8 reflects portions of statements made in 17 C.F.R. § 229.303(a)(3)(ii), but Defendant denies that
9 Plaintiffs' selective quotations are complete or presented with full context, denies Plaintiffs'
10 emphasis with bold and italics, and denies that Plaintiffs' characterization of 17 C.F.R. §
11 229.303(a)(3)(ii) is complete or accurate. 17 C.F.R. § 229.303(a)(3)(ii) and 17 C.F.R. §
12 229.303(a)(1) speak for themselves. Except as expressly admitted herein, Defendant denies each
13 and every allegation in paragraph 198.

14 199. The allegations in the first two sentences in paragraph 199 contain assertions as to
15 which no response is required. To the extent that a response is deemed necessary, Defendant
16 denies the allegations. Defendant admits that the excerpted text in the remaining allegations in
17 paragraph 197 reflects portions of statements made in the Statement of Financial Accounting
18 Concepts No. 5 ("FASCON 5"), but Defendant denies that Plaintiffs' selective quotations are
19 complete or presented with full context and denies that Plaintiffs' characterization of FASCON 5
20 is complete or accurate. FASCON 5 speaks for itself. Defendant admits the allegations in
21 footnotes 9 and 10. Except as expressly admitted herein, Defendant denies each and every
22 allegation in paragraph 199.

23 200. The allegations in paragraph 200 contain assertions or conclusions that require
24 expert opinion as to which no response is required. To the extent that a response is deemed
25 necessary, Defendant denies the allegations. Except as expressly admitted herein, Defendant
26 denies each and every allegation in paragraph 200.

27 201. Defendant admits that the Staff of the SEC issued Staff Accounting Bulletin No.
28 104 ("SAB 104") in December 2003. Defendant admits that the excerpted text in indented

1 format in paragraph 201 reflects portions of statements made in SAB 104, but Defendant denies
2 that Plaintiffs' selective quotations are complete or presented with full context and denies that
3 Plaintiffs' characterization of SAB 104 is complete or accurate. SAB 104 speaks for itself.
4 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
5 201.

6 202. Defendant admits that allegations in paragraph 202 purport to cite to paragraph
7 QC1 in FASCON 8, but Defendant denies that Plaintiffs' characterization of paragraph QC1 is
8 complete or accurate. Paragraph QC1 speaks for itself. Except as expressly admitted herein,
9 Defendant denies each and every allegation in paragraph 202.

10 203. Defendant admits that the allegations in paragraph 203 purport to cite to SEC
11 Staff Accounting Bulletin No. 99 ("SAB 99"), but Defendant denies that Plaintiffs'
12 characterization of SAB 99 is complete or accurate. SAB 99 speaks for itself. Except as
13 expressly admitted herein, Defendant denies each and every allegation in paragraph 203.

14 204. The allegations in paragraph 204 contain assertions or conclusions that require
15 expert opinion as to which no response is required. To the extent that a response is deemed
16 necessary, Defendant denies the allegations. Except as expressly admitted herein, Defendant
17 denies each and every allegation in paragraph 204.

18 205. Defendant admits that the excerpted text in indented format in paragraph 205
19 reflects portions of statements made in ASC 250, *Accounting Changes and Error Corrections*
20 ("ASC 250") and ASC 250-10-20, but Defendant denies that Plaintiffs' selective quotations are
21 complete or presented with full context and denies that Plaintiffs' characterization of ASC 250
22 and ASC 250-10-20 is complete or accurate. ASC 250 and ASC 250-10-20 speak for
23 themselves. Except as expressly admitted herein, Defendant denies each and every allegation in
24 paragraph 205.

25 206. Defendant admits the allegations in the first sentence in paragraph 206. The
26 allegations in the second sentence in paragraph 206 contains assertions or conclusions that
27 require expert opinion as to which no response is required. To the extent a response is deemed
28 necessary, Defendant denies the allegations. Defendant admits that the allegations in the third

1 sentence of paragraph 206 purport to cite to SEC Staff Accounting Bulletin No. 108 (“SAB
2 108”), but Defendant denies that Plaintiffs’ characterization of SAB 108 is complete or accurate.
3 SAB 108 speaks for itself. Except as expressly admitted herein, Defendant denies each and
4 every allegation in paragraph 206.

5 207. Defendant admits that the excerpted text in indented format in paragraph 207
6 reflects portions of statements made in ASC 250-10-45-23, but Defendant denies that Plaintiffs’
7 selective quotations are complete or presented with full context. ASC 250-10-45-23 speaks for
8 itself. Except as expressly admitted herein, Defendant denies each and every allegation in
9 paragraph 207.

10 208. The allegations in paragraph 208 contain assertions or conclusions that require
11 expert opinion as to which no response is required. To the extent that a response is deemed
12 necessary, Defendant denies the allegations. Except as expressly admitted herein, Defendant
13 denies each and every allegation in paragraph 208.

14 209. Defendant admits that the excerpted text in quotations in the first sentence in
15 paragraph 209 reflects portions of statements made in the Company’s Form 12b-25, filed with
16 the SEC on March 2, 2018, but Defendant denies Plaintiffs’ characterization of the statements
17 made in the Form 12b-25. Defendant admits that the excerpted text in quotations in the last
18 sentence in paragraph 209 reflects portions of statements made in certain of the Company’s
19 Forms 8-K, filed with the SEC on May 10, 2018 or later, but Defendant denies Plaintiffs’
20 characterization of the statements made in the Forms 8-K. The Form 12b-25 and Forms 8-K
21 speak for themselves, and Defendant refers to the documents for their complete contents. Except
22 as expressly admitted herein, Defendant denies each and every allegation in paragraph 209.

23 210. Defendant denies that the excerpted text in quotations reflects portions of
24 statements made in the Company’s Form 8-K, filed with the SEC on April 5, 2018. Defendant
25 admits that the April 5, 2018 Form 8-K announced the Board’s conclusion that the Company’s
26 financial statements for (i) the quarterly and year-to-date periods ended June 30 and September
27 30, 2016, (ii) the year ended December 31, 2016 and (iii) the quarterly and year-to-date periods
28 ended March 31, June 30 and September 30, 2016 should be restated and should no longer be

1 relied upon. The April 5, 2018 Form 8-K speaks for itself, and Defendant refers to the document
2 for its complete contents. Except as expressly admitted herein, Defendant denies each and every
3 allegation in paragraph 210.

4 211. Defendant denies each and every allegation in paragraph 211.

5 212. Defendant admits that the excerpted text in indented format in paragraph 212
6 reflects portions of statements made in the Company's 2016 Form 10-K, but Defendant denies
7 that Plaintiffs' selective quotations are either complete, accurate or presented with full context
8 and Defendant denies Plaintiffs' characterization of the statements made in the 2016 Form 10-K.
9 The 2016 Form 10-K speaks for itself, and Defendant refers to the document for its complete
10 contents. Except as expressly admitted herein, Defendant denies each and every allegation in
11 paragraph 212.

12 213. Defendant admits that the excerpted text in indented format in paragraph 213
13 reflects portions of statements made in the Company's 2016 Form 10-K, but Defendant denies
14 that Plaintiffs' selective quotations are complete or presented with full context and Defendant
15 denies Plaintiffs' characterization of the statements made in the 2016 Form 10-K. The 2016
16 Form 10-K speaks for itself, and Defendant refers to the document for its complete contents.
17 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
18 213.

19 214. Defendant admits the allegations in the first sentence in paragraph 214 regarding
20 the recognition of revenue to the extent the allegations concern fees associated with services, and
21 as disclosed in the Company's 2016 Form 10-K, Defendant but denies the allegations to the
22 extent they concern fees received for the initial setup of clients. Except as expressly admitted
23 herein, Defendant denies each and every allegation in paragraph 214.

24 215. Defendant admits that certain of the Company's financial statements were restated
25 to correct accounting related to revenue recognition associated with the OPM Contract. Except
26 as expressly admitted herein, Defendant denies each and every allegation in paragraph 215.

27 216. As to the allegations in the first sentence in paragraph 216 regarding the
28 knowledge of "[e]very corporate CEO and CFO," Defendant lacks knowledge and information

1 sufficient to form a belief as to the truth of the allegations and, on that basis, deny the
2 allegations. Except as expressly admitted herein, Defendant denies each and every allegation in
3 paragraph 216.

4 217. The allegations in paragraph 217 contain assertions, legal conclusions or
5 conclusions that require expert opinion, as to which no response is required. To the extent that a
6 response is deemed necessary, Defendant denies the allegations. Except as expressly admitted
7 herein, Defendant denies each and every allegation in paragraph 217.

8 218. Defendant admits that Mr. Jackson sold WageWorks common stock in the June
9 2017 Offering. Defendant admits that certain of the Company's financial statements were
10 restated to correct accounting related to revenue recognition associated with the OPM Contract.
11 The remaining allegations in paragraph 218 contain assertions, legal conclusions or conclusions
12 that require expert opinion, as to which no response is required. To the extent that a response is
13 deemed necessary, Defendant denies the allegations. Except as expressly admitted herein,
14 Defendant denies each and every allegation in paragraph 218.

15 219. Defendant admits that prior to the Class Period, the Company developed a
16 software known as KP Connector based on the specifications outlined in a client agreement.
17 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
18 219.

19 220. Defendant admits that in 2016, costs incurred by the Company to develop KP
20 Connector software were capitalized and recognized over the technology's useful life as
21 amortization in the consolidated statement of income. Defendant admits the allegations in the
22 last sentence in paragraph 220. Except as expressly admitted herein, Defendant denies each and
23 every allegation in paragraph 220.

24 221. Defendant admits that the allegations in paragraph 221 purport to cite to
25 Accounting Standards Codification 350-30, *General Intangibles Other Than Goodwill* ("ASC
26 350-30"), ASC 350-30-35-14 and ASC 360, *Property, Plant, and Equipment* ("ASC 360"), ASC
27 350-30-35-14, 360-10-35-21 and ASC 360-10-35-17, but Defendant denies that Plaintiffs'
28 selective quotations are complete or presented with full context and denies that Plaintiffs'

1 characterizations of ASC 350-30, ASC 350-30-35-14, ASC 360, ASC 360-10-35-21 and ASC
2 360-10-35-17 are complete or accurate. ASC 350-30, ASC 350-30-35-14, ASC 360, ASC 360-
3 10-35-21 and ASC 360-10-35-17 speak for themselves. Except as expressly admitted herein,
4 Defendant denies each and every allegation in paragraph 221.

5 222. Defendant admits that the excerpted text in indented format in paragraph 222
6 reflects portions of statements made in the Company's 2016 Form 10-K, but Defendant denies
7 that Plaintiffs' selective quotations are complete or presented with full context and denies
8 Plaintiffs' characterization of the statements made in the 2016 Form 10-K. The 2016 Form 10-K
9 speaks for itself, and Defendant refers to the document for its complete contents. Except as
10 expressly admitted herein, Defendant denies each and every allegation in paragraph 222.

11 223. Defendant admits that allegations in paragraph 223 purport to cite to ASC 360
12 and ASC 360-10-35-23, but Defendant denies that Plaintiffs' selective quotations are complete
13 or presented with full context and denies that Plaintiffs' characterization of ASC 360 and ASC
14 360-10-35-23 is complete or accurate. ASC 360 and ASC 360-10-35-23 speak for themselves.
15 As to the allegations in the last two sentences in paragraph 223, they contain assertions or
16 conclusions that require expert opinion as to which no response is required. To the extent a
17 response is deemed necessary, Defendant denies the allegations. Except as expressly admitted
18 herein, Defendant denies each and every allegation in paragraph 223.

19 224. Defendant admits that in 2016, the Company re-assessed the fair value of KP
20 Connector and that in the second quarter of 2016, the client notified the Company that it no
21 longer required the services provided by the Company. Defendant admits that the excerpted text
22 in the last sentence in paragraph 224 reflects portions of statements made in the Company's 2017
23 Form 10-K, Defendant but denies that Plaintiffs' selective quotations are complete or presented
24 in full context. The 2017 Form 10-K speaks for itself, and Defendant refers to the document for
25 its complete contents. Except as expressly admitted herein, Defendant denies each and every
26 allegation in paragraph 224.

27 225. Defendant admits that the allegations in paragraph 225 purport to cite to ASC
28 360. ASC 360 speaks for itself. Defendant denies that Plaintiffs' characterization of ASC 360 is

1 complete or accurate. To the extent the allegations in paragraph 225 purport to apply ASC 360,
2 the allegations contain assertions or conclusions that require expert opinion as to which no
3 response is required. To the extent a response is deemed necessary, Defendant denies the
4 allegations. Except as expressly admitted herein, Defendant denies each and every allegation in
5 paragraph 225.

6 226. Defendant admits that prior to the Restatement, the Company did not record an
7 impairment loss of \$3.7 million with respect to KP Connector during the third and fourth
8 quarters of 2016. Defendant admits that the Company recorded amortization expense of \$0.3
9 million in the third and fourth quarters of 2016 and \$0.9 million in the first three quarters of 2017
10 relating to KP Connector. Except as expressly admitted herein, Defendant denies each and every
11 allegation in paragraph 226 and footnote 12.

12 227. Defendant admits that the excerpted text in quotations in paragraph 227 reflects
13 portions of statements made in the Company's 2017 Form 10-K, but Defendant denies that
14 Plaintiffs' selective quotations are either complete, accurate or presented in full context and
15 denies Plaintiffs' characterizations of statements made in the 2017 Form 10-K. The 2017 Form
16 10-K speaks for itself, and Defendant refers to the document for its complete contents. Except as
17 expressly admitted herein, Defendant denies each and every allegation in paragraph 227.

18 228. Defendant admits that in connection with the Restatement, it was determined that
19 the Company had material weaknesses in its internal control, as set forth in the Company's 2017
20 Form 10-K. Except as expressly admitted herein, Defendant denies each and every allegation in
21 paragraph 228.

22 229. The allegations in the first sentence in paragraph 229 contain legal conclusions as
23 to which no response is required. To the extent that a response is deemed necessary, Defendant
24 denies the allegations. Defendant admits that the remaining allegations in paragraph 229 purport
25 to cite to 17 C.F.R. §§ 240.13a-15, 240.15d-15, 229.307 and 229.308. 17 C.F.R. §§ 240.13a-15,
26 240.15d-15, 229.307 and 229.308 speak for themselves. Defendant denies that Plaintiffs'
27 characterizations of 17 C.F.R. §§ 240.13a-15, 240.15d-15, 229.307 and 229.308 are complete or
28

1 accurate. Except as expressly admitted herein, Defendant denies each and every allegation in
2 paragraph 229.

3 230. The allegations in the first sentence in paragraph 230 contain assertions or legal
4 conclusions as to which no response is required. To the extent that a response is deemed
5 necessary, Defendant denies the allegations. Defendant admits that allegations in paragraph 230
6 purport to cite to 17 C.F.R. § 229.308. 17 C.F.R. § 229.308 speaks for itself. Defendant denies
7 that Plaintiffs' characterizations of 17 C.F.R. § 229.308 are complete or accurate. Except as
8 expressly admitted herein, Defendant denies each and every allegation in paragraph 230.

9 231. As to the allegations in the first sentence in paragraph 231 regarding the practice
10 of unnamed "U.S. public companies," Defendant lacks knowledge and information sufficient to
11 form a belief as to the truth of the allegations and, on that basis, denies the allegations.
12 Defendant admits that an "Integrated Control-Integrated Framework" was reportedly developed
13 by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 1992
14 and revised in 2013. As to the remaining allegations in paragraph 231, the allegations contain
15 assertions as to which no response is required. To the extent a response is deemed necessary,
16 Defendant denies the allegations. Except as expressly admitted herein, Defendant denies each
17 and every allegation in paragraph 231.

18 232. Defendant admits that the excerpted text in indented format in paragraph 232
19 reflects portions of statements made in COSO Internal Control-Integrated Framework Frequently
20 Asked Questions (May 2013) (the "COSO May 2013 FAQs"), but Defendant denies that
21 Plaintiffs' selective quotations are complete or presented in full context. The COSO May 2013
22 FAQs speaks for itself, and Defendant refers to the document for its complete contents. Except
23 as expressly admitted herein, Defendant denies each and every allegation in paragraph 232.

24 233. Defendant admits the allegations in paragraph 233.

25 234. The allegations in the first sentence of paragraph 234 contain assertions or
26 conclusions that require expert opinion as to which no response is required. To the extent a
27 response is deemed necessary, Defendant denies the allegations. Defendant admits that the
28 Company did not maintain effective internal control over financial reporting related to certain

1 areas, as set forth in the Company's 2017 Form 10-K. Except as expressly admitted herein,
2 Defendant denies each and every allegation in paragraph 234.

3 235. The allegations in paragraph 235 concern the Company's internal control over
4 financial reporting during the Class Period, which is addressed in the Company's 2017 Form 10-
5 K. Defendant denies Plaintiffs' characterizations of statements made in the 2017 Form 10-K.
6 The 2017 Form 10-K speaks for itself, and Defendant refers to the document for its complete
7 contents. Except as expressly admitted herein, Defendant denies each and every allegation in
8 paragraph 235.

9 236. The allegations in paragraph 236 concern the Company's internal control over
10 financial reporting during the Class Period, which is addressed in the Company's 2017 Form 10-
11 K. Defendant denies Plaintiffs' characterizations of statements made in the 2017 Form 10-K.
12 The 2017 Form 10-K speaks for itself, and Defendant refers to the document for its complete
13 contents. Except as expressly admitted herein, Defendant denies each and every allegation in
14 paragraph 236.

15 237. The allegations in paragraph 237 concern the Company's internal control over
16 financial reporting during the Class Period, which is addressed in the Company's 2017 Form 10-
17 K. Defendant denies Plaintiffs' characterizations of statements made in the 2017 Form 10-K.
18 The 2017 Form 10-K speaks for itself, and Defendant refers to the document for its complete
19 contents. Except as expressly admitted herein, Defendant denies each and every allegation in
20 paragraph 237.

21 238. The allegations in paragraph 234 contain legal conclusions as to which no
22 response is required. To the extent a response is deemed necessary, Defendant denies the
23 allegations. Defendant admits that the Company restated its financial statements for the
24 quarterly and year-to-date periods ended June 30 and September 30, 2016, the year ended
25 December 31, 2016, and the quarterly and year-to-date periods ended March 31, June 30 and
26 September 30, 2017. Except as expressly admitted herein, Defendant denies each and every
27 allegation in paragraph 238.

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1 239. Defendant admits the allegations in the first sentence is paragraph 239. The
2 allegations in the last sentence in paragraph 239 contain legal conclusions as to which no
3 response is required. To the extent a response is deemed necessary, Defendant denies the
4 allegations. Except as expressly admitted herein, Defendant denies each and every allegation in
5 paragraph 239.

6 240. Defendant denies each and every allegation in paragraph 240.

7 241. Defendant denies each and every allegation in paragraph 241.

8 242. Defendant admits that the excerpted text in quotations in paragraph 242 reflects
9 portions of statements made in Sarbanes-Oxley certifications executed by the Executive
10 Defendants during the Class Period, but Defendant denies that Plaintiffs' selective quotations are
11 complete or presented with full context and denies Plaintiffs' characterization of the statements
12 made in the Sarbanes-Oxley certifications. The certifications speak for themselves, and
13 Defendant refers to the documents for their complete contents. Except as expressly admitted
14 herein, Defendant denies each and every allegation in paragraph 242.

15 243. Defendant admits that the excerpted text in quotations in paragraph 243 reflects
16 portions of statements made in Sarbanes-Oxley certifications executed by the Executive
17 Defendants during the Class Period, but Defendant denies that Plaintiffs' selective quotations are
18 complete or presented with full context, denies Plaintiffs' emphasis added with bold and italics,
19 and denies Plaintiffs' characterization of the statements made in the Sarbanes-Oxley
20 certifications. The certifications speak for themselves, and Defendant refers to the documents
21 for their complete contents. Except as expressly admitted herein, Defendant denies each and
22 every allegation in paragraph 243.

23 244. Defendant denies each and every allegation in paragraph 244.

24 245. Defendant admits that Plaintiffs MPERS and GERS purport to bring this action as
25 a federal securities class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on
26 behalf of all individuals and entities who purchased or otherwise acquired WageWorks common
27 stock on the open market during the putative class period of May 6, 2016 through March 1, 2018,
28 excluding Defendants, their affiliates and directors and officers of the Company. Defendant

1 lacks knowledge and information sufficient to form a belief as to the truth of the allegations
2 regarding Plaintiffs MPERS' and GERS' or any other WageWork securities purchasers'
3 damages and, on that basis, denies the allegations. Defendant further denies that class
4 certification is appropriate. Except as expressly admitted herein, Defendant denies each and
5 every allegation in paragraph 245.

6 246. Defendant admits that Plaintiff PERA purports to bring this action on behalf of all
7 individuals and entities who purchased or otherwise acquired WageWorks common stock
8 pursuant and/or traceable to the Offering Documents in connection with the June 2017 Offering,
9 excluding Defendants, their affiliates and directors and officers of the Company, who were
10 allegedly damaged thereby. Defendant lacks knowledge and information sufficient to form a
11 belief as to the truth of the allegations regarding Plaintiff PERA's or any other WageWorks
12 securities purchasers' alleged damages and, on that basis, denies the allegations. Defendant also
13 denies that class certification is appropriate. Except as expressly admitted herein, Defendant
14 denies each and every allegation in paragraph 246.

15 247. The allegations in the first sentence contain legal conclusions as to which no
16 response is required. To the extent a response is deemed necessary, Defendant lacks knowledge
17 and information sufficient to form a belief as to the truth of the allegations concerning the
18 number of potential members of the putative class that Plaintiffs seek to define, and on that basis,
19 denies the allegations. Defendant admits that as of October 31, 2017, the Company had
20 39,636,536 shares of common stock outstanding and that a public offering of 2.5 million
21 WageWorks common stock was conducted in June 2017. Except as expressly admitted herein,
22 Defendant denies each and every allegation in paragraph 247.

23 248. The allegations in paragraph 248 contain legal conclusions as to which no
24 response is required. To the extent a response is deemed necessary, Defendant lacks knowledge
25 and information sufficient to form a belief as to the truth of the allegations concerning a
26 community of interest in questions of law and fact, and on that basis, denies the allegations.
27 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
28 248.

1 249. The allegations in paragraph 249 contain legal conclusions as to which no
2 response is required. To the extent a response is deemed necessary, Defendant lacks knowledge
3 and information sufficient to form a belief as to the truth of the allegations concerning purported
4 commonality of the claims of the putative '34 Act Class, and on that basis, denies the allegations.
5 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
6 249.

7 250. The allegations in paragraph 250 contain legal conclusions as to which no
8 response is required. To the extent a response is deemed necessary, Defendant lacks knowledge
9 and information sufficient to form a belief as to the truth of the allegations concerning purported
10 predominancy of the claims of the putative '33 Act Class, and on that basis, denies the
11 allegations. Except as expressly admitted herein, Defendant denies each and every allegation in
12 paragraph 250.

13 251. The allegations in paragraph 251 contain legal conclusions as to which no
14 response is required. To the extent a response is deemed necessary, Defendant lacks knowledge
15 and information sufficient to form a belief as to the truth of the allegations concerning purported
16 typicality of Plaintiffs' claims, and on that basis, denies the allegations. Except as expressly
17 admitted herein, Defendant denies each and every allegation in paragraph 251.

18 252. The allegations in paragraph 252 contain legal conclusions as to which no
19 response is required. To the extent a response is deemed necessary, Defendant lacks knowledge
20 and information sufficient to form a belief as to the truth of the allegations concerning the
21 purported adequacy of Plaintiffs and their counsel, and on that basis, denies the allegations.
22 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
23 252.

24 253. The allegations in paragraph 253 contain legal conclusions as to which no
25 response is required. To the extent a response is deemed necessary, Defendant lacks knowledge
26 and information sufficient to form a belief as to the truth of the allegations concerning the
27 purportedly superiority of a class action, and on that basis, denies the allegations. Except as
28 expressly admitted herein, Defendant denies each and every allegation in paragraph 253.

1 254. The allegations in paragraph 254 contain legal conclusions as to which no
2 response is required. To the extent a response is deemed necessary, Defendant denies each and
3 every allegation in paragraph 254.

4 255. The allegations in paragraph 255 contain assertions or legal conclusions as to
5 which no response is required. To the extent a response is deemed necessary, Defendant denies
6 each and every allegation. As to the allegations concerning WageWorks' stock price, Defendant
7 refers to public records of such stock prices. Except as expressly admitted herein, Defendant
8 denies each and every allegation in paragraph 255.

9 256. The allegations in paragraph 256 contain assertions or legal conclusions as to
10 which no response is required. To the extent a response is deemed necessary, Defendant denies
11 each and every allegation in paragraph 256.

12 257. The allegations in paragraph 257 contain assertions or legal conclusions as to
13 which no response is required. To the extent a response is deemed necessary, Defendant denies
14 each and every allegation in paragraph 257.

15 258. The allegations in paragraph 258 contain assertions or legal conclusions as to
16 which no response is required. To the extent a response is deemed necessary, Defendant denies
17 each and every allegation in paragraph 258.

18 259. The allegations in paragraph 259 contain assertions or legal conclusions as to
19 which no response is required. To the extent a response is deemed necessary, Defendant denies
20 each and every allegation in paragraph 259.

21 260. The allegations in paragraph 260 contain legal conclusions as to which no
22 response is required. To the extent a response is deemed necessary, Defendant denies each and
23 every allegation in paragraph 260.

24 261. The allegations in paragraph 261 contain legal conclusions as to which no
25 response is required. To the extent a response is deemed necessary, Defendant denies each and
26 every allegation in paragraph 261.

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1 262. The allegations in paragraph 262 contain legal conclusions as to which no
2 response is required. To the extent a response is deemed necessary, Defendant denies each and
3 every allegation in paragraph 262.

4 263. The allegations in paragraph 263 contain legal conclusions as to which no
5 response is required. To the extent a response is deemed necessary, Defendant denies each and
6 every allegation in paragraph 263.

7 **Count I**

8 **Violation of Section 10(b) of the Exchange Act of 1934 and Rule 10b-5**
9 **Promulgated Thereunder: Lead Plaintiffs MPERS and GERS, Individually and**
10 **on behalf of the '34 Act Class versus Defendants WageWorks, Jackson and Callan**

11 264. Defendant repeats each and every response contained above and further responds
12 as follows.

13 265. Defendant denies each and every allegation in paragraph 265.

14 266. Defendant admits that Plaintiffs purport to sue Defendant as a primary participant.
15 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
16 266.

17 267. Defendant denies each and every allegation in paragraph 267.

18 268. Defendant denies each and every allegation in paragraph 268.

19 269. Defendant denies each and every allegation in paragraph 269.

20 270. Defendant denies each and every allegation in paragraph 270.

21 271. Defendant lacks knowledge and information sufficient to form a belief as to the
22 truth of the allegations in paragraph 271 regarding Plaintiffs' and purported class members'
23 beliefs and potential actions, and on that basis, denies the allegations. Except as expressly
24 admitted herein, Defendant denies each and every allegation in paragraph 271.

25 272. Defendant denies each and every allegation in paragraph 272.

26 273. Defendant denies each and every allegation in paragraph 273.

27 274. Defendant admits that the initial complaint in this action was filed less than five
28 years from the date of each Plaintiff's purchases of WageWorks securities that are set forth in
their respective certifications at Dkt. Nos. 34-3 and 34-7.

Count II

**Violation of Section 20(a) of the Securities Exchange Act of 1934:
Lead Plaintiffs MPERS and GERS Individually and on behalf of
The '34 Act Class versus the Executive Defendants**

275. The allegations in this paragraph are not alleged against Defendant. To the extent a response is required, Defendant repeats each and every response contained above and further responds as follows.

276. The allegations in this paragraph are not alleged against Defendant. To the extent a response is required, Defendant denies each and every allegation in paragraph 276.

277. The allegations in this paragraph are not alleged against Defendant. To the extent a response is required, Defendant denies each and every allegation in paragraph 277.

278. Defendant denies each and every allegation in paragraph 278.

279. The allegations in this paragraph are not alleged against Defendant. To the extent a response is required, Defendant denies each and every allegation in paragraph 279.

280. Defendant admits that the initial complaint in this action was filed less than five years from the date of each '34 Act Plaintiff's purchases of WageWorks securities that are set forth in their respective certifications at Dkt. Nos. 34-3 and 34-7.

Count III

**Violation of Section 11 of the Securities Act of 1933:
Lead Plaintiff PERA, Individually and on behalf of the '33 Act Class
Versus the Securities Act of 1933 Defendants – Wageworks, Jackson, Callan, the
Director Defendants and the Underwriter Defendants**

281. Defendant repeats each and every response contained above. The allegations in the second sentence in paragraph 281 contain legal conclusions as to which no response is required. To the extent a response is deemed necessary, Defendant denies the allegations. The remaining allegations in paragraph 281 are Plaintiffs' characterization of Count III as to which no response is required. To the extent a response is deemed necessary, Defendant denies the allegations in paragraph 281.

282. Defendant admits that Plaintiff PERA purports to bring a Section 11 claim against all defendants pursuant to Section 11 of the Securities Act on behalf of all proposed '33 Act class

1 members who purchased or otherwise acquire WageWorks common stock pursuant to or
2 traceable to the Registration Statement for the June 2017 Offering. Defendant lacks knowledge
3 and information sufficient to form a belief as to the truth of the allegations regarding Plaintiff
4 PERA's or any proposed '33 Act class members' alleged damages and, on that basis, denies the
5 allegations. Defendant also denies that class certification is appropriate. Defendant admits that
6 the Executive Defendants and the Director Defendants executed the Registration Statement in
7 connection with the June 2017 Offering. Except as expressly admitted herein, Defendant denies
8 each and every allegation in paragraph 282.

9 283. Defendant admits that the Company restated its financial statements for the
10 second and third quarters of 2016 and full-year 2016. Defendant admits that the chart in
11 paragraph 283 purports to set forth the impact of the Restatement. The impact of the
12 Restatement was reported in the Company's 2017 Form 10-K and 2016 Form 10-K/A. The 2017
13 Form 10-K and 2016 Form 10-K/A speak for themselves, and Defendant refers to the documents
14 for their complete contents. Except as expressly admitted herein, Defendant denies each and
15 every allegation and the charts in paragraph 283.

16 284. Defendant denies each and every allegation in paragraph 284.

17 285. Defendant lacks knowledge and information sufficient to form a belief as to the
18 truth of the allegations in paragraph 285 regarding Plaintiff PERA's and purported class
19 members' purchases of WageWorks common stock, and on that basis, denies the allegations.
20 Except as expressly admitted herein, Defendant denies each and every allegation in paragraph
21 285.

22 286. Defendant lacks knowledge and information sufficient to form a belief as to the
23 truth of the allegations in paragraph 286 regarding Plaintiff PERA's and purported class
24 members' knowledge or potential knowledge, and on that basis, denies the allegations. Except
25 as expressly admitted herein, Defendant denies each and every allegation in paragraph 286.

26 287. Defendant denies each and every allegation in paragraph 287.

27 288. Defendant denies each and every allegation in paragraph 288.

28

Count IV

Violation of Section 12(a)(2) of the Securities Act of 1933: Lead Plaintiff PERA, individually and on behalf of the '33 Act Class versus the Underwriter Defendants

289. The allegations in this paragraph are not alleged against Defendant. To the extent a response is required, Defendant repeats each and every response contained above and denies each and every allegation in paragraph 289.

290. The allegations in this paragraph are not alleged against Defendant. To the extent a response is required, Defendant denies each and every allegation in paragraph 290.

291. The allegations in this paragraph are not alleged against Defendant. To the extent a response is required, Defendant denies each and every allegation in paragraph 291.

292. The allegations in this paragraph are not alleged against Defendant. To the extent a response is required, Defendant denies each and every allegation in paragraph 292.

293. The allegations in this paragraph are not alleged against Defendant. To the extent a response is required, Defendant denies each and every allegation in paragraph 293.

294. The allegations in this paragraph are not alleged against Defendant. To the extent a response is required, Defendant denies each and every allegation in paragraph 294.

295. The allegations in this paragraph are not alleged against Defendant. The allegations in this paragraph are not alleged against Defendant. To the extent a response is required, Defendant denies each and every allegation in paragraph 295.

296. The allegations in this paragraph are not alleged against Defendant. To the extent a response is required, Defendant denies each and every allegation in paragraph 296.

297. The allegations in this paragraph are not alleged against Defendant. To the extent a response is required, Defendant denies each and every allegation in paragraph 297.

298. The allegations in this paragraph are not alleged against Defendant. To the extent a response is required, Defendant denies each and every allegation in paragraph 298.

Count V

**Violation of Section 15 of the Securities Exchange Act of 1933:
Lead Plaintiff PERA, individually and on behalf of the '33 Act Class
Versus the Executive Defendants and the Director Defendants**

1 299. The allegations in this paragraph are not alleged against Defendant. To the extent
2 a response is required, Defendant repeats each and every response contained above and denies
3 each and every allegation in paragraph 299.

4 300. The allegations in this paragraph are not alleged against Defendant. To the extent
5 a response is required, Defendant denies each and every allegation in paragraph 300.

6 301. The allegations in this paragraph are not alleged against Defendant. To the extent
7 a response is required, Defendant denies each and every allegation in paragraph 301.

8 302. The allegations in this paragraph are not alleged against Defendant. To the extent
9 a response is required, Defendant denies each and every allegation in paragraph 302.

10 303. The allegations in this paragraph are not alleged against Defendant. To the extent
11 a response is required, Defendant denies each and every allegation in paragraph 303.

12 To the extent any response is required to Plaintiffs' prayer for relief, Defendant denies
13 each and every allegation therein.

14 **AFFIRMATIVE DEFENSES**

15 First Affirmative Defense

16 If any false or misleading statement was made in, or if any material fact required to be
17 stated or necessary to make any statement not misleading was omitted from, the Registration
18 Statement or other Offering Documents, then every act or omission was done or omitted in good
19 faith conformity with the rules and regulations of the Securities and Exchange Commission and,
20 therefore, pursuant to Section 19(a) of the Securities Act of 1933, there is no liability for any act
21 or omission alleged.

22 Second Affirmative Defense

23 If any false or misleading statement was made, or if any material fact required to be
24 stated or necessary to make any statement not misleading was omitted, which Defendant denies,
25 then every act or omission was done or omitted in good faith conformity with the rules and
26 regulations of the Securities and Exchange Commission and, therefore, pursuant to Section 23(a)
27 of the Securities Act of 1934, there is no liability for any act or omission alleged.
28

1 Third Affirmative Defense

2 Defendant may be entitled to a right of contribution from other individuals or entities
3 whose acts or omissions may have contributed to the occurrence of the alleged injury, damage
4 and/or loss, if any, should any plaintiff receive judgment against Defendant.

5 Fourth Affirmative Defense

6 Even assuming that Defendant did “offer[] or sell[] a security . . . , by means of a
7 prospectus . . . , which include[d] an untrue statement of a material fact or omit[ted] to state a
8 material fact necessary in order to make the statements, in the light of the circumstances under
9 which they were made, not misleading,” Defendant did not know, and in the exercise of
10 reasonable care could not have known, of such untruth or omission.

11 Fifth Affirmative Defense

12 The claims of Plaintiffs and members of the putative classes are barred, in whole or in
13 part, because many of the matters now claimed by the Complaint to be the subject of
14 misrepresentations or omissions were publicly disclosed or were in the public domain at the
15 relevant time and, as such, were received by, or otherwise available to, Plaintiffs and members of
16 the putative classes and were at all times reflected in the price of WageWorks’ securities.

17 Sixth Affirmative Defense

18 If any false or misleading statement was made, or if any material fact required to be stated
19 or necessary to make any statement not misleading was omitted, which Defendant denies, then
20 the claims of Plaintiffs and members of the putative class based on alleged violations of the
21 Securities Exchange Act of 1934 are barred, in whole or in part, because Plaintiffs and members
22 of the putative class were aware of the misstatement or omission and/or did not rely upon those in
23 purchasing WageWorks securities.

24 Seventh Affirmative Defense

25 Any recovery for damages allegedly incurred by Plaintiffs or members of the putative class based
26 on alleged violations of the Securities Exchange Act of 1934 is barred, in whole or in part, by the
27 damages limitations in Section 21D(e) of the Exchange Act, 15 U.S.C. § 78u-4(e).

28

1 Eighth Affirmative Defense

2 Any recovery for damages allegedly incurred by Plaintiffs or members of the putative
3 class based on alleged violations of the Securities Exchange Act of 1934 is limited to the
4 percentage of responsibility by a defendant in proportion to the total fault of all persons, named
5 as parties to this action or not, who caused or contributed to such alleged damages, pursuant to
6 Section 21D(f) of the Securities Exchange Act of 1934, 15 U.S.C. § 78u-4(f)(3)(A).

7 Ninth Affirmative Defense

8 Each Plaintiff and member of the putative classes would have acquired WageWorks
9 securities even if, when those securities were acquired, each Plaintiff and member of the
10 putative classes would have known of the allegedly untrue statements of material fact,
11 omissions of material fact, or misleading statements or other wrongful conduct upon which
12 Defendant's purported liability rests.

13 Tenth Affirmative Defense

14 If any false or misleading statement was made, or if any material fact required to be
15 stated or necessary to make any statement not misleading was omitted, which Defendant denies,
16 then the claims of Plaintiffs and members of the putative class based on alleged violations of the
17 Securities Exchange Act of 1934 are barred, in whole or in part, because such misrepresentations
18 did not cause or were not a material causal factor in the decline in the price of WageWorks
19 securities alleged in the Complaint.

20 Eleventh Affirmative Defense

21 All or a portion of the damages alleged by Plaintiffs and members of the putative classes
22 are attributable to causes other than any actions or omissions for which Defendant allegedly is
23 responsible.

24 Twelfth Affirmative Defense

25 The claims of Plaintiffs and members of the putative classes are barred, in whole or in
26 part, because any increase or decrease in the value of WageWorks securities was and is, wholly
27 or partially, the result of market conditions or other factors and not the result of any alleged
28 wrongful conduct by Defendant.

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Thirteenth Affirmative Defense

Any recovery for damages allegedly incurred by Plaintiffs or members of the putative classes is subject to offset in the amount of any tax benefits or other benefits received by Plaintiffs or members of the putative classes through their investments.

Fourteenth Affirmative Defense

To the extent the claims asserted by Plaintiffs and members of the putative classes are based on any predictions, expressions of opinion or forward-looking statements, such claims are not actionable under the statutory safe harbor in the Private Securities Litigation Reform Act, 15 U.S.C. § 78u-5(c)(1)(A), (B) and/or the bespeaks caution doctrine.

Fifteenth Affirmative Defense

The claims of Plaintiffs and members of the putative classes are barred, in whole or in part, by the doctrines of waiver, estoppel, ratification and/or unclean hands.

Sixteenth Affirmative Defense

Plaintiffs and members of the putative classes are barred from claiming injury or damage, if any, because they failed to make reasonable efforts to mitigate such injury or damage, which would have prevented their injury or damages, if any.

Seventeenth Affirmative Defense

Plaintiffs and members of the putative classes would be unjustly enriched if they were permitted to obtain any recovery in this action.

Eighteenth Affirmative Defense

The claims of Plaintiffs and members of the putative classes are barred, in whole or in part, by the doctrine of assumption of risk because the risks of investing in WageWorks securities were publicly disclosed to Plaintiffs and the market at all relevant times. Plaintiffs and members of the putative classes knew or should have known the risks inherent in investing in the securities at issue and thus assumed the risk of a decline in the value of their investments.

