

UNITED STATES DISTRICT COURT FOR THE  
EASTERN DISTRICT OF WISCONSIN

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| UNITED STATES SECURITIES<br>AND EXCHANGE COMMISSION, | : |                    |
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| Plaintiff,   | : |                    |
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| v.   | : | CASE NO. 19-cv-481 |
|  | : |                    |
| PETER ARMBRUSTER, BRET NAGGS<br>and MARK WOGSLAND,   | : |                    |
|  | : | JURY DEMANDED      |
| Defendants.  | : |                    |
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**COMPLAINT**

1. Plaintiff United States Securities and Exchange Commission (the “SEC” or “Commission”) alleges as follows:

2. This case concerns a multi-year accounting fraud by three executives of Roadrunner Transportation Systems, Inc. (“Roadrunner” or “the Company”), a publicly traded shipping and logistics company. The fraud was perpetrated by Peter Armbruster (Roadrunner’s Chief Financial Officer) – as well as Mark Wogsland, and Bret Naggs (both former Controllers for one of Roadrunner’s business segments). From around 2013 to January 2017, the Defendants manipulated Roadrunner’s financial reports so they could hit prior earnings guidance and analysts’ projections for Roadrunner’s Earnings Per Share (“EPS”) while hiding significant expenses that were affecting Roadrunner’s financial performance.

3. Shortly after Roadrunner went public, the Company went on a buying spree. Between 2010 and January 2017, it bought more than 20 smaller shipping companies (the “Operating Companies”) and consolidated their results into its own financial statements.

4. But, starting no later than 2013, this flurry of acquisitions started to weigh on Roadrunner’s financial results. The Operating Companies were not performing as projected and the Defendants discovered millions of dollars of overstated assets and misstated accounts on their balance sheets. That, combined with mounting expenses at the Company, threatened Roadrunner’s ability to meet analysts’ EPS estimates. Eventually, these financial challenges grew so severe that Roadrunner was in danger of violating performance-related debt covenants the Company had entered into with its lenders.

5. Rather than come clean and offer a true accounting of Roadrunner’s financial condition, Defendants used a wide array of deceptive accounting maneuvers to manipulate earnings. Among other things, (a) Armbruster hid incurred expenses by improperly deferring them and spreading them over multiple quarters to minimize their impact on Roadrunner’s net earnings, (b) Defendants avoided writing down assets that were worthless and receivables that were uncollectable, and (c) Armbruster manipulated earnout liabilities related to Roadrunner’s acquisitions which, in practical effect, created an income “cushion” that could be accessed in future quarters to offset expenses.

6. These fraudulent accounting tools worked in tandem, allowing Defendants to steer Roadrunner’s financial results toward a desired target. When operating expenses were too high, Defendants improperly pushed them into future quarters. When additional income was needed to offset future expenses, Armbruster manipulated an earnout to inflate the earnings “cushion.” Defendants used these tools to poke and prod Roadrunner’s financial

results until they resembled analyst expectations. Defendants then covered up their fraud by sending misleading financial information to Roadrunner's independent auditor (Auditor A") along with false management representation letters to Auditor A from Armbruster.

7. Because of Defendants' fraud, from at least 2013 to September 2016, Roadrunner materially misrepresented its financial results in its earnings releases, earnings calls, and its quarterly and annual reports. For example, in the second and third quarters of 2014, Roadrunner overstated its net earnings, disguising the fact that the Company missed analysts' EPS estimate by a wide margin (23% and 53% respectively). In other words, investors were presented the illusion of a company that performed in line with analyst expectations when, in reality, Roadrunner's performance was subpar.

8. Defendants knew full-well that their accounting maneuvers were improper. Each was a licensed Certified Public Accountant ("CPA") with years of experience in public company accounting. Yet, each ignored generally accepted accounting principles ("GAAP"), and Roadrunner's internal controls.

9. While they were deceiving the investing public, Armbruster and Wogsland cashed in on the fraud. They exercised stock options and sold the resulting shares for approximately \$539,000 in profits even while they were aware of millions of dollars of hidden expenses and successive quarters of significantly overstated earnings.

10. Defendants' fraudulent scheme came to light on January 30, 2017 when Roadrunner announced that it would restate its financial statements. The next day, Roadrunner's stock price plunged by 31%. After an internal investigation, Roadrunner fired Armbruster and Wogsland, announced it had identified accounting errors that impacted all financial statement line items from 2011 through 2016, and disclosed material weaknesses in

the Company's internal control over financial reporting. When Roadrunner filed its restated financial statements on January 31, 2018 – which reflected the impact of the fraud described in this Complaint – the Company's stock price dropped another 22%.

11. By engaging in a scheme to manipulate Roadrunner's financial results and falsifying Roadrunner's financial statements, Defendants violated – and/or aided and abetted violations of – Sections 10(b), 13(a), 13(b)(2)(A) and (B), and 13(b)(5) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 13a-14, 13b2-1, and 13b2-2 thereunder, Section 17(a) of the Securities Act of 1933 (the "Securities Act"), and (as to Armbruster) Section 304 of the Sarbanes-Oxley Act of 2002 ("SOX").

#### **JURISDICTION AND VENUE**

12. The SEC brings this action under Securities Act Section 20(b) [15 U.S.C. §77t(b)], and Exchange Act Sections 21(d) and (e) [15 U.S.C. §§78u(d) and 78u(e)].

13. This Court has jurisdiction over this action pursuant to Section 22 of the Securities Act [15 U.S.C. § 77v] and Section 27 of the Exchange Act [15 U.S.C. § 78aa].

14. Venue is proper in this Court pursuant to Section 27 of the Exchange Act [15 U.S.C. § 78aa]. Many of the acts, practices, and courses of business underlying the alleged violations occurred within the jurisdiction of the United States District Court for the Eastern District of Wisconsin.

15. Defendants Armbruster, Naggs, and Wogsland all reside within the Eastern District of Wisconsin and – at all times relevant to this Complaint – each of them worked at Roadrunner's then-headquarters in Cudahy, Wisconsin.

16. Defendants Armbruster, Naggs, and Wogsland directly and indirectly made use of means and instruments of transportation or communication in interstate commerce, means and instrumentalities of interstate commerce, the mails, and any facility of any national securities exchange in connection with the acts, practices, and courses of business alleged herein.

### DEFENDANTS

17. **Peter Armbruster**, age 60, resides in Milwaukee, Wisconsin. From around 2005 to March 2017, he served as Roadrunner's Chief Financial Officer. Armbruster was licensed as a Certified Public Accountant ("CPA") by the State of Wisconsin. The license is currently expired. While serving as Roadrunner's CFO, Armbruster ultimately was responsible for (a) reviewing and approving Roadrunner's consolidated financial statements, (b) supervising Roadrunner's accounting staff (including Naggs and Wogsland), (c) reviewing and approving significant accounting decisions, and (d) reviewing, approving, signing, and certifying Roadrunner's periodic public reports (including its Forms 10-K and 10-Q). Roadrunner fired Armbruster on March 28, 2017.

18. **Mark Wogsland**, age 54, resides in Cedarburg, Wisconsin. From around 2010 to July 2014, he served as Controller for Roadrunner's Truckload Logistics segment ("Truckload"). In that role, Wogsland oversaw Truckload's accounting decisions and financial statements, and supervised accounting employees of Operating Companies within that segment. From July 2014 to December 2017, Wogsland served as Director of Accounting for Truckload, and his responsibilities included, among other things, consolidating the financial results from various Operating Companies. Wogsland was

supervised by Armbruster. Wogsland was licensed as a CPA by the State of Wisconsin. That license is currently expired. Roadrunner fired Wogsland in December 2017.

19. **Bret Naggs**, age 52, resides in Grafton, Wisconsin. Naggs served as Controller of Roadrunner's Truckload segment from July 2014 (when he took over the position from Wogsland) through October 2015. During that period, Naggs reported to Armbruster. Naggs was licensed as a CPA by the State of Wisconsin. That license is currently expired. In his role as Controller, Naggs oversaw accounting decisions and financial statements for Roadrunner's Truckload segment and supervised accounting employees of Operating Companies within that segment. Naggs resigned from Roadrunner in October 2015.

#### **RELATED PARTIES**

20. **Roadrunner Transportation Systems, Inc.**, is a Delaware corporation currently based in Downers Grove, Illinois. From 2010 until about March 2017, Roadrunner's corporate headquarters was in Cudahy, Wisconsin. Roadrunner became a publicly traded company in 2010. Roadrunner is a reporting company whose common stock is registered with the Commission under Section 12(b) of the Exchange Act, and trades on the New York Stock Exchange ("NYSE") under the ticker symbol "RRTS."

#### **FACTS**

##### **Background of Roadrunner**

21. Roadrunner is a publicly traded transportation and logistics company with three primary operating segments: (1) Truckload Logistics ("Truckload"), which provided shipping services for large volume shipments; (2) Less-than-Truckload, which provided

similar services for smaller volume shipments; and (3) Global Solutions, which offered international logistics services.

22. Roadrunner registered its common stock and started trading on the NYSE on May 18, 2010. After taking that step, Roadrunner was required by federal securities law to file various reports with the SEC, including annual reports (“Forms 10-K”) and quarterly reports (“Forms 10-Q”). Roadrunner was required, among other things, to include financial statements in its quarterly and annual reports that accurately and fairly reflected Roadrunner’s financial condition. Those financial statements had to comply with Generally Accepted Accounting Principles (“GAAP”). The annual financial statements were also required to be audited. Once filed, Roadrunner’s periodic reports and accompanying financial statements became available to the investing public.

23. As CFO, Armbruster was ultimately responsible for reviewing and approving Roadrunner’s financial statements and the Company’s quarterly and annual reports. At all times relevant to this Complaint, Armbruster signed each of Roadrunner’s annual and periodic reports before they were publicly filed, and certified, among other things, that each report (a) did not include any material misstatements or omissions, and (b) fairly presented, in all material respects, the financial condition of the Company for that period.

24. As with all public companies, stock analysts scrutinized Roadrunner’s periodic reports and other public disclosures so they could develop recommendations. Specifically, in advance of each quarter, stock analysts offered earnings estimates, based on guidance from the company, including a projection of Roadrunner’s anticipated Earnings Per Share” – i.e., Roadrunner’s anticipated earnings per each publicly traded share of stock.

25. Various financial firms and media outlets combined analysts' projections for Roadrunner's quarterly EPS into a "consensus estimate" for that period. That consensus EPS estimate was available to the public through various financial news websites.

26. The consensus EPS estimate is a critical metric for public companies and for investors. When a company falls short of its consensus EPS projection – especially if the miss is large or unexpected – that company typically will experience a negative reaction from investors with a corresponding decrease in share price.

27. At all times relevant to this Complaint, Armbruster, Naggs, and Wogsland each understood how important it was for Roadrunner to meet or exceed its quarterly consensus EPS projections.

28. Shortly after it went public, Roadrunner began buying a series of smaller shipping and logistics companies (the "Operating Companies"). Between May 2010 and January 2017, Roadrunner acquired more than twenty Operating Companies. Roadrunner owned and operated those companies and consolidated their financial results into its own SEC filings.

29. When Roadrunner bought an Operating Company, it typically agreed to pay the sellers additional contingent consideration in the form of an "earnout." In other words, if the acquired Operating Company reached certain annual earnings goals during a specified time period after the acquisition, Roadrunner would pay the seller an additional sum.

30. Roadrunner bought, among others, the following Operating Companies – and included the following earnouts – between February 2011 and April 2013:

| Operating Company     | Date of Purchase | Initial Purchase Price | Earnout |
|-----------------------|------------------|------------------------|---------|
| Morgan Southern, Inc. | 2/4/2011         | \$19,400,000           | N/A     |



|  |           |              |             |
|--|-----------|--------------|-------------|
| ("Morgan Southern")                        |           |              |             |
| R&M Transportation ("R&M")                 | 8/1/2012  | \$24,200,000 | \$5,000,000 |
| Expedited Freight Systems, Inc. ("EFS")    | 8/10/2012 | \$10,000,000 | \$4,000,000 |
| Central Cal Transportation ("Central Cal") | 11/5/2012 | \$3,800,000  | \$4,000,000 |
| Adrian Carriers ("Adrian")                 | 4/30/2013 | \$14,200,000 | \$6,500,000 |

**Overview of Defendants' Fraudulent Scheme And The Techniques Used to Manipulate Roadrunner's Earnings and Expenses:**

31. By no later than the second quarter of 2013 (Roadrunner's financial quarters referred to as "Q1" through "Q4"), Roadrunner faced several financial challenges that jeopardized its ability to meet its consensus EPS targets. Among other things, several of Roadrunner's recently acquired Operating Companies were underperforming and the Company faced mounting expenses that weighed on net earnings.

32. Rather than come clean about these issues – and accurately report Roadrunner's financial position – Defendants, from at least July 2013 through January 2017, engaged in a fraudulent scheme to (a) hide major expenses, (b) hide the poor performance of some of its recently acquired Operating Companies, and (c) avoid the write off of significantly overstated or impaired assets and accounts. They did this to create the illusion that Roadrunner was meeting its earnings goals when, in reality, Roadrunner was consistently underperforming expectations.

33. To conduct their scheme, Armbruster, Naggs, and Wogsland used several fraudulent accounting techniques. Among other things, (a) Armbruster improperly deferred

recognition of known expenses to future quarters, (b) Defendants failed to write down assets and accounts that they knew were worthless (or overvalued), and (c) Armbruster manipulated contingent earnout liabilities related to Roadrunner's purchase of Operating Companies.

Improper Deferral of Expenses and Accrued Liabilities:

34. Armbruster improperly deferred the recognition of known expenses so Roadrunner could hit its EPS targets. GAAP requires that companies recognize expenses when it is probable that the liability has been incurred and the amount of the liability can be reasonably estimated. To keep earnings in line with analysts' expectations, the Defendants ignored that basic accounting maxim and deferred known expenses into future quarters.

Failure to Write Down Overstated Assets:

35. In several instances, Defendants discovered that Roadrunner and its Operating Companies were carrying assets on their balance sheet that either were significantly overstated or worthless. For example, the Defendants discovered several receivables on the books of Operating Companies Morgan Southern and R&M that were uncollectable. GAAP requires that – when a receivable is deemed uncollectable or an asset is otherwise overstated – that asset should be “written off,” i.e., the asset should be revalued and the portion that is deemed uncollectable or overstated should be deducted from the company's income.

36. Rather than take large write-offs that could drag down earnings, Defendants planned to delay and spread the write-offs (and recognition of expenses) over several quarters. Performance concerns led them to delay their plans and the misstated accounts remained on RRIS's balance sheet until their misconduct was discovered.

Manipulation of Earnouts:

37. As described above in ¶ 29, when Roadrunner bought an Operating Company, it typically agreed to pay the sellers an “earnout” that was contingent on the Operating Company’s future performance. Roadrunner recorded these earnouts – reduced to present value – as “contingent purchase obligations” which appeared as liabilities on Roadrunner’s balance sheet.

38. Pursuant to GAAP, the proper accounting treatment for an earnout is to accrue a liability in the amount of the earnout’s fair value at the acquisition date. For Roadrunner, this fair value calculation depended on how well the Operating Company was expected to perform. Specifically, the earnout’s fair value hinged on the Operating Company’s “EBITDA” – i.e., its earnings before interest, taxes, depreciation, and amortization post-acquisition. In general, if the Operating Company’s EBITDA fell short of the expectations on which the earnout was based, Roadrunner’s fair value estimate for the earnout should have decreased.

39. GAAP required Roadrunner to remeasure the fair value of its earnouts at each reporting date. If it became clear that an Operating Company could not meet the annual EBITDA thresholds required to trigger the full earnout, Roadrunner was required to reduce the earnout liability in that quarter to the amount that the sellers were likely to receive. Reducing the earnout liability had two effects: (a) it provided a short-term boost to Roadrunner’s net income and earnings per share for the period in which the adjustment was made, but (b) an earnout reduction also signaled to investors that the Operating Company was not meeting its EBITDA projections.

40. As described below, instead of reducing contingent earnout liabilities to reflect the Operating Companies' actual performance, Armbruster fraudulently inflated Operating Companies' EBITDA projections to support earnout valuations that would help Roadrunner meet analysts' consensus EPS estimates.

41. This maneuver served the fraudulent scheme in two ways. First, it allowed Armbruster to defer recognition of income from earnout adjustments into future quarters. In practical effect, Armbruster created a "cushion" of potential income that Roadrunner could access in future quarters to hide deferred expenses. Second, by not reducing earnout obligations when required, Armbruster hid the fact that certain of Roadrunner's recent acquisitions were underperforming.

**Second Quarter 2013: Armbruster Improperly Deferred Expenses and Artificially Inflated EFS' EBITDA Projections to Create a "Cushion" for Future Quarters.**

42. For the second quarter of 2013, the consensus analysts' projection for Roadrunner's EPS was \$0.38. Armbruster knew that it was particularly important for Roadrunner to hit that target – and issue financial statements without prominent concerns – in Q2 2013. Roadrunner and its largest shareholder were planning an offering of Roadrunner common stock in August 2013 (shortly after the second quarter Form 10-Q was due to be filed). If Roadrunner missed analysts' EPS projections in the second quarter – or its financial statements raised other "red flags" – it could depress the share price Roadrunner could charge investors.

43. As Armbruster supervised the creation of Roadrunner's Q2 2013 financial statements, he knew the Company was in danger of missing its EPS target due to lagging earnings and mounting expenses. Rather than offer a true accounting of Roadrunner's financial position, Armbruster decided to hide significant known expenses that should have been recognized in Q2 by improperly deferring them into Q3 and Q4.

44. Armbruster knew that expenses were being improperly deferred. He even communicated with a member of Roadrunner's Board of Directors ("Boardmember A") about the effort to "push" expenses into future quarters.

45. Armbruster also knew that the expense deferral would work in tandem with the manipulation of earnouts so that Roadrunner could meet its EPS goal for the quarter. On July 12, 2013, Boardmember A asked Armbruster to identify expenses that were "getting pushed into 2nd half" and noted that the deferred expenses would inform the decision of "where to land with earnouts."

46. On July 12, 2013, Armbruster sent an email to Boardmember A and others, assuring that his team was "trying to get the numbers to finalize" with an EPS of \$0.3747. Armbruster explained that they could achieve that EPS in Q2 2013 by "pushing off" over \$3.2 million of expenses into Q3 and Q4 2013, including worker's compensation liabilities, accounts payable, and reserves for auto accident claims.

47. Ultimately, Armbruster approved the improper deferral of \$2.375 million of expenses into Q3 and Q4 2013. At the time he did it, Armbruster knew that those expenses had been incurred and should have been booked in Roadrunner's Q2 financial statements.

48. While Armbruster's improper deferral of expenses helped Roadrunner meet analysts' EPS target for Q2, the maneuver created a problem. By deferring expenses into Q3

and Q4, Armbruster was increasing the chance that Roadrunner would miss EPS estimates in those quarters.

49. Armbruster “solved” that problem by fraudulently manipulating the earnout liability for one of Roadrunner’s recently acquired Operating Companies, EFS.

50. When Roadrunner bought EFS on August 13, 2012, the Company included a \$4 million earnout provision over four years. Roadrunner recorded the present value of that earnout on its financial statements as a contingent liability – booked at \$3,235,882 at the end of Q1 2013. The EFS earnout was based on the projection that EFS’ EBITDA would steadily grow 10-11% annually from \$2,451,000 in 2012 to over \$5 million in 2016.

51. But, less than one year after the acquisition, it became clear that EFS was not meeting its earnout targets. Rather than growing at a 10-11% rate, EFS’s EBITDA in Q1 and Q2 2013 fell far short of expectations. As of the end of Q2, EFS’s projected EBITDA for 2013 was only \$1.496 million – 33% below the earnout threshold for the year. In short, EFS was nowhere near the EBITDA levels necessary to trigger payment of the full earnout.

52. Confronted with that reality, Armbruster – to comply with GAAP – should have reduced the EFS earnout liability to zero in Q2. That would have resulted in an additional \$2.689 million in operating income for the quarter.

53. Instead, Armbruster helped falsify EFS’ EBITDA projections to make it appear that EFS would ultimately satisfy its EBITDA targets and earn substantially all of the earnout.

54. Armbruster worked with Board Member A to create new, artificially inflated EBITDA projections for EFS. Armbruster knew that the goal was to boost EFS’s EBITDA projections so Roadrunner could justify a smaller reduction of its earnout liability in Q2.

55. Armbruster's new EBITDA projection for EFS was baseless. To make up for EFS's poor performance in the first two quarters of 2013, his new forecast included a wildly inflated EBITDA projection for EFS in future years. Rather than the 10-11% annual growth rate Roadrunner forecast just one year earlier, Armbruster reviewed and approved the new forecast which projected EFS revenue would grow by over 67% in 2014 and another 40% in both 2015 and 2016. Armbruster knew – or recklessly disregarded – that there was no basis for this huge increase in EFS's projected EBITDA.

56. Based on that fraudulently inflated EBITDA projection, Armbruster reduced the EFS earnout liability by only \$495,000 (preserving \$2.74 million of the earnout on Roadrunner's balance sheet).

57. Armbruster's manipulation of EFS's earnout liability served the fraudulent scheme in three ways. First, Armbruster booked just enough earnings so that Roadrunner could meet its consensus EPS target in Q2 2013. Second, by preserving \$2.74 million of the earnout liability instead of booking it all as income, Armbruster created a financial "cushion" that could be used to inflate Roadrunner's earnings in Q3 and Q4 2013. Third, Armbruster's manipulation of the earnout gave the false appearance that Roadrunner's recently acquired Operating Company was still on track to meet its performance goal when, in reality, EFS was underperforming.

58. Armbruster's fraudulent accounting entries were consolidated into Roadrunner's Q2 2013 Form 10-Q. On August 8, 2013, Armbruster signed Roadrunner's Q2 2013 Form 10-Q, certified that it was free from material misstatements, and filed it with the SEC.

59. Due to Armbruster's conduct identified in ¶¶ 42-57 above, Roadrunner's Q2 2013 Form 10-Q was materially misleading in three ways:

(a) The improper deferral of expenses meant that Roadrunner's operating expenses were understated by \$2.375 million (approximately 11% of the Company's total operating income for that period);

(b) Armbruster's fraudulent manipulation of the EFS earnout meant that Roadrunner's disclosed contingent earnout liabilities were overstated by approximately \$2.689 million and the adjustments to the EFS earnout were understated by a corresponding amount. Roadrunner's Q2 2013 Form 10-Q described the EFS transaction and the earnout, but made no mention of EFS's disappointing EBITDA or the fact that its performance no longer supported the disclosed earnout; and

(c) The combination of the improper deferral of expenses and the earnout manipulation meant that Roadrunner was able to hit its EPS target while hiding material expenses from the investing public.

60. The misstatements and omissions identified in ¶ 59 were material. A reasonable investor would find it important that Roadrunner's CFO was (a) hiding approximately 11% of its quarterly operating income, (b) hiding the poor performance of one of its recent acquisitions, and (c) manipulating earnout liabilities so that the Company would have a "cushion" that it could access to offset expenses in future quarters.



61. Armbruster acted with scienter. He was ultimately responsible for the decision to defer expenses and manipulate EFS's earnout liability. He reviewed and approved Roadrunner's financial statements and was ultimately responsible for their contents. And, he signed and certified Roadrunner's Form 10-Q even though he knew that the numbers had been manipulated to hide major expenses while still hitting Roadrunner's EPS target.

62. While he was manipulating Roadrunner's Q2 2013 financial statements, Armbruster was directly involved in facilitating Roadrunner's planned August stock offering. He was involved in the review of Roadrunner's investor presentation which was circulated on August 2, 2013, and he participated in roadshow presentations on August 12 and 13, 2013.

63. After filing the materially misstated Form 10-Q, Roadrunner completed its stock offering as planned. On August 13, 2013 – just four days after filing its fraudulent Form 10-Q – Roadrunner issued a prospectus supplement for an offering of 1.5 million shares of its common stock and 2.8 million shares by selling stockholders at an offering price of \$27 per share. The prospectus supplement incorporated the materially false Q2 2013 Form 10-Q by reference.

64. Roadrunner's stock offering was a success. The Company raised net proceeds of \$38.4 million.

**Third and Fourth Quarter 2013: Armbruster Uses the Remaining EFS Earnout "Cushion" to Offset Deferred Expenses and Meet EPS Expectations.**

65. Armbruster knew that his manipulation of Roadrunner's Q2 2013 financial statements had created a new problem. By deferring expenses out of Q2 into Q3 and Q4, Armbruster had increased the chance that the company would fail to meet EPS targets those quarters.

66. In fact, while he was manipulating expenses and earnout liabilities to hit the Q2 EPS target, Armbruster warned others at Roadrunner that Q3 and Q4 EPS would likely fall short of consensus estimates.

67. Armbruster's warning came to pass. On October 16, 2013, when Armbruster circulated the Q3 2013 preliminary results, Roadrunner's EPS was \$0.3290 – 12% below the analysts' consensus EPS estimate of \$0.37. The fourth quarter projection was even worse: \$0.27 per share (25% below the consensus estimate of \$0.36 per share). Upon seeing Armbruster's dire projections, Boardmember A responded to Armbruster, "OMG... We are in a world of hurt. This is worse than I would have expected. Ugh ..."

68. When it became apparent that Roadrunner was going to miss the consensus EPS estimate of \$0.37 in Q3 2013, Armbruster used \$1.67 million of the financial "cushion" that he had created when he manipulated the EFS earnout liability in Q2 to inflate Q3 earnings.

69. On October 16, 2013, Armbruster met with other Roadrunner officers and directors to discuss how to improve the Q3 numbers (i.e., how to change the results for a quarter that had already ended). During the call, a meeting participant warned that Roadrunner could be "tainted" as "monkeying around with numbers" if they took more than \$1.5 million in earnout adjustments in Q3.

70. However, Armbruster advised that it would take another \$1 million of earnings to get to \$0.346 EPS, which would be rounded up to \$0.35, and \$1.6 million to get to \$0.356, which would be rounded up to \$0.36. Armbruster confirmed on the call that his team would "look at more junk" to get to \$0.36.

71. On October 23, 2013, Armbruster circulated to certain Roadrunner managers and board members updated Q3 numbers “based upon the adjustments we discussed” and noted that, “[a]s discussed, we increased the q3 2013 earnout [adjustment] to \$3.282 million.” In the updated numbers, EPS increased from \$0.3193 to \$0.35.

72. Armbruster’s manipulation worked. By reducing the EFS earnout liability by \$1.67 million – effectively withdrawing income from the “cushion” he created the previous quarter – Armbruster was able to boost Roadrunner’s Q3 EPS to \$0.35 per share. Roadrunner barely missed its consensus EPS estimate for the period and avoided the disastrous 12% EPS miss that Armbruster had calculated just one week earlier.

**Fourth Quarter 2013: Armbruster Inflated EBITDA Projections for R&M and Central Cal to Preserve the Earnout Valuations for Adjustment in Future Quarters.**

73. Armbruster exhausted the EFS earnout “cushion” in Q4 2013 to offset more expenses that he had improperly deferred. That fraudulent maneuver earned Roadrunner a temporary reprieve from the threat of a major EPS miss. But, Armbruster knew that Roadrunner’s troubles were not over. The Company still faced the threat of missing consensus EPS estimates in future quarters due to mounting expenses and disappointing earnings.

74. With that threat looming, Armbruster used the fourth quarter of 2013 to create another income “cushion” by manipulating the earnout liabilities for other Operating Companies. As he did with EFS, Armbruster built up an earnout “cushion” by artificially inflating the projected EBITDA – and, thus, preserving the earnout liabilities – for two other Operating Companies: R&M and Central Cal.

75. When Roadrunner bought R&M and Central Cal in late 2012, it included a \$5 million and \$4 million earnout respectively.

76. The projections for both companies at acquisition anticipated aggressive annual earnings growth. But, by the end of 2013, neither company had met these expectations. Armbruster knew that – according to Roadrunner’s internal accounting – R&M had not achieved its EBITDA target for 2013, was projected to miss it again in 2014 by \$300,000, and the total earnout to be paid to the seller would likely be no higher than \$500,000 (far short of the full \$5 million earnout).

77. Central Cal faced similar challenges. Central Cal’s actual EBITDA for Q4 2012 through the end of 2013 fell 43% below its annual 2013 earnout threshold.

78. Faced with that disappointing performance, Armbruster should have reduced the combined earnout liabilities for those two Operating Companies by nearly \$4.0 million in Q4 2013. Doing so would have resulted in a \$4.0 million increase in operating income – providing a temporary boost to earnings, but would have deprived Armbruster of the ability to use those earnings in future quarters to offset expenses.

79. Instead of providing an accurate accounting, Armbruster – as he did with the EFS earnout in Q2 2013 – delayed earnout adjustments at R&M and Central Cal to maximize Roadrunner’s ability to hit EPS targets in future financial periods.

80. Armbruster was warned that this practice could be perceived as manipulative. In a January 18, 2014 email sent to Boardmember A and shared with Armbruster, another member of Roadrunner’s board warned that the earnout analysis “reads like we [are] evaluating when we need to get to what we want when that’s not the case ... if there is anything we are trying to manage here, it is having too great a % of earnout reversals as our earnings....”

81. As with EFS, Armbruster worked with Boardmember A to manipulate the projected EBITDA from R&M and Central Cal to give the false appearance that those two companies were still on track to meet their EBITDA targets. On January 20, Boardmember A warned Armbruster of how difficult the task would be, informing him that there was no support for “\$2m of remaining earnout” at Central Cal.

82. On January 22, Armbruster reviewed the final Q4 2013 earnout analysis from Boardmember A. R&M’s earnout adjustments left it with an earnout liability of \$1.758 million, over 300% higher than the calculation of a maximum earnout of \$500,000 that Armbruster had received just five days earlier. Armbruster approved the inflated projections to be sent to the Auditor A. Armbruster knew – or recklessly disregarded – that the new, inflated earnout figures were based on EBITDA projections for R&M that lacked any support. The new analysis projected R&M’s EBITDA for 2014 at \$5.094 million, which was (a) higher than Roadrunner’s original calculation 5 days prior, (b) 51% higher than R&M’s \$3.36 million of actual EBITDA in 2013, and (c) 14% higher than the \$4,381,000 projected EBITDA for R&M that Armbruster had calculated for internal budgeting purposes.

83. Similarly, the analysis that Armbruster reviewed and approved for Central Cal’s earnout left a \$2.597 million earnout liability, even though Armbruster had been warned that a \$2 million earnout was unsupportable just days earlier. To avoid taking a larger adjustment, Armbruster and Boardmember A projected Central Cal’s EBITDA for 2014 at \$1.5 million, nearly twice the earnings that Central Cal had booked for the previous five quarters. Armbruster knew – or recklessly disregarded – that the Central Cal EBITDA projections (and the resulting earnout liabilities) were baseless.

84. Armbruster's fraudulent manipulation of earnout liabilities was incorporated into Roadrunner's 2013 annual report on Form 10-K. On March 12, 2014, Armbruster signed Roadrunner's 2013 Form 10-K, certified that it was free from material misstatements, and filed it with the SEC.

85. Due to Armbruster's misconduct identified in ¶¶ 73-83 above, Roadrunner's Q4 2013 financial statements – included in the 2013 Form 10-K – were materially misleading. Armbruster's fraudulent manipulation of the R&M and Central Cal earnouts meant that Roadrunner's disclosed contingent liabilities related to acquisitions were overstated by over \$4 million (nearly 100%) and adjustments to those liabilities were understated by a corresponding amount (18% of operating income). Roadrunner's disclosures in the Form 10-K described the R&M and Central Cal transactions and identified the present value of the full earnout, but made no mention of R&M's and Central Cal's disappointing EBITDA or the fact that its performance was falling short of earnout thresholds.

86. The misstatements and omissions identified in ¶ 85 were material. A reasonable investor would find it important that Roadrunner's CFO was hiding the poor performance of two of its recent acquisitions, and manipulating earnout liabilities so that the Company would have a "cushion" that it could access to offset expenses in future quarters.

87. Armbruster acted with scienter. He was ultimately responsible for the decision to manipulate the R&M and Central Cal EBITDA projections and earnout liabilities. He knew – or recklessly disregarded – that the revised EBITDA projections for those two entities were materially overstated and had no basis. Armbruster reviewed and approved Roadrunner’s financial statements and ultimately was responsible for their contents. And, he signed and certified Roadrunner’s Form 10-K even though he knew that the numbers had been manipulated so that Roadrunner could hit its EPS target while still creating a financial “cushion” that could be accessed in future quarters.

**Second Quarter 2014 through 2016: Armbruster Improperly Deferred Expenses By Delaying Recognition and Payment of Customer Cargo Claims.**

88. Starting no later than the second quarter of 2014, Armbruster improperly pushed expenses into future quarters by manipulating Roadrunner’s accounting for customer claims in its Less-than-truckload segment. Under GAAP, a company is to recognize a liability that is probable and reasonably estimated. In this instance, GAAP required Roadrunner to recognize a liability related to customer claims – e.g., claims related to damaged shipments.

89. GAAP did not require the Company to book each claim as an expense because some claims were ultimately denied. Instead, the company, in part, should have booked an accrued liability corresponding to historical numbers of claims actually paid.

90. Roadrunner’s internal controls provided that the cargo claims accrual calculation must be reviewed, approved, and reconciled to the general ledger on a quarterly basis. Adjustments should have been made to the claims accrual as part of the review. The assumptions used to determine the claims accrual should have been reviewed and updated accordingly.

91. Starting no later than Q2 2014 – as Roadrunner’s financial problems mounted – Armbruster ignored GAAP and Roadrunner’s internal control. Instead, Armbruster, once again, deliberately and improperly pushed expenses into future quarters. This time, he accomplished his goal by directing others to delay the recognition and payment of customer claims that already had been approved. This maneuver was misleading in two ways. First, Armbruster’s effort to delay payment of claims caused a backlog of claims that had been approved but not paid. Those claims were known expenses that should have been – but were not – accounted for on Roadrunner’s financial statements. Second, by delaying payment of claims, Armbruster manipulated the accrued liability calculation; by pushing claims into future quarters, Armbruster kept Roadrunner’s accrued liability for customer claims artificially low.

92. Armbruster’s fraudulent deferral of customer claims inflated Roadrunner’s operating income as follows:

**Overstatement of Operating Income Due to Manipulation of Customer Claims**

| Q2 2014  | Q3 2014     | Q4 2014   | Q1 2015   | Q2 2015   | Q3 2015  | Q4 2015   | Q3 2016   |
|----------|-------------|-----------|-----------|-----------|----------|-----------|-----------|
| \$56,000 | \$1,040,000 | \$416,000 | \$457,000 | \$658,000 | \$73,000 | \$496,000 | \$410,000 |

93. As discussed in ¶¶ 107-108, 121, 129, and 142 below, these deferred claims contributed to material misstatements in Roadrunner’s Forms 10-Q and its Forms 10-K throughout 2014, 2015, and 2016.

**Q2 and Q3 2014: Armbruster, Naggs, and Wogsland Identified Overstated Accounts at Morgan Southern and Did Not Account for Them.**

94. From Q2 2013 through Q1 2014, Armbruster’s fraud was designed to hide problems stemming from the Company’s ordinary operations and did not address any



surprise expenses or unforeseen challenges. Roadrunner simply did not have enough earnings on an ongoing basis to meet consensus EPS targets.

95. However, in May 2014, Armbruster discovered unanticipated and potentially disastrous unreconciled accounts on the balance sheet of Roadrunner Intermodal Services, Inc. (“RRIS”) – a group of Operating Companies that included recently acquired Morgan Southern. This discovery revealed a potential exposure of nearly \$4.5 million – enough to force Roadrunner to underperform expectations for EPS by more than 20%. Armbruster directed Wogsland and others to investigate.

96. Around May 22, 2014, Wogsland traveled to RRIS and identified several misstated accounts on the RRIS balance sheet. Three items – each relating to Morgan Southern – were of particular concern.

97. First, Wogsland identified a receivable for an outstanding customer debt from 2012 of approximately \$500,000. The receivable was on the balance sheet as an asset even though there had been no payment activity since spring 2013. Because Roadrunner deemed the receivable uncollectable, GAAP required the Company to write off the entire amount.

98. Second, Wogsland identified assets including prepaid taxes and licenses purportedly worth over \$1.1 million that were for prior years and thus had little to no remaining value. Under GAAP, prepaid expenses are to be amortized or expensed over the period which they relate to. For example, prepaid licenses should be expensed over the twelve months that they are valid for. Because these assets were for prior years and were not expected to contribute to Roadrunner’s cash flows, they should have been written off.

99. Third, Wogsland identified a large and growing receivable of \$9.7 million related to Roadrunner’s “Lease Purchase” program. To help its independent contractors

lease delivery vehicles, Roadrunner advanced certain costs and guaranteed lease payments. The advanced costs were booked as a receivable from the drivers which the Company collected through paycheck deductions. But, once a driver left Roadrunner, no attempts were made to collect outstanding amounts. In April 2014, Armbruster and Wogsland determined that (a) Roadrunner was advancing far more than it was collecting, resulting in a constantly increasing receivable, and (b) because of driver turnover, at least \$3.4 million of the \$9.7 million receivable was uncollectable.

100. In Q3 2014, Armbruster, Wogsland, and Naggs (who started at Roadrunner in July 2014) discovered that the problems with the RRIS balance sheet were even worse.

101. Around September 22-24, 2014 – after discussing the problems with Armbruster – Naggs and Wogsland traveled back to RRIS. After investigating the balance sheet problems with an RRIS accountant, Naggs and Wogsland concluded that the accounts on RRIS’ balance sheet were overstated by more than \$7.5 million. In connection with this revelation, Naggs described the RRIS financial statements as an “f’d mess.”

102. Under GAAP, Armbruster, Naggs, and Wogsland were required to write off the overstated assets – and book a related expense – in the second and third quarters of 2014.

103. Instead, Armbruster, Naggs, and Wogsland kept the overstated Morgan Southern assets on Roadrunner’s balance sheet and, in late 2014, developed a plan to inconspicuously write off \$2 million of the overvalued accounts. Instead of writing off the full amount immediately, Naggs, Armbruster, and others directed RRIS employees to spread the expense over calendar year 2015 by booking one \$166,666 expense per month. In

practical effect, Armbruster, Naggs, and Wogsland were improperly pushing expenses into future quarters and spreading them out to avoid detection (and the adverse income effect).

104. Even that planned gradual write-off was too great a strain on Roadrunner's financial results. Performance concerns in 2015 led Armbruster, Naggs and Wogsland to delay and then abandon their plan to surreptitiously spread out the RRIS write-offs. On February 13, 2015, under mounting pressure over Roadrunner's poor performance, Armbruster directed that monthly write-offs be delayed until Q2 2015 and spread over nine months by charging \$222,000 per month. Armbruster and Naggs then directed RRIS not to take the planned February write-off and to manually reverse the write-off it had already taken in January. Even that altered plan was abandoned. After taking one \$222,000 "clean up entry" in April, the write-offs stopped.

105. Armbruster, Naggs, and Wogsland continued to receive information about the misstated accounts throughout 2015. But, they did nothing to fix their fraudulent accounting. The overstated accounts were never written off, and nearly all of the misstated assets remained on RRIS' balance sheet until the fraud was discovered in 2017.

106. The fraudulent accounting entries related to the overstated Morgan Southern accounts were incorporated into Roadrunner's Q2 and Q3 2014 Forms 10-Q. Armbruster had ultimate authority over the accuracy of Roadrunner's Q2 and Q3 2014 financial statements. On August 7, 2014 and November 6, 2014 respectively, Armbruster signed Roadrunner' Q2 and Q3 2014 Forms 10-Q, certified that the reports were free from material misstatement, and filed the reports with the SEC.

107. Due to the Defendants' conduct identified in ¶¶ 88-105 above, Roadrunner's Q2 2014 Form 10-Q contained material misstatements. The refusal to write off worthless (or overstated) assets – combined with Armbruster's manipulation of customer claims for the period (¶¶ 88-92) – meant that (a) Roadrunner's operating income was overstated by over \$4.5 million (approximately 20%); (b) net earnings for the quarter were overstated by at least \$2.78 million (over 23%); and EPS was overstated by at least \$0.07 per share (23% of the disclosed EPS and well below Roadrunner's consensus projection).

108. Roadrunner's Q3 2014 Form 10-Q also contained material misstatements due to Armbruster's conduct identified in ¶¶ 88-105 above. By that time, the Defendants knew that \$7.5 million of the Morgan Southern accounts should be written off. By keeping those assets on the balance sheet – and with Armbruster's manipulation of customer claims for the period (¶¶ 88-92) – Roadrunner's (a) Q3 operating income was overstated by over \$8.5 million (over 50%), (b) net earnings were overstated by approximately 66%, and (c) EPS was overstated by approximately \$0.15 per share (approximately 65%).

109. The misstatements identified in ¶¶ 107-108 were material. Reasonable investors would find it important that Roadrunner and its CFO (a) overstated the Company's operating income, (b) kept millions of dollars of worthless assets on its balance sheet and failed to recognize liabilities, and (c) would have missed the consensus EPS projection in successive quarters by over 23% and 53%.

110. Armbruster, Naggs, and Wogsland acted with scienter. They each knew – or recklessly disregarded that Roadrunner’s balance sheet included assets that had been deemed overstated or uncollectable, that their approach to write-offs did not comply with GAAP, and that their improper accounting would cause material misstatements to appear in Roadrunner’s Q2 and Q3 2014 Forms 10-Q. Armbruster reviewed and approved Roadrunner’s financial statements and was ultimately responsible for their contents. And, he signed and certified Roadrunner’s Form 10-Q even though he knew that the numbers had been manipulated to hide overstated assets and major expenses while giving the appearance that the Company was hitting its quarterly EPS targets.

**The Defendants Hid The RRIS Shortfalls From Roadrunner’s Auditor.**

111. As detailed above, Armbruster, Naggs, and Wogsland planned to hide the massive misstated accounts at RRIS and Morgan Southern by gradually writing down only part of the misstated accounts and spreading the write-offs over time. Defendants did this to prevent Auditor A (and the investing public) from discovering their fraud.

112. This deception of Roadrunner’s outside auditor continued into 2015. On February 9, 2015, Naggs, Wogsland, and a junior RRIS accountant discussed how to conceal the write-offs from Auditor A. Naggs and Wogsland directed the junior accountant to apply the partial write-off to accounts for which there were already known issues, in order to avoid detection by Auditor A.

113. Later, in or around March 2015, Wogsland instructed the same accountant to provide certain documents regarding receivables to Auditor A, but to withhold documents that could draw attention to the misstated accounts or other accounting problems.

114. Armbruster, Naggs, and Wogsland also sent false and misleading documents to Auditor A to hide the fact that there were misstated accounts throughout the Truckload business. For example, Wogsland circulated two versions of a RRIS reserve analysis: (a) one for internal purposes, showing that RRIS' reserves could be as much as \$700,000 too low (which he assured was "NOT the reserve analysis that I am going to use for the auditors"), and (b) a fraudulent version that Wogsland confirmed "is the reserve calculation I will give to the auditors. In reality your reserve is at least \$200,000 too low."

115. Similarly, in May 2015, Wogsland sent to Naggs and others a spreadsheet that included \$14 million in "prior balances" across Truckload Operating Companies, reflecting misstated accounts and Lease Purchase receivables. When Wogsland sent the same spreadsheet to Auditor A, he omitted the "prior balances" tab in order to conceal Defendants' fraudulent treatment of the misstated accounts.

**Fourth Quarter 2014: Defendants Improperly Defer Known Expenses at R&M.**

116. By the fourth quarter of 2014, Roadrunner's financial problems had worsened. After they discovered the misstatements at Morgan Southern, the Defendants learned of \$500,000 in uncollectable receivables at R&M and, once again, devised a plan to push expenses into future quarters by recognizing the bad debt expense gradually rather than impair the receivable and recognize the expense immediately as GAAP requires.

117. In December 2014, R&M's controller warned Wogsland about the \$500,000 receivable – composed of customer bad debt, driver bad debt, and other claims – and shared her belief that R&M should create a reserve for the receivable in light of collection risk. She added, "I do not believe the current balances represent what the reserves should be."

118. Rather than take the appropriate write-off or appropriately record a reserve as required by GAAP, Naggs directed R&M's controller to take a \$41,666.66 expense each month starting in January 2015 as a "catch-up" for the "driver bad debt" for "balances owed prior to August 2014." In practical effect, Naggs, once again, was directing others to spread out an expense over several quarters.

119. Because of Roadrunner's escalating financial problems, even the planned gradual write-offs were short-lived. After Armbruster reviewed a summary of bad debt totals through May 2015, he and Naggs planned a call to R&M because their write-off was "very high." R&M did not record a reserve in June, November, or December. In total, R&M reserved for \$349,000 of the bad debt liability over time, leaving \$150,000 unaccounted for.

120. The fraudulent accounting entries related to the impaired R&M receivable were incorporated into Roadrunner's Q4 financial statements and 2014 Form 10-K. Armbruster had ultimate authority over the accuracy of Roadrunner's Q4 2014 financial statements. On March 2, 2015, Armbruster signed Roadrunner's 2014 Form 10-K, certified that the report was free from material misstatement, and filed the report with the SEC.

121. Due to Defendants' conduct identified in ¶¶ 88-92, 116-119 above, Roadrunner's 2014 Form 10-K contained material misstatements. The refusal to write off worthless (or overstated) assets – combined with Armbruster's manipulation of customer claims for the period (¶¶ 88-92) – meant that (a) Roadrunner's operating income was overstated by over \$916,000 (approximately 4%); (b) net earnings for the quarter were overstated by \$573,000 (over 5%); and (c) EPS was overstated by \$0.02 per share (5% of the disclosed EPS, below Roadrunner's consensus projection).

122. The misstatements identified in ¶¶ 121 were material. Reasonable investors would find it important that Roadrunner and its CFO (a) overstated the Company's operating income, (b) kept over \$916,000 of worthless assets on its balance sheet, and (c) would have missed the consensus EPS projection in Q4 by over 4%.

123. Armbruster, Naggs, and Wogsland acted with scienter. They each knew – or recklessly disregarded that Roadrunner's balance sheet included assets that had been deemed overstated or uncollectable, that their approach to the R&M reserve did not comply with GAAP, and that their improper accounting would cause material misstatements to appear in Roadrunner's Q4 2014 financial statements. Armbruster reviewed and approved Roadrunner's financial statements and was ultimately responsible for their contents. And, he signed and certified Roadrunner's Form 10-K even though he knew that the numbers had been manipulated to hide overstated assets and major expenses while giving the appearance that the Company was hitting its quarterly EPS targets.

**Fourth Quarter 2015: Armbruster Improperly Deferred Expenses at Adrian and Manipulated the Adrian Earnout.**

124. The following year, yet another of Roadrunner's Operating Companies encountered problems that threatened Roadrunner's quarterly financial results. This time, the Operating Company was Adrian, which Roadrunner bought in April 2013, for \$14.2 million and a \$6,500,000 earnout.

125. At the time of the acquisition, Adrian's 2012 EBITDA was \$4.165 million, and was projected to steadily grow 8.9-9.8% per year through 2016. As with other Operating Companies, Adrian did not achieve this growth.

126. Critically, on October 19, 2015, Adrian lost its largest customer, by far. This customer defection not only threatened future revenue, the customer also had left behind a



\$986,000 receivable from Q4 2014. As early as August 2015, Armbruster described the receivable as having “questionable collectability.” This abandoned receivable created two problems. Under GAAP, (a) the \$986,000 asset on Adrian’s books should have been written off because it was uncollectable, and (b) Adrian’s earnout liability should have been adjusted to zero to reflect the unlikelihood that Adrian would meet its earnout thresholds.

127. Armbruster did neither of those things. He refused to write off the \$986,000 receivable in Q4 2015, effectively pushing the expense into future quarters. And, as a result, he did not reduce the remaining Adrian earnout liability to zero in Q4 2015 as he should have, and instead only reduced a small portion of it (which created yet another “cushion” that he intended to use in future quarters to offset expenses, including the future, gradual write-off of \$986,000 receivable).

128. Armbruster’s fraudulent accounting entries were consolidated into Roadrunner’s 2015 Form 10-K. On February 29, 2016, Armbruster signed Roadrunner’s 2015 Form 10-K, certified that it was free from material misstatements, and filed it with the SEC.

129. Due to Armbruster’s conduct identified in ¶¶ 88-92, 124-127 above, Roadrunner’s 2015 Form 10-K was materially misleading in three ways:

(a) the improper deferral of expenses – combined with improper deferral of claims identified in ¶¶ 88-92 above – meant that Roadrunner’s Q4 operating expenses were understated by approximately \$1.48 million;

(b) Armbruster's fraudulent manipulation of earnouts meant that Roadrunner's disclosed contingent earnout liabilities were overstated by approximately \$1.8 million and the adjustments to those earnouts were understated by a corresponding amount.

Roadrunner's Form 10-K described the Adrian transaction and the earnout, but made no mention of Adrian's disappointing EBITDA or the fact that its performance no longer supported the disclosed earnout; and

(c) The combination of the improper deferral of expenses and the earnout manipulation meant that Roadrunner was able to hit its EPS target while hiding material expenses from investing public.

130. The misstatements and omissions identified in ¶ 129 were material. A reasonable investor would find it important that Roadrunner's CFO was: (a) hiding the poor performance of one of its recent acquisitions, and (b) manipulating earnout liabilities so that the Company would have a "cushion" that it could access to offset expenses in future quarters.

131. Armbruster acted with scienter. He was ultimately responsible for the decision to defer expenses and manipulate the Adrian earnout liability. He reviewed and approved Roadrunner's financial statements and was ultimately responsible for their contents. And, he signed and certified Roadrunner's Form 10-K even though he knew that the numbers had been manipulated to hide major expenses while still hitting Roadrunner's EPS target.

132. Armbruster hid the problems at Adrian from Auditor A. On January 28, 2016, Armbruster informed Auditor A that Adrian did not achieve an earnout for the period ending April 30, 2015, but that its performance was expected to improve enough to justify an ongoing earnout reserve. Armbruster did not tell Auditor A that Adrian had lost its

largest customer, which would likely affect future performance, and that the \$986,000 receivable was unlikely to be collected.

**Third Quarter 2016: Armbruster Directed the Deferral of Accrued Bonuses to Avoid Breach of Roadrunner's Debt Covenants.**

133. By the end of the third quarter of 2016, Roadrunner's financial challenges were growing so difficult that Roadrunner was in danger of breaching debt covenants with its lenders.

134. Roadrunner's loans required the Company to keep its cash flow leverage ratio below 4.0 to avoid default. That metric was the ratio of (a) Roadrunner's total outstanding debt borrowed pursuant to the agreement to (b) Roadrunner's EBITDA. As Roadrunner struggled – and its EBITDA decreased – the Company's leverage ratio (and the danger of default) steadily increased. This debt covenant was designed to protect the lender by ensuring that Roadrunner was generating enough income to pay its debts.

135. Armbruster knew that exceeding the 4.0 leverage ratio could be disastrous for Roadrunner. Violating the debt covenant would constitute a default and could allow Roadrunner's creditors to demand payment of the loans in full or, at least, negotiate potentially expensive concessions from Roadrunner.

136. In October 2016 – as part of his effort to make sure Roadrunner did not breach its debt covenants – Armbruster improperly pushed accrued bonuses into future quarters.

137. On October 17, 2016, Armbruster emailed two board members (including Boardmember A) with a Q3 and Q4 forecast which showed Roadrunner was \$7.587 million short of the covenant requirement. Armbruster's forecast calculations attached to the email

showed that the cash flow leverage ratio was projected to be 4.296 (which would have breached the debt covenants).

138. After looking for ways to make up this amount, Armbruster approached several Operating Companies looking for bonus accruals to reverse.

139. After repeatedly failing to find bonuses that could be manipulated, Armbruster found what he was looking for at Unitrans International Corp. (“Unitrans”), a Roadrunner Operating Company. Armbruster instructed Unitrans to increase their EBITDA by \$756,000 by reversing accrued bonuses and shifting the entire annual bonus accrual to the months of October through December. This reversal, in addition to others, was sufficient to bring Roadrunner in compliance with its debt covenants by the time Armbruster closed the books for Q3 2016.

140. On November 2, 2016 – the day Roadrunner reported its financial results for the quarter – Roadrunner punctuated its related press release with an assurance that the Company was “in compliance with all the financial covenants” contained in the Credit Agreement.

141. Armbruster’s fraudulent accounting entries were incorporated into Roadrunner’s Q3 2016 Form 10-Q. On November 14, 2016, Armbruster signed Roadrunner’ Q3 2016 Form 10-Q, certified that it was free from material misstatements, and filed it with the SEC.

142. Due to Armbruster's conduct identified in ¶¶ 88-92, 133-140 above, Roadrunner's Q3 2016 Form 10-Q contained material misstatements. The improper deferral of accrued bonuses – combined with Armbruster's manipulation of customer claims for the period (¶¶ 88-92) – meant that (a) Roadrunner's operating income was overstated by over \$1,166,000 (approximately 7%); (b) net earnings for the quarter were overstated by \$714,000 (over 10%); and (c) EPS was overstated by \$0.02 per share (10% of the disclosed EPS, below Roadrunner's consensus projection).

143. The misstatements identified in ¶ 142 were material. Reasonable investors would find it important that Roadrunner and its CFO (a) overstated the Company's operating income, (b) failed to record over \$1.16 million of incurred liabilities on its balance sheet, and, most critically, (c) had, in reality, breached debt covenants with the Company's lenders which could trigger a default and acceleration of the related loans.

144. Armbruster acted with scienter. He knew – or recklessly disregarded that the deferral of accrued bonuses did not comply with GAAP, that his improper accounting would cause material misstatements to appear in Roadrunner's Q3 2016 financial statements, and that his manipulation of earnings was designed to hide a breach of Roadrunner's debt covenants. Armbruster reviewed and approved Roadrunner's financial statements and was ultimately responsible for their contents. And, he signed and certified Roadrunner's Form 10-Q even though he knew that the numbers had been manipulated to hide major expenses.

**Summary of Materially Misstated Public Filings 2013-2016:**

145. Through the misconduct identified in ¶¶ 1-144 above, Roadrunner's periodic reports to the SEC were materially misleading in the following ways:

| <u>Report<br/>(Date Filed)</u>            | <u>Nature of Fraudulent<br/>Conduct/Misstatements</u>   | <u>Resulting Misstatements and Omissions in<br/>Financial Statements</u>   |
|---|---|--|
| Q2 2013<br>Form 10-Q<br>(Filed 8/9/2013)  | EFS Earnout<br>Adjustment<br>(¶¶ 48-57)<br><br>Improper Deferral of<br>Expenses<br>(¶¶ 42-47)                             | <ul style="list-style-type: none"> <li>• Operating expenses understated by \$2.375 <u>M</u></li> <li>• Earnout liabilities overstated – and earnout adjustments understated – by \$2.689 <u>M</u></li> <li>• Roadrunner hit its EPS consensus estimate while hiding material expenses and hiding EFS’s poor performance</li> </ul> |
| 2013 Form 10-K<br>(Filed 3/13/2014)       | R&M Earnout<br>Adjustment<br>(¶¶ 78-83)<br><br>Central Cal Earnout<br>Adjustment<br>(¶¶ 78-83)                            | <ul style="list-style-type: none"> <li>• Earnout liabilities overstated – and earnout adjustments understated – by approx. \$4 <u>M</u></li> <li>• By overstating earnout liabilities, Roadrunner hid poor performance at R&amp;M and Central Cal</li> </ul>   |
| Q2 2014<br>Form 10-Q<br>(Filed 8/7/2014)  | Improper Accounting for<br>Claims<br>(¶¶ 88-92)<br><br>Failure to Recognize<br>Morgan Southern<br>Expenses<br>(¶¶ 94-105) | <ul style="list-style-type: none"> <li>• Operating income overstated by \$4.5 <u>M</u> (20%)</li> <li>• Net earnings overstated by \$2.758 <u>M</u> (23%)</li> <li>• EPS overstated by \$0.07 per share (23%)</li> <li>• Roadrunner hid the fact that it missed analysts’ consensus EPS estimate by 23%</li> </ul>                 |
| Q3 2014<br>Form 10-Q<br>(Filed 11/6/2014) | Improper Accounting for<br>Claims<br>(¶¶ 88-92)<br><br>Failure to Recognize<br>Morgan Southern<br>Expenses<br>(¶¶ 94-105) | <ul style="list-style-type: none"> <li>• Operating income overstated by \$8.5 <u>M</u> (over 50%)</li> <li>• Net earnings overstated by approx. 66%</li> <li>• EPS overstated by \$0.15 per share (approx. 65%)</li> <li>• Roadrunner hid the fact that it missed analysts’ consensus EPS estimate by approx. 53%</li> </ul>       |
| 2014 Form 10-K<br>(Filed 3/2/2015)        | Improper Accounting for<br>Claims<br>(¶¶ 88-92)   | <ul style="list-style-type: none"> <li>• Operating income overstated by \$916,000 (4%)</li> <li>• Net earnings overstated by \$573,000 (over 5%)</li> </ul>  |

|                                      |  |  |
|--------------------------------------|--|--|
|                                      | Failure to Recognize R&M Expenses (¶¶ 116-119)   | <ul style="list-style-type: none"> <li>• EPS overstated by \$0.02 per share (5%)</li> <li>• Roadrunner hid the fact that it missed analysts' consensus EPS estimate</li> </ul>   |
| 2015 Form 10-K (Filed 3/1/2016)      | Improper Accounting for Claims (¶¶ 88-92)<br><br>Failure to Write Off Adrian Receivable (¶¶ 124-127)<br><br>Adrian Earnout Adjustment (¶¶ 124-127) | <ul style="list-style-type: none"> <li>• Q4 operating expenses understated by \$1.48 <u>M</u></li> <li>• Q4 earnout liabilities overstated – and earnout adjustments understated – by approx. \$1.8 <u>M</u></li> <li>• Roadrunner hit its EPS consensus estimate while hiding material expenses and hiding Adrian's poor performance.</li> </ul>  |
| Q3 2016 Form 10-Q (Filed 11/14/2016) | Improper Accounting for Claims (¶¶ 88-92)<br><br>Improper Bonus Accrual (¶¶ 133-140)   | <ul style="list-style-type: none"> <li>• Operating income overstated by over \$1.16 <u>M</u> (approx. 7%)</li> <li>• Net earnings overstated by \$714,000 (over 10%)</li> <li>• EPS overstated by \$0.02 per share (10%)</li> <li>• Roadrunner hid the fact that it missed analysts' consensus EPS estimate</li> <li>• Roadrunner hid from lenders and investors that it had breached its debt covenants.</li> </ul> |

146. Armbruster also hid the material misstatements and omissions regarding Roadrunner's financial results – identified in ¶ 145 above – from Auditor A. He signed management representation letters each quarter that falsely represented that Roadrunner had prepared and fairly presented Roadrunner's "consolidated financial statements of financial position, results of operations, and cash flows in conformity with [GAAP]," and that management had designed, implemented, and maintained internal controls sufficient to "prevent and detect fraud." He signed and sent the management representation letters even

though he knew that misstated assets and liabilities remained on Roadrunner's balance sheet.

147. On July 30, 2014, October 29, 2014, February 4, 2015, and November 2, 2016, Roadrunner filed Forms 8-K that reported financial results for the prior three or twelve month period and conducted earnings conference calls to discuss the financial results for the period. These filings were reviewed and approved by Armbruster and included the same misrepresentations identified in ¶ 145. On the earnings conference calls, which occurred on the same days the Forms 8-K were filed, Armbruster summarized the financial results for the period, which included the same misrepresentations identified in ¶ 145.

148. Roadrunner did not have a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit the preparation of financial statements in conformity with GAAP. However, the Company had some limited, relevant controls in place. For example, Roadrunner's internal controls provided that management: (a) should revisit the performance of acquired businesses to estimate expected earnout payments and adjust the liability accordingly, (b) should calculate and review accrued liabilities for worker's compensation and auto claims on a quarterly basis, and (c) should reconcile Accounts Payable detail to the general ledger on a monthly basis and should review that reconciliation with an "appropriate level of precision."

149. As they managed earnings to hit EPS targets, the Defendants contributed to the controls failures and deliberately circumvented the controls that did exist. As discussed above, Defendants did so by, among other things, ignoring GAAP rules, ignoring the controls discussed in ¶ 148 above, recording accounting entries without appropriate support, recording accounting entries that were inconsistent with information known by them at the



time, and by providing misleading information to or withholding information from Auditor A, which resulted in material accounting errors. For example, as early as September 2014, Naggs and Wogsland determined that the misstated accounts on RRIS' balance sheet were off by over \$7.5 million. Yet, in concert with Armbruster, they hid the problem and kept a second set of books to track the size of the misstatements instead of timely correcting the accounts. Additionally, Armbruster directed the cover-up of the RRIS balance sheet issues, and falsified quarterly earnings numbers by recording, reporting, and certifying results he knew to be false.

**Armbruster and Wogsland Profited From Sales of Roadrunner Shares in February and March 2015.**

150. Armbruster and Wogsland each personally profited from the fraudulent scheme to manipulate Roadrunner's earnings.

151. In 2013 and 2014 – while he was fraudulently manipulating Roadrunner's expenses, write-offs, and contingent earnout liabilities – Armbruster was paid at least \$128,000 in bonuses tied to the Company's EBITDA performance.

152. And, Armbruster and Wogsland each sold Roadrunner stock when they knew that Roadrunner's public financial statements were tainted by their fraud.

153. In February 2015, soon after Armbruster and Wogsland learned about the account misstatements at Morgan Southern and R&M – and while they were working to hide those misstatements – Armbruster exercised Roadrunner options through a 10b5-1 plan established in March 2014 and sold the stock, resulting in a total gain of \$309,831.

154. Similarly, on February 3, 2015, Wogsland sent Armbruster notice of his intent to exercise 11,931 Roadrunner options. Wogsland sold the resulting stock on March 17, 2015 for a \$229,313 net profit.

155. At the time he sold his Roadrunner stock to the public, Wogsland possessed material, negative, non-public information about Roadrunner's operations. Specifically, Wogsland knew – or recklessly disregarded – that (a) Roadrunner had hid approximately \$7.5 million in overstated assets from Morgan Southern accounts and another \$500,000 in an impaired receivable on R&M's balance sheet, (b) as a result, Roadrunner's Q2 2014 through Q4 2014 financial statements were materially misstated, (c) Wogsland and others planned to gradually write off those overstated assets to avoid detection, (d) Wogsland and others were actively deceiving Auditor A to prevent it from discovering the overstated assets and Defendants' manipulative accounting, and (e) Roadrunner appeared to meet its consensus EPS estimate in Q2 and Q3 2014 only because of the fraudulent accounting conduct described above.

156. None of the information in ¶ 155 was available to the public when Wogsland exercised his stock options and reaped a \$229,313 profit selling the resulting shares.

157. The information in ¶ 155 was material. A reasonable investor making decisions about whether to trade in Roadrunner stock would find it important that (a) Roadrunner's financial statements for the previous three quarters were materially misstated, (b) the misstatements were due to deliberate, fraudulent accounting maneuvers by Roadrunner officers, (c) Roadrunner, in reality, missed its consensus EPS estimates in Q2 and Q3 2014, and (d) Roadrunner officers misled the Company's auditor to keep the fraud hidden.

#### **Defendants' Fraud Unravels and Roadrunner Restates Its Financial Statements.**

158. The scheme finally came to light on January 30, 2017 when the Company announced in a Form 8-K that it intended to restate its financial statements.

159. Investor reaction to Roadrunner's disclosure of the fraud was immediate. On the first trading day after the announcement, January 31, 2017, Roadrunner's share price declined by 31.4% (from \$11.54 per share to \$7.92 per share).

160. On January 31, 2018 – one year after first announcing that its financials were infected with pervasive accounting errors – Roadrunner announced it had finished its internal investigation and filed initial restatement papers, including a Form 10-K/A for 2015, and Forms 10-Q/A for the quarterly periods ended March 31, 2016, June 30, 2016 and September 30, 2016.

161. In these filings, Roadrunner restated its financial statements from 2011 through the first three quarters of 2016, announcing that it had identified accounting errors that substantially impacted all financial statement line items and disclosures, and identified material weaknesses in the Company's internal control over financial reporting. The Company also announced that information was withheld from the independent directors, the Audit Committee, and the Company's auditor.

162. Roadrunner's restated financials reported previously undisclosed losses of over \$66 million (after taxes) from 2011 to Q3 2016, and a revaluation of Roadrunner's goodwill and other intangibles resulting in non-cash impairment charges of \$373.7 million. These changes reflected, among other things, the impact of the fraud alleged herein.

163. On the day the restated financials were filed, Roadrunner's stock price declined by 22% (from \$7.14 per share to \$5.57 per share).

164. Roadrunner acknowledged in its restated Forms 10-K and 10-Q that there were deficiencies in the design and/or execution of its internal control over financial reporting that constituted a material weakness.

165. Roadrunner further acknowledged that its internal controls failed to prevent, or were overridden by management (which included Armbruster, Naggs, and Wogsland) to allow, (a) recording of accounting entries without appropriate support, (b) recording of entries that were inconsistent with information known by management at the time, (c) withholding of relevant information within the organization, and, in some cases, (d) withholding of information from independent directors, Auditor A, and Roadrunner's Audit Committee.

166. As a result of an internal investigation, Roadrunner fired Armbruster and Wogsland.

**FRAUDULENT SCHEME TO MANIPULATE ROADRUNNER'S  
FINANCIAL RESULTS**

**COUNT I**

**Violations of Section 10(b) of the Exchange Act,  
and Exchange Act Rule 10b-5(a) and (c)  
(Armbruster, Naggs, and Wogsland)**

167. Paragraphs 1 through 166 are realleged and incorporated by reference.

168. Defendants Armbruster, Naggs, and Wogsland, in connection with the purchase and sale of securities, by the use of the means and instrumentalities of interstate commerce and by the use of the mails, directly and indirectly: used and employed devices, schemes and artifices to defraud; and engaged in acts, practices and courses of business which operated as a fraud and deceit upon purchasers of securities.

169. As described above, Defendants Armbruster, Naggs, and Wogsland acted with scienter in that they knowingly or recklessly engaged in the fraudulent scheme identified above.

170. By reason of the foregoing, Defendants Armbruster, Naggs, and Wogsland violated Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5(a) and (c) thereunder [17 C.F.R. 240.10b-5(a) and (c)].

## COUNT II

### **Violations of Section 17(a)(1) and (3) of the Securities Act (Armbruster and Wogsland)**

171. Paragraphs 1 through 166 are realleged and incorporated by reference as though fully set forth herein.

172. Defendants Armbruster, Naggs, and Wogsland, in the offer and sale of securities, by the use of means or instruments of transportation or communication in interstate commerce, or by use of the mails, directly or indirectly:

employed devices, schemes and artifices to defraud; and  
engaged in transactions, practices, and courses of business that operated as a fraud or deceit upon purchasers of securities.

173. Defendants Armbruster, Naggs, and Wogsland intentionally or recklessly engaged in the devices, schemes, and artifices described above.

174. Defendants Armbruster, Naggs, and Wogsland also acted, at least, negligently in engaging in the acts, practices, and courses of business identified above.

175. By reason of the foregoing, Defendants Armbruster, Naggs, and Wogsland violated Section 17(a)(1) and (3) of the Securities Act [15 U.S.C. § 77q(a)(1) and (3)].

**MATERIAL MISSTATEMENTS IN  
ROADRUNNER'S PERIODIC REPORTS**

**COUNT III**

**Violations of Section 10(b) of the Exchange Act,  
and Exchange Act Rule 10b-5(b)**

**(Armbruster)**

176. Paragraphs 1 through 166 are realleged and incorporated by reference as though fully set forth herein.

177. Defendant Armbruster, in connection with the purchase and sale of securities, by use of the means or instrumentalities of interstate commerce, or the mails, or of any facility of a national securities exchange, directly or indirectly made untrue statements of material fact and 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.

178. Defendant Armbruster acted with scienter in that he knowingly or recklessly made the material misrepresentations and omissions described above.

179. By reason of the foregoing, Armbruster violated Section 10(b) of the Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5(b) thereunder [17 C.F.R. 240.10b-5(b)].

**COUNT IV**

**Aiding and Abetting Violations of Section 10(b) of the Exchange Act,  
and Exchange Act Rule 10b-5(b)**

**(Naggs, and Wogsland)**

180. Paragraphs 1 through 166 are realleged and incorporated by reference as though fully set forth herein.

181. As alleged above, uncharged related party Roadrunner made material misstatements in its quarterly and annual reports, violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(b) [17 C.F.R. § 240.10b-5(b)] thereunder.

182. As alleged above, Defendants Armbruster, Naggs, and Wogsland knowingly and recklessly provided substantial assistance to uncharged related party Roadrunner in its violation of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5(b) [17 C.F.R. § 240.10b-5(b)] thereunder.

183. Accordingly, Defendants Armbruster, Naggs, and Wogsland aided and abetted the violations described above and, pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)], Defendants Armbruster, Naggs, and Wogsland are liable for such violations.

## **COUNT V**

### **Violations of Section 17(a)(2) of the Securities Act (Armbruster and Wogsland)**

184. Paragraphs 1 through 166 are realleged and incorporated by reference as though fully set forth herein.

185. By engaging in the conduct described above, Defendants Armbruster and Wogsland in the offer and sale of securities, by the use of means or instruments of transportation or communication in interstate commerce, or by use of the mails, directly or indirectly obtained money or property by means of untrue statements of material fact and omissions of material facts necessary in order to make the statements made, in light of the circumstances under which they were made not misleading.

186. Defendants Armbruster and Wogsland intentionally or recklessly engaged in the conduct described above.

187. Defendants Armbruster and Wogsland also acted, at least, negligently in engaging in the conduct identified above.

188. By reason of the foregoing, Defendants Armbruster, Naggs, and Wogsland violated Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)].

## **INSIDER TRADING**

### **COUNT VI**

#### **Violations of Section 10(b) of the Exchange Act, and Exchange Act Rule 10b-5(a) and (c)**

##### **(Wogsland)**

189. Paragraphs 1 through 166 are realleged and incorporated by reference.

190. As described above, Defendant Wogsland was in possession of material, non-public information about Roadrunner's financial statements, including information about fraudulent accounting practices employed in Q2 through Q4 2014 and related material misstatements in Roadrunner's financial statements for those periods.

191. Wogsland breached the duty of trust and confidence he owed to Roadrunner and its shareholders by trading Roadrunner securities using that information.

192. Wogsland, in connection with the purchase and sale of securities, by the use of means and instrumentalities of interstate commerce, or of the mails, or of any facility of a national securities exchange, directly or indirectly used devices, schemes and artifices to defraud, and engaged in acts, practices and courses of business which operated as a fraud and deceit upon purchasers of securities.

193. As described above, Defendant Wogsland acted with scienter in that he knowingly or recklessly engaged in the conduct described above.

194. By reason of the foregoing, Defendant Wogsland violated Section 10(b) of the



Exchange Act [15 U.S.C. §78j(b)] and Rule 10b-5(a) and (c) thereunder [17 C.F.R. 240.10b-5(a) and (c)].

## **REPORTING VIOLATIONS**

### **COUNT VII**

**Aiding and Abetting Roadrunner's Violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 [17 C.F.R § 240.12b-20], 13a-1 [17 C.F.R § 240.13a-1], 13a-11 [17 C.F.R. § 240.13a-11] and 13a-13 [17 C.F.R § 240.13a-13]**

**(Armbruster, Naggs and Wogsland)**

195. Paragraphs 1 through 166 are realleged and incorporated by reference herein.

196. As alleged above, uncharged party Roadrunner filed with the Commission materially false and misleading periodic reports, including annual reports on Forms 10-K for fiscal years 2013, 2014, and 2015, and quarterly reports on Forms 10-Q for Q2 and Q3 2013, Q2 and Q3 2014, and Q3 2016.

197. By reason of the foregoing, uncharged party Roadrunner violated Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 [17 C.F.R § 240.12b-20], 13a-1 [17 C.F.R § 240.13a-1], 13a-11 [17 C.F.R. § 240.13a-11] and 13a-13 [17 C.F.R § 240.13a-13] thereunder.

198. Defendants Armbruster, Naggs, and Wogsland knowingly or recklessly provided substantial assistance to uncharged party Roadrunner in its violations of Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 [17 C.F.R § 240.12b-20], 13a-1 [17 C.F.R § 240.13a-1], 13a-11 [17 C.F.R. § 240.13a-11] and 13a-13 [17 C.F.R § 240.13a-13].

199. Accordingly, Defendants Armbruster, Naggs, and Wogsland aided and abetted the violations described above and, pursuant to Section 20(e) of the Exchange Act

[15 U.S.C. § 78t(e)], Defendants Armbruster, Naggs, and Wogsland are liable for such violations.

## **RECORD-KEEPING VIOLATIONS**

### **COUNT VIII**

#### **Aiding and Abetting Roadrunner's Violations of Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)]**

##### **(Armbruster, Naggs and Wogsland)**

200. Paragraphs 1 through 166 are realleged and incorporated by reference herein.

201. As alleged above, uncharged party Roadrunner failed to make and keep books, records and accounts that in reasonable detail accurately and fairly reflected its transactions and disposition of assets, including, but not limited to, Roadrunner's failure to properly record expenses, income, overstated assets, EPS, and contingent earnout liabilities.

202. By reason of the foregoing, uncharged party Roadrunner violated Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78M(b)(2)(A)].

203. As alleged above, Defendants Armbruster, Naggs, and Wogsland knowingly or recklessly provided substantial assistance to Roadrunner in its violation of Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

204. Accordingly, Defendants Armbruster, Naggs, and Wogsland aided and abetted the violations described above and, pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)], Defendants Armbruster, Naggs, and Wogsland are liable for such violations.

## COUNT IX

### **Aiding and Abetting Roadrunner's Violations of Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)]**

#### **(Armbruster)**

205. Paragraphs 1 through 166 are realleged and incorporated by reference herein.

206. As described above, uncharged party Roadrunner failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions were executed in accordance with management's general or specific authorization; transactions were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets.

207. By reason of the foregoing, uncharged party Roadrunner violated Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78M(b)(2)(B)].

208. As alleged above, Defendant Armbruster knowingly or recklessly provided substantial assistance to Roadrunner in its violation of Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(B)].

209. Accordingly, Defendant Armbruster aided and abetted the violations described above and, pursuant to Section 20(e) of the Exchange Act [15 U.S.C. § 78t(e)], Defendant Armbruster is liable for such violations.

**FALSIFICATION OF RECORDS/CIRCUMVENTION OF CONTROLS**

**COUNT X**

**Violations of Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)]  
and Rule 13b2-1 [17 C.F.R. § 240.13b2-1] Promulgated Thereunder**

**(Armbruster, Naggs, and Wogsland)**

210. Paragraphs 1 through 166 are realleged and incorporated by reference herein.

211. As alleged above, Defendants Armbruster, Naggs and Wogsland knowingly circumvented a system of internal accounting controls and knowingly falsified or caused to be falsified Roadrunner's books, records and accounts as those terms are used in Section 13(b)(2) of the Exchange Act.

212. By reason of the foregoing, Defendants Armbruster, Naggs, and Wogsland violated Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Rule 13b2-1 [17 C.F.R. § 240.13b2-1] promulgated thereunder.

**FALSE STATEMENTS TO ACCOUNTANTS**

**COUNT XI**

**Violations of Rule 13b2-2 of the Exchange Act [17 C.F.R. § 240.13b2-2]**

**(Armbruster, Naggs, and Wogsland)**

213. Paragraphs 1 through 166 are realleged and incorporated by reference herein.

214. As alleged above, Defendants Armbruster, Naggs and Wogsland, directly or indirectly, made and caused to be made, materially false and misleading statements, and omitted to state, and caused others to omit to state, material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading, to an accountant in connection with audits and reviews of financial statements

and the preparation and filing of documents and reports required to be filed with the Commission.

215. By reason of the foregoing, Defendants Armbruster, Naggs and Wogsland violated Exchange Act Rule 13b2-2 [17 C.F.R. § 240.13b2-2].

### **CERTIFICATION VIOLATIONS**

#### **COUNT XII**

#### **Violations of Rule 13a-14 of the Exchange Act [17 C.F.R. § 240.13a-14]**

#### **(Armbruster)**

216. Paragraphs 1 through 166 are realleged and incorporated by reference herein.

217. As alleged above, Defendant Armbruster violated Rule 13a-14 of the Exchange Act [17 C.F.R. § 240.13a-14] by signing the certifications included with Roadrunner's Forms 10-K for fiscal years 2013, 2014, and 2015, and Forms 10-Q for Q2 of 2013, Q2 and Q3 of 2014, and Q3 of 2016 falsely certifying, among other things, that the forms fully complied with the requirements of the Exchange Act and fairly presented, in all material respects, the financial condition and results of operations of the company, when, in fact, the reports contained untrue statements of material fact and omitted material information necessary to make the reports not misleading.

218. By reason of the foregoing, Defendant Armbruster violated Exchange Act Rule 13a-14 [17 C.F.R. § 240.13a-14].

## **CONTROL PERSON LIABILITY**

### **COUNT XIII**

#### **Violations of Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)]**

219. Paragraphs 1 through 218 are realleged and incorporated by reference as if set forth fully herein.

220. As described above, uncharged party Roadrunner violated: (i) Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder; (ii) Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 [17 C.F.R. § 240.12b-20], 13a-1 [17 C.F.R. § 240.13a-1], 13a-11 [17 C.F.R. § 240.13a-11] and 13a-13 [17 C.F.R. § 240.13a-13] promulgated thereunder; and (iii) Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A), (B)].

221. Defendant Armbruster was the CFO of Roadrunner at all times relevant to this Complaint and he was ultimately responsible for reviewing and approving the contents of Roadrunner's financial statements during that period. With regard to accounting decisions at Roadrunner and the Company's financial statements, Armbruster controlled the day-to-day affairs of Roadrunner and possessed and exercised, directly or indirectly, the power to direct and cause the direction of the management and policies of Roadrunner.

222. Defendant Armbruster was involved in the improper actions, misrepresentations and omissions by Roadrunner described above, including, but not limited to: (i) the drafting, certification and filing of Roadrunner's false and misleading Forms 10-K for fiscal years 2013, 2014, and 2015, and quarterly reports on Forms 10-Q for Q2 and Q3 2013, Q2 and Q3 2014, and Q3 2016; and (ii) Roadrunner's failure to make or keep books, records and accounts that in reasonable detail accurately and fairly reflected its

transactions and disposition of assets, including, but not limited to, Roadrunner's failure to properly record its expenses, income, uncollectable receivables, overstated assets, and contingent earnout liabilities.

223. Defendant Armbruster directly or indirectly controlled Roadrunner within the meaning of Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)].

224. Defendant Armbruster knowingly or recklessly, directly or indirectly, induced acts constituting violations of: (i) Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 [17 C.F.R. § 240.10b-5] thereunder; (ii) Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 [17 C.F.R. § 240.12b-20], 13a-1 [17 C.F.R. § 240.13a-1], 13a-11 [17 C.F.R. § 240.13a-11] and 13a-13 [17 C.F.R. § 240.13a-13] thereunder; and (iii) Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)].

225. Pursuant to Section 20(a) of the Exchange Act [15 U.S.C. § 78t(a)], Defendant Armbruster is liable for Roadrunner's violations.

### **FORFEITURE OF BONUSES AND PROFITS**

#### **COUNT XIV**

#### **Violation of Section 304 of the Sarbanes-Oxley Act of 2002 [15 U.S.C. § 7243]**

226. Paragraphs 1 through 225 are realleged and incorporated by reference as if set forth fully herein.

227. As described above, Roadrunner – aided and abetted by Defendant Armbruster – violated the financial reporting requirements of federal securities law, including Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20 [17 C.F.R. § 240.12b-20], 13a-1 [17 C.F.R. § 240.13a-1], 13a-11 [17 C.F.R. § 240.13a-11] and 13a-13 [17 C.F.R. § 240.13a-13].

228. As described above, Roadrunner, upon discovering the accounting errors resulting from Defendant Armbruster's misconduct was required to – and did – prepare restated financial statements for 2015, and the quarterly periods ended March 31, 2016, June 30, 2016 and September 30, 2016

229. Defendant Armbruster is, therefore liable under Section 304 of the Sarbanes-Oxley Act of 2002 [15 U.S.C. § 7243] and must reimburse Roadrunner for (a) bonuses and incentive-based compensation received from Roadrunner during the 12-month periods following the public issuance and filing with the SEC of the reports identified in ¶ 145 above, and (b) profits Armbruster realized from his sale of Roadrunner stock during those 12-month periods.

### **RELIEF REQUESTED**

**WHEREFORE**, the Commission respectfully requests that this Court:

#### **I.**

Issue findings of fact and conclusions of law that Defendants Armbruster, Naggs and Wogsland committed the violations charged and alleged herein.

#### **II.**

Enter an Order of Permanent Injunction restraining and enjoining Defendants Armbruster, Naggs and Wogsland, their officers, agents, servants, employees, attorneys and those persons in active concert or participation with Defendants who receive actual notice of the Order, by personal service or otherwise, and each of them from, directly or indirectly, engaging in transactions, acts, practices or courses of business described above, or in conduct of similar purport and object, in violation of Sections 10(b), 13(a), 13(b)(2)(A) and (B), and 13(b)(5) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13, 13a-



14, 13b2-1, and 13b2-2 thereunder, Section 17(a) of the Securities Act, and (as to Armbruster) Section 304 of the Sarbanes-Oxley Act of 2002 (“SOX”).

### **III.**

Issue an Order requiring Defendants Armbruster, Naggs and Wogsland to disgorge the ill-gotten gains received as a result of the violations alleged in this Complaint, including prejudgment interest.

### **IV.**

Issue an Order imposing upon Defendants Armbruster, Naggs and Wogsland appropriate civil penalties pursuant to Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

### **V.**

Issue an Order imposing on Defendant Armbruster the relief specified in Section 304 of the Sarbanes-Oxley Act of 2002 [15 U.S.C. § 7243].

### **VI.**

Issue an Order pursuant to Section 20(e) of the Securities Act [15 U.S.C. § 77t(e)] and Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)], prohibiting Defendants Armbruster, Naggs, and Wogsland from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act (15 U.S.C. § 78l) or that is required to file reports pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)].

**VII.**

Retain jurisdiction of this action in accordance with the principals of equity and the Federal Rules of Civil Procedure in order to implement and carry out the terms of all orders and decrees that may be entered or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court.

**VIII.**

Grant such other relief as this Court deems appropriate.

**JURY DEMAND**

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, the Commission hereby requests a trial by jury.

**UNITED STATES SECURITIES  
AND EXCHANGE COMMISSION**

April 3, 2019

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