

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

JUDITH ALMENDARIZ, Individually
and On Behalf of All Others Similarly
Situated,

Plaintiff,

v.

ONESPAN INC., SCOTT CLEMENTS,
and MARK S. HOYT,

Defendants.

Case No.

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

Plaintiff Judith Almendariz (“Plaintiff”), individually and on behalf of all other persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants, alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of the Defendants’ public documents, conference calls and announcements made by Defendants, United States (“U.S.”) Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding OneSpan Inc. (“OneSpan” or the “Company”), analysts’ reports and advisories about the Company, and information readily obtainable on the Internet. Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a federal securities class action on behalf of a class consisting of all persons and entities other than Defendants that purchased or otherwise acquired OneSpan securities

between May 9, 2018 and August 11, 2020, both dates inclusive (the “Class Period”), seeking to recover damages caused by Defendants’ violations of the federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder, against the Company and certain of its top officials.

2. OneSpan was founded in 1991 and is headquartered in Chicago, Illinois. The Company was formerly known as VASCO Data Security International, Inc. and changed its name to OneSpan Inc. in May 2018.

3. OneSpan, together with its subsidiaries, designs, develops, and markets digital solutions for identity, security, and business productivity worldwide.

4. Throughout the Class Period, Defendants made materially false and misleading statements regarding the Company’s business, operational and compliance policies. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (i) OneSpan had inadequate disclosure controls and procedures and internal control over financial reporting; (ii) as a result, OneSpan overstated its revenue relating to certain contracts with customers involving software licenses in its financial statements spread out over the quarters from the first quarter of 2018 to the first quarter of 2020; (iii) as a result, it was foreseeably likely that the Company would eventually have to delay one or more scheduled earnings releases, conference calls, and/or financial filings with the SEC; (iv) OneSpan downplayed the negative impacts of errors in its financial statements; (v) all the foregoing, once revealed, was foreseeably likely to have a material negative impact on the Company’s financial results and reputation; and (vi) as a result, the Company’s public statements were materially false and misleading at all relevant times.

5. On August 4, 2020, during pre-market hours, OneSpan postponed its second quarter 2020 earnings release and conference call by one week, attributing the delay to prior period

revenue recognition problems relating to certain software license contracts spread out over the quarters from the first quarter of 2018 to the first quarter of 2020. OneSpan further stated that “[t]he net contract assets that originated from a portion of these contracts in prior periods were not properly accounted for in subsequent periods, which caused overstatements of revenue.”

6. On this news, OneSpan’s common share price fell \$0.46 per share, or 1.40%, to close at \$32.50 per share on August 4, 2020.

7. Then on August 11, 2020, during after-market hours, OneSpan disclosed that it would not timely file its quarterly report for the quarter ended June 30, 2020, with the SEC; reported that same quarter year-over-year revenues had declined; and withdrew its full year 2020 earnings guidance, which the Company had affirmed one quarter earlier.

8. On this news, OneSpan’s common share price fell \$12.36 per share, or 39.62%, to close at \$18.84 per share on August 12, 2020.

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

JURISDICTION AND VENUE

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

11. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331 and Section 27 of the Exchange Act.

12. Venue is proper in this Judicial District pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1391(b). OneSpan is headquartered in this Judicial District,

Defendants conduct business in this Judicial District, and a significant portion of Defendants' actions took place within this Judicial District.

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

PARTIES

14. Plaintiff, as set forth in the attached Certification, acquired OneSpan securities at artificially inflated prices during the Class Period and was damaged upon the revelation of the alleged corrective disclosures.

15. Defendant OneSpan is a Delaware corporation with principal executive offices located at 121 West Wacker Drive, Suite 2050, Chicago, Illinois 60601. OneSpan's securities trade in an efficient market on the NASDAQ stock market ("NASDAQ") under the ticker symbol "OSPN."

16. Defendant Scott Clements ("Clements") has served as OneSpan's Chief Executive Officer at all relevant times.

17. Defendant Mark S. Hoyt ("Hoyt") has served as OneSpan's Chief Financial Officer at all relevant times.

18. Defendants Clements and Hoyt are sometimes referred to herein as the "Individual Defendants."

19. The Individual Defendants possessed the power and authority to control the contents of OneSpan's SEC filings, press releases, and other market communications. The Individual Defendants were provided with copies of OneSpan's SEC filings and press releases

alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or to cause them to be corrected. Because of their positions with OneSpan, and their access to material information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public, and that the positive representations being made were then materially false and misleading. The Individual Defendants are liable for the false statements and omissions pleaded herein.

20. OneSpan and the Individual Defendants are collectively referred to herein as “Defendants.”

SUBSTANTIVE ALLEGATIONS

Background

21. OneSpan was founded in 1991 and is headquartered in Chicago, Illinois. The Company was formerly known as VASCO Data Security International, Inc. and changed its name to OneSpan Inc. in May 2018.

22. OneSpan, together with its subsidiaries, designs, develops, and markets digital solutions for identity, security, and business productivity worldwide.

Materially False and Misleading Statements Issued During the Class Period

23. The Class Period begins on May 9, 2018. On May 8, 2018, during after-market hours, OneSpan issued a press release announcing its financial and operating results for the first quarter of 2018 (the “1Q18 Press Release”). Among other results, that press release reported that “[r]evenue for the first quarter of 2018 increased 8% to \$45.4 million from \$42.0 million in the first quarter of 2017,” and that software licenses revenue was \$16.003 million for the quarter.

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