

**UNITED STATES DISTRICT COURT
DISTRICT OF UTAH**

____, Individually and on behalf of all others
similarly situated,

Plaintiff,

v.

HEALTHEQUITY, INC., JON KESSLER, and
JAMES LUCANIA,

Defendants.

Case No:

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

JURY TRIAL DEMANDED

Plaintiff _____ (“Plaintiff”), individually and on behalf of all other persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants (defined below), alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters, based upon, among other things, the investigation conducted by and through his attorneys, which included, among other things, a review of the Defendants’ public documents, public filings, wire and press releases published by and regarding HealthEquity, Inc. (“HealthEquity” or the “Company”), and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a class action on behalf of persons or entities who purchased or otherwise acquired publicly traded HealthEquity securities between December 10, 2024 and March 18, 2025, both dates inclusive (the “Class Period”). Plaintiff seeks to recover compensable damages

caused by Defendants' violations of the federal securities laws under the Securities Exchange Act of 1934 (the "Exchange Act").¹

JURISDICTION AND VENUE

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

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

4. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)) as the alleged misstatements entered and the subsequent damages took place in this judicial district.

5. In connection with the acts, conduct and other wrongs alleged in this complaint, Defendants (defined below), directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

6. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein, purchased HealthEquity securities during the Class Period and was economically damaged thereby.

7. Defendant HealthEquity purports to be a "leader and an innovator in providing technology-enabled services that empower consumers to make healthcare saving and spending

¹ Unless otherwise noted, all emphasis is added.

decisions. We use our innovative technology to manage consumers' tax-advantaged health savings accounts (“HSAs”) and other consumer-directed benefits (“CDBs”) offered by employers, including flexible spending accounts and health reimbursement arrangements (“FSAs” and “HRAs”), and to administer Consolidated Omnibus Budget Reconciliation Act (“COBRA”), commuter and other benefits.”

8. Defendant HealthEquity is incorporated in Delaware and its head office is located at 15 West Scenic Pointe Drive, Suite 100, Draper, Utah 84020. HealthEquity’s common stock trades on the NASDAQ (“NASDAQ”) under the ticker symbol “HQY”

9. Defendant Jon Kessler (“Kessler”) served as the Company’s Chief Executive Officer (“CEO”) until January 6, 2025. He now serves as a special adviser to the Company.

10. Defendant James Lucania (“Lucania”) served as the Company’s Chief Financial Officer (“CFO”) throughout the Class Period.

11. Defendants Kessler and Lucania are collectively referred to herein as the “Individual Defendants.”

12. Each of the Individual Defendants:

- (a) directly participated in the management of the Company;
- (b) was directly involved in the day-to-day operations of the Company at the highest levels;
- (c) was privy to confidential proprietary information concerning the Company and its business and operations;
- (d) was directly or indirectly involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein;

- (e) was directly or indirectly involved in the oversight or implementation of the Company's internal controls;
- (f) was aware of or recklessly disregarded the fact that the false and misleading statements were being issued concerning the Company; and/or
- (g) approved or ratified these statements in violation of the federal securities laws.

13. HealthEquity is liable for the acts of the Individual Defendants and its employees under the doctrine of *respondeat superior* and common law principles of agency because all of the wrongful acts complained of herein were carried out within the scope of their employment.

14. The scienter of the Individual Defendants and other employees and agents of the Company is similarly imputed to HealthEquity under *respondeat superior* and agency principles.

15. Defendant HealthEquity and the Individual Defendants are collectively referred to herein as "Defendants."

SUBSTANTIVE ALLEGATIONS

Materially False and Misleading Statements Issued During the Class Period

16. After market hours on December 9, 2024, the Company held its earnings call for the third quarter of the 2025 fiscal year (the "Q3 2025 Call").

17. Defendant Kessler made the following statement on the Q3 2025 Call:

Our operations teams were also very busy in Q3, completing the final wave of single card processor consolidation while battling *a sophisticated and persistent fraud actor*. *These fraud activities led to excess of both of these kinds of activities*, I'm sorry, led to excess *one-time service expense*, which Jim will detail, a top seasonal spend for new

partner and client implementations and hiring and training and testing for a successful open enrollment season, which is now very much underway.

You should feel confident though that the underlying trend of service cost reduction through remarkable digital experience continues with AI transforming more member contacts and claims interactions and mobile wallet integration supplanting more plastic. If you have a HealthEquity card and it's not in your mobile wallet, got to do it. Time to do it. Have you done yours, Jim?

18. The statement in ¶ 17 was materially false and misleading at the time it was made because Defendant Kessler gave the impression that service costs would go down due to AI. In reality, the Company had not come up with a meaningful solution to prevent fraud against customers, which would lead to continued heightened service expenses, thus harming profit.

19. Defendant Lucania made the following statement on the Q3 2025 Call:

Gross profit was – of \$197 million was 66% of revenue in the third quarter of this year, up from 64% in the third quarter last year. As Jon mentioned, in addition to seasonal factors, gross profit during the quarter was *reduced by approximately \$8 million of excess service costs incurred to protect members from and reimburse those impacted by sophisticated fraud activity and to assist members during the final and largest phase of our card processor consolidation.*

While the seasonal ramp-up continues as a result of the sales success as Jon discussed, we believe these event-driven costs are largely behind us and expect only modest carryover into Q4. Net income for the third quarter was \$5.7 million or \$0.06 per share on a GAAP EPS basis and included the \$30 million one-time settlement of the WageWorks Lease Termination Lawsuit that we disclosed on Form 8-K in November.

20. The statements in ¶ 19 was materially false and misleading because Defendant Kessler gave the impression that costs related to combating suspicious activity were under control when, in fact, the Company had not come up with a meaningful solution to prevent fraud against customers, which would lead to continued heightened service expenses, harming profit.

21. Further, Defendant Lucania represented that the \$8 million was due to excess service costs related to combating fraud, as well as assisting members, when as he later revealed, the \$8 million in excess costs were entirely due to combating fraudulent activity.

22. On the Q3 2025 Call, Defendant Lucania further made the following statement in response to an analyst question:

So yes, so let me just clarify on the -- so the \$8 million, that was excess service costs across the board, so sort of ahead of our of our expectations. Yes, it was absorbed into the number. *But that is not just related to the fraud activity that we mentioned, but also sort of elevated member contacts. Yes, some of that related to fraud, but also some of that related to, as Jon mentioned, this was our largest wave of the card migration.* We put new chip cards, mobile wallet ready cards into many, many, many [technical difficulty].

And of course, perhaps we should have anticipated some of that incremental volume that would come our way just as the normal noise of a big operational project like that. But two -- we did not. So the two pieces there, I just want to highlight that that's \$8 million of just excess service costs related to both of those items.

23. The statements in ¶ 22 was materially false and misleading at the time it was made because Defendant Lucania later admitted that the \$8 million was entirely due to addressing fraudulent activity.

24. The statements contained in ¶¶ 17, 19, and 22 were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operations and prospects, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) by representing that certain concerns regarding criminals attacking HealthEquity accounts had been largely handled, the Company materially understated the issues affecting its business; (2) the foregoing led to a loss of profitability; and (3) as a result, Defendants' statements about its business, operations, and prospects, were materially false and misleading and/or lacked a reasonable basis at all relevant times.

THE TRUTH EMERGES

25. On March 18, 2025, after market close, HealthEquity conducted its earnings call for the fourth quarter of the 2025 fiscal year (the "Q4 2025 Call").

26. CEO Scott Cutler made the following statement on the Q4 2025 Call:

Like other financial services companies, *we also have seen increased cyber threats and fraud attacks from bad actors using sophisticated technology, techniques and methods. The collection of these activities led to excess service expense, which Jim will detail further.* We continue to believe we will drive down our service costs while delivering the remarkable experiences our customers expect from us. Our team is committed as ever to exceed these expectations.

27. The Q4 2025 Call included the following exchange between an analyst and Defendant Lucania, in which Defendant Lucania revealed that the \$8 million in increased Q3 costs was entirely due to confronting issues with fraud:

Analyst: Yeah, thanks, Scott and Jim. Thanks for taking the question. Hey, Jim, I just want to follow-up on these incremental service costs you're talking about. I think in your prepared remarks, you said you incurred about an incremental \$17 million in 4Q. And so, I'm kind of curious, did anything specific happen or is that just the decision you all decided to make on the investment front?

And then, just as a follow-on to that, the cadence throughout fiscal '26, you said it's obviously going to be more weighted to the first half. Are these one-time costs, or are these costs that are going to be sort of included in the base going forward? If you could just help us think about the cadence through fiscal '26, that would be helpful. Thanks.

Lucania: Yeah. Thanks, Glen, for the question. So, really it's the same topics that we talked about last quarter, right? *So, we have these sophisticated fraud actors. So, you're seeing a combination of the costs to reimburse members for fraudulent activity in their accounts as well as the service costs related to our contact centers taking those calls, dealing with those calls, confirming bad activity in the account.* So, it's a combination of actual reimbursement events as well as the excess cost to deal with those events.

So, recall we talked -- that was about an \$8 million impact for us in Q3. So, we, obviously, plan for a bit of that to continue in Q4 but obviously, we're overly optimistic on our ability to be in front of that. So it was more than we expected in Q4. We're expecting that to continue into the first half of the year. So, obviously, we don't sort of guide quarterly, but trying to give you a view that we expect a little bit of continuation and trail down into the beginning of the year here and sort of the back half being more normalized like you would expect on the service cost side.

28. On March 19, 2025, during market hours, *Investopedia* published an article entitled "HealthEquity Stock Plummets as Firm's Profit Hurt by Cyber Threats, Fraud." The article stated, in pertinent part, the following:

[HealthEquity stock fell Wednesday], a day after the Health Savings Account (HAS) custodian missed profit estimates and gave weak guidance as it dealt with the costs of a rise in criminal activity targeting the firm.

The company reported fourth-quarter fiscal 2025 adjusted earnings per share (EPS) of \$0.69, while analysts surveyed by Visible Alpha were looking for \$0.71.

29. On this news, HealthEquity shares fell \$17.35 per share, or 17.06%, to close at \$84.32 on March 19, 2025.

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

PLAINTIFF'S CLASS ACTION ALLEGATIONS

31. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons other than defendants who acquired HealthEquity securities publicly traded on the NASDAQ during the Class Period, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of HealthEquity, members of the Individual Defendants' immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

32. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, HealthEquity securities were actively traded on NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds, if not thousands of members in the proposed Class.

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

34. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

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

- whether the Exchange Act was violated by Defendants' acts as alleged herein;
 - whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the business and financial condition of HealthEquity;
 - whether Defendants' public statements to the investing public during the Class Period omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
 - whether the Defendants caused HealthEquity to issue false and misleading filings during the Class Period;
 - whether Defendants acted knowingly or recklessly in issuing false filings;
 - whether the prices of HealthEquity securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein;
- and

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

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

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

- HealthEquity shares met the requirements for listing, and were listed and actively traded on NASDAQ, an efficient market;
- As a public issuer, HealthEquity filed periodic public reports;
- HealthEquity regularly communicated with public investors via established market communication mechanisms, including through the regular dissemination of press releases via major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services;
- HealthEquity's securities were liquid and traded with moderate to heavy volume during the Class Period; and
- HealthEquity was followed by a number of securities analysts employed by major brokerage firms who wrote reports that were widely distributed and publicly available.

38. Based on the foregoing, the market for HealthEquity securities promptly digested current information regarding HealthEquity from all publicly available sources and reflected such information in the prices of the shares, and Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

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

COUNT I
For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder
Against All Defendants

40. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

41. This Count is asserted against Defendants is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

42. During the Class Period, Defendants, individually and in concert, directly or indirectly, disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

43. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- employed devices, schemes and artifices to defraud;

- made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of HealthEquity securities during the Class Period.

44. Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of HealthEquity were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated, or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the securities laws. These defendants by virtue of their receipt of information reflecting the true facts of HealthEquity, their control over, and/or receipt and/or modification of HealthEquity's allegedly materially misleading statements, and/or their associations with the Company which made them privy to confidential proprietary information concerning HealthEquity, participated in the fraudulent scheme alleged herein.

45. Individual Defendants, who are the senior officers and/or directors of the Company, had actual knowledge of the material omissions and/or the falsity of the material statements set forth above, and intended to deceive Plaintiff and the other members of the Class, or, in the alternative, acted with reckless disregard for the truth when they failed to ascertain and disclose the true facts in the statements made by them or other HealthEquity personnel to members of the investing public, including Plaintiff and the Class.

46. As a result of the foregoing, the market price of HealthEquity securities was artificially inflated during the Class Period. In ignorance of the falsity of Defendants' statements, Plaintiff and the other members of the Class relied on the statements described above and/or the integrity of the market price of HealthEquity securities during the Class Period in purchasing HealthEquity securities at prices that were artificially inflated as a result of Defendants' false and misleading statements.

47. Had Plaintiff and the other members of the Class been aware that the market price of HealthEquity securities had been artificially and falsely inflated by Defendants' misleading statements and by the material adverse information which Defendants did not disclose, they would not have purchased HealthEquity securities at the artificially inflated prices that they did, or at all.

48. As a result of the wrongful conduct alleged herein, Plaintiff and other members of the Class have suffered damages in an amount to be established at trial.

49. By reason of the foregoing, Defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the plaintiff and the other members of the Class for substantial damages which they suffered in connection with their purchase of HealthEquity securities during the Class Period.

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

50. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

51. During the Class Period, the Individual Defendants participated in the operation and management of HealthEquity, and conducted and participated, directly and indirectly, in the

conduct of HealthEquity's business affairs. Because of their senior positions, they knew the adverse non-public information about HealthEquity's business practices.

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

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

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

PRAYER FOR RELIEF

WHEREFORE, plaintiff, on behalf of himself and the Class, prays for judgment and relief as follows:

(a) declaring this action to be a proper class action, designating plaintiff as Lead Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and designating plaintiff's counsel as Lead Counsel;

(b) awarding damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, together with interest thereon;

awarding plaintiff and the Class reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) awarding plaintiff and other members of the Class such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated: _____

THE ROSEN LAW FIRM, P.A.

Phillip Kim, Esq.

Laurence M. Rosen, Esq.

275 Madison Avenue, 40th Floor

New York, NY 10016

Telephone: (212) 686-1060

Fax: (212) 202-3827

Email: philkim@rosenlegal.com

lrosen@rosenlegal.com

Counsel for Plaintiff