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**UNITED STATES DISTRICT COURT
 SOUTHERN DISTRICT OF CALIFORNIA**

<p>PETER AHRENS, on behalf of himself and all others similarly situated,</p> <p style="text-align:center">Plaintiff,</p> <p style="text-align:center">-against-</p> <p>FREDERICK SANDVICK, JOHN H. OHLBRICH, RICHARD MAHAN and ON-POINT TECHNOLOGY SYSTEMS, INC.</p> <p style="text-align:center">Defendants.</p>	<p>CASE NO.: CV-00-00843 JM (AJB)</p> <p><u>CLASS ACTION</u></p> <p>CLASS ACTION COMPLAINT FOR THE VIOLATION OF FEDERAL SECURITIES LAWS</p> <p><u>JURY TRIAL DEMAND</u></p>
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Plaintiff, individually and on behalf of all others similarly situated, by and through his attorneys, alleges the following upon information and belief, except those allegations concerning himself, which are alleged upon personal knowledge. Plaintiff's information and belief are based on the investigation made by and through plaintiff's counsel.

I. PRELIMINARY STATEMENT

1. For over a period of over two years, defendants have concealed from the investing public the fact that they have continuously been committing gross violations of the federal securities laws, including misleading the public as to the financial and business conditions of defendant On-Point Technology Systems, Inc. ("On-Point" or the "Company").
2. Throughout the Class Period of August 19, 1997 to April 7, 2000, defendants continuously disseminated materially false and misleading statements regarding the Company's current financial performance and future business prospects. Specifically, the defendants published false and misleading financial statements, including financial statements that overstated fiscal year 1997 earnings by approximately \$1.4 million, or approximately 800%, fiscal year 1997 revenues by approximately \$3 million, fiscal year 1998 earnings by approximately \$2.1 million, and fiscal year 1998 revenue by approximately \$1.6 million. The defendants also failed to disclose that there were substantial operating losses for fiscal year 1998, and that the Company's accounting practices throughout the Class Period failed to conform with generally accepted accounting principles ("GAAP").
3. As a result of defendants' deceptive and illegal conduct, plaintiff and other class members purchased their On-point shares at grossly inflated prices. Had plaintiff and the other class members been aware of the true condition of On-point, they would not have purchased their On-point shares or at least not at the inflated prices at which they purchased those shares.

II. JURISDICTION AND VENUE

4. This court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. §1331 and §1337, and Section 27 of the Securities Exchange Act of 1934 (the "Exchange Act") (15 U.S.C. §78aa).
5. This action arises under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder (17 C.F.R. §240.10b-5).
6. Venue is proper in this District pursuant to Section 27 of the Exchange Act and 28 U.S.C. §1391(b). On-point is headquartered in this District at 1370 W. San Marcos Blvd., San Marcos, CA 92069, and the acts charged herein, including the dissemination of materially false and misleading information, occurred in this district.
7. In connection with the acts alleged in this Complaint, the 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.

III. PARTIES

8. Plaintiff Peter Ahrens, purchased 14,000 shares of defendant On-Point Technology Systems, Inc. ("On-Point" or the "Company") during the Class Period.
9. Defendant On-Point is a corporation duly organized and existing under the laws of the State of Nevada with its principal executive offices located at 1370 W. San Marcos Boulevard, Suite 1100, San Marcos, CA 92069. According to the Company, On-Point provides effective technologies for transaction automation. Three operating divisions, On-Point Lottery Technologies, On-Point Vending Technologies and e-Point Technologies, form the core of the Company's market-driven strategy. On-Point pioneered the development of the instant ticket vending machine for lotteries worldwide and is one of the world's largest providers of these and other high-security vending products. On-Point designs, sells, leases and services high-security vending machines both domestically and internationally and has begun to market the delivery of automated electronic solutions for high-volume, cash-oriented transactions.

10. Defendant Frederick Sandvick ("Sandvick") is the Chairman and Chief Executive Officer of On-Point. As of July, 1999, Sandvick was the beneficial owner of 2,650,00 shares of On-Point common stock, representing approximately 20 percent ownership of the company.
11. Defendant John H. Olbrich is ("Olbrich") is a Director of On-Point. As of July, 1999, Olbrich was the beneficial owner of 251,667 shares of On-Point common stock, representing approximately 2 percent ownership of the company.
12. Defendant Richard C. Mahan ("Mahan") is a Director of On-Point.
13. Defendants Sandvick, Olbrich, and Mahan (the "Individual Defendants") were at all relevant times during the Class Period controlling persons of On-Point within the meaning of Section 20 (a) of the Exchange Act. In addition, the Individual Defendants had the power and influence, and exercised such power and influence, to cause On-Point to engage in the unlawful practices complained of herein. Because of their executive, managerial and/or directorial positions with On-Point, the Individual Defendants had access to the adverse, non-public information about the business, finances and future business prospects of On-Point as particularized herein and acted to misrepresent, misstate or conceal such information from plaintiff, class members and the investing public.
14. The Individual Defendants participated in the wrongdoing complained of herein in order to, among other things, inflate and maintain the price of the common stock of the Company, and conceal the adverse facts concerning the Company's operations, businesses, management, financial condition and future prospects, so that they could, among other things, protect and enhance their positions as officers and/or directors of On-Point and the substantial compensation and prestige they obtained thereby and enhance the value of their personal holdings of On-Point common stock.
15. Defendants are liable, jointly and severally, as direct participants in the wrongs complained of herein. Defendants had a duty to promptly disseminate accurate and truthful information with respect to On-Point's business, operations, financial condition and future prospects or to cause and direct that such information be disseminated so that the market price of On-Point stock would be based on truthful and accurate information.
16. Each of the defendants knew of and recklessly disregarded the fact that the illegal acts and practices and misleading financial statements and omissions described herein would adversely affect the integrity of the market for On-Point common stock and would artificially inflate or maintain the price of those securities. Each of the defendants, by acting as herein described, did so knowingly or in such a reckless manner as to constitute a fraud and deceit upon plaintiff and members of the Class plaintiff seeks to represent.

IV. PLAINTIFF'S CLASS ACTION ALLEGATIONS

17. Plaintiff brings this action as a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of a Class consisting of all persons and entities who purchased or otherwise acquired On-Point common stock during the Class Period, and who were damaged thereby. Excluded from the Class are the defendants, officers and directors of the Company, members of their immediate families, and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.
18. During the Class Period, thousands of shares of common stock of On-Point were traded on an efficient and developed securities market. Thousands of brokers nationwide have access to trading information about On-Point through the NASDAQ system. Within minutes of any transaction taking place, this system displays the most recent trades and prices.
19. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to plaintiff at this time and can only be

ascertained through appropriate discovery, plaintiff believes that there are hundreds, if not thousands, of members of the Class. As of September, 1999 there were approximately 10 million shares of On-Point common stock outstanding and actively traded on the NASDAQ, an efficient market, under the ticker symbol "ONPT."

20. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is complained of herein.
21. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests that are adverse or antagonistic to those of the Class.
22. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. Because the damages suffered by many individual Class members may be relatively small, the expense and burden of individual litigation make it virtually impossible for the Class members to individually seek redress for the wrongful conduct alleged herein.
23. Common questions of law and fact exist as to all members of the Class and predominate over any questions affecting solely individual members of the Class. Among the questions of law and fact common to the Class are:
 - a. whether the federal securities laws were violated by defendants' acts as alleged herein;
 - b. whether defendants participated in and pursued the common course of conduct complained of herein;
 - c. whether documents, press releases and other statements disseminated to the investing public and the Company's shareholders during the Class Period misrepresented the financial condition of On-Point;
 - d. whether defendants failed to correct prior statements when subsequent events rendered those prior statements untrue or inaccurate;
 - e. whether defendants acted willfully or recklessly in misrepresenting and/or omitting to state material facts;
 - f. whether the market price of On-Point's common stock during the Class Period was artificially inflated due to the misrepresentations and/or non-disclosures complained of herein; and
 - h. whether the members of the Class have sustained damages, and, if so, what is the proper measure thereof.
24. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:
 - a. defendants made public misrepresentations or omitted material facts during the Class Period, as alleged herein;
 - b. the misrepresentations and/or omissions were material;
 - c. On-Point's common stock was traded in an efficient market;
 - d. The misrepresentations and/or omissions alleged tended to induce reasonable investors to

misjudge the value of On-Point shares; and

- e. Plaintiff and members of the Class acquired their shares between the time defendants made the misrepresentations and/or omissions and the time the truth was revealed, without knowledge of the falsity of the misrepresentations.
25. Based upon the foregoing, plaintiff and members of the Class are entitled to a presumption of reliance upon the integrity of the market for, at least, the purposes of class certification, as well as for ultimate proof of the claims on their merit. Similarly, plaintiff and members of the Class are entitled to a presumption of reliance with respect to the omissions alleged herein.
26. Plaintiff envisions no difficulty in the management of this litigation as a class action.

V. ALLEGATIONS OF FRAUD

27. During the Class Period, the defendants engaged in a scheme to defraud the investors of On-Point by disseminating false and misleading information about the Company's financial condition and its revenue recognition practices.
28. On August 19, 1997, On-Point reported over Business Wire its second quarter 1997 and six months ended June 30 1997 results:

On-Point generated net income of \$280,000, or \$0.03 per share, for the second quarter of 1997 versus net income of \$36,000 in the prior year comparable quarter. The second quarter of 1997 marked the fifth straight profitable quarter and fifth straight comparative quarterly increase in earnings for On-Point. Revenues for the second quarter of 1997 were \$3,256,000, a 5% increase over the revenues of \$3,090,000 for the prior year comparable quarter.

For the six months ended June 30, 1997, net income was \$524,000, or \$.06 per share, versus a net loss of \$236,000 for the prior year comparable six months. Revenues for the six months ended June 30, 1997 were \$6,556,000, a 16% increase over the revenues of \$5,631,000 generated in the prior year comparable six months.

During the six months ended June 30, 1997, On-Point improved its working capital from \$268,000 at December 31, 1996 to \$2,940,000 at June 30, 1997. This improvement was not only the result of increased earnings, but due to strategic financing during the second quarter. The Company completed an \$800,000 equity financing and a \$3,000,000 revolving line of credit financing during the second quarter. Notwithstanding the new debt, On-Point continued to maintain minimal current and long-term debt of \$2,502,000 as of June 30, 1997 on total assets of \$15,276,000 and total equity of \$8,164,000.

Frederick Sandvick, the chairman and chief executive officer of On-Point, commented, "We are very pleased to report our fifth straight profitable quarter. We are also very pleased to report continued increased revenues. The 1997 second quarter results were directly attributable to strategic cost reductions, to increased operating efficiencies effected by our 'right-sizing' efforts in 1996 and to increased marketing efforts which began towards the end of 1996.

"On-Point products have proven to be cost-effective and highly reliable, and the increases in revenue during the first six months of 1997 were due to marketing of

these products. We have continued to increase our marketing efforts not only in the United States, but around the world. We believe the third quarter of 1997 will show continued increases in our revenues. We are excited about the opportunities ahead and look forward to broadening our marketing efforts.

"Our results for the first six months of 1997 show the continuing progress we have made in all aspects of our business. In addition to improved revenues and earnings, we are also pleased to have increased our balance sheet strength during the second quarter of 1997 as a result of equity and debt financings. The earnings and financings increased On-Point's working capital by over \$2,500,000 from Dec. 31, 1996, and increased its stockholders' equity in the same time period by over \$1,200,000.

29. On November 12, 1997, On-Point reported over Business Wire its third quarter 1997 and nine months ended September 30, 1997 results:

On-Point generated net income of \$537,000, or 5 cents per share, for the third quarter of 1997 versus net income of \$138,000 in the prior year comparable quarter. The third quarter of 1997 marked its sixth straight profitable quarter and sixth straight comparative quarterly increase in earnings for On-Point. Revenues for the third quarter of 1997 were \$5,299,000, an 82 percent increase over the revenues of \$2,904,000 for the prior year comparable quarter. The third quarter of 1997 also marked the fourth straight comparative quarterly increase in revenues for On-Point. For the nine months ended Sept. 30, 1997, net income was \$1,061,000, or 11 cents per share, versus a net loss of \$98,000 for the prior year comparable nine months. Revenues for the nine months ended Sept. 30, 1997, were \$11,855,000, a 39 percent increase over the revenues of \$8,535,000 generated in the prior year comparable nine months. During the nine months ended Sept. 30, 1997, On-Point improved its working capital from \$268,000 at Dec. 31, 1996, to \$3,574,000 at Sept. 30, 1997. This improvement was not only the result of increased earnings, but the result of strategic financing during the nine months. The company completed an \$800,000 equity financing and a \$3 million revolving line of credit financing during the nine months. Notwithstanding the new debt, On-Point continued to maintain minimal current and long-term debt of \$2,816,000 as of Sept. 30, 1997, on total assets of \$15,799,000 and total equity of \$8,845,000.

Frederick Sandvick, the chairman and chief executive officer of On-Point, commented, "We are very pleased to report our sixth straight profitable quarter. We are also very pleased to report continued increased revenues. The 1997 third-quarter results were directly attributable to increased marketing efforts which began towards the end of 1996, to strategic cost reductions and to increased operating efficiencies effected by our 'right-sizing' efforts in 1996. "On-Point products have proven to be cost-effective and highly reliable, and the increases in revenue during the first nine months of 1997 were due to marketing of these products. We have continued to increase our marketing efforts not only in the United States, but around the world. We believe the fourth quarter of 1997 will show continued increases in quarterly year-to-year comparative revenues. We continue to be excited about the opportunities ahead and look forward to broadening our marketing efforts. "Our results for the first nine months of 1997 show the

continuing progress we have made in all aspects of our business. In addition to improved revenues and earnings, we are also pleased to have increased our balance sheet strength during the first nine months of 1997 as a result of improved profits as well as equity and debt financings. "The earnings and financings increased On-Point's working capital by over \$3 million from Dec. 31, 1996, and increased its stockholders' equity in the same time period by over \$1.9 million. "On-Point's progress could not have been achieved without the loyalty of On-Point's customers, suppliers and employees.

30. On February 10, 1998 On-Point reported over Business Wire that it expected increased revenues for the fourth quarter 1997 and fiscal year 1997:

For the fourth quarter of 1997, On-Point expects to report revenues of approximately \$5.5 million versus revenues of \$3.3 for the prior year comparable quarter. The fourth quarter of 1997 marked the fifth straight comparative quarterly increase in revenues for On-Point. For the year ended Dec. 31, 1997, On-Point expects to report revenues of approximately \$17.4 million versus \$11.9 million for 1996. Final audited figures are expected to be available in approximately 45 days. Frederick Sandvick, the chairman and chief executive officer of On-Point commented: "We are very pleased to announce that we expect to report in excess of a 45% growth in revenues for 1997. Many observers in 1997 have commented that the tremendous turnaround of On-Point was accomplished by merely cutting costs. Clearly, having a 45% growth rate in revenues for the full year should now dispel such comments and prove that our efforts have focused on strategies far beyond cost reductions. "The 1997 results were directly attributable to increased and strategic marketing efforts, as well as to the strategic cost reductions and increased operating efficiencies effected by our 'right sizing' efforts in 1996. On-Point products have proven to be cost-effective and highly reliable, and the increases in revenue in 1997 were due to marketing these products.

"We continue to increase our marketing efforts not only in the United States, but around the world. In that respect, we expect the first quarter of 1998 to again show revenue increases over the prior year comparable period which will mark the sixth straight comparative quarterly increase in revenues, a growth pattern enviable of even the largest of companies."

31. On March 24, 1998 On-Point reported over Business Wire its fourth quarter 1997 and fiscal year end 1997 results:

On-Point generated net income of \$1,572,000, or \$0.17 per share (\$0.15 on a diluted basis), for the year ended December 31, 1997, versus net income of \$135,000, or \$0.02 per share, for 1996, a 1,164% increase. Revenues for 1997 were \$17,439,000, a 47% increase over the revenues of \$11,868,000 generated in the prior year. Net income for the fourth quarter of 1997 was \$511,000, a 219% increase over the net income of \$233,000 for the prior year comparable quarter. The fourth quarter marked the seventh straight profitable quarter and seventh straight comparative increase in quarterly earnings for On-Point. Revenues for the 1997 fourth quarter were \$5,584,000, a 68% increase over the revenues of \$3,333,000 generated in the 1996 fourth quarter. The 1997 fourth quarter also

marked the fifth straight comparative quarterly increase in revenues for On-Point. In addition to its increases in revenues and earnings, On-Point improved its working capital by approximately \$3 million from \$268,000 at December 31, 1996, to \$3,135,000 at December 31, 1997. As of December 31, 1997, On-Point's current assets exceeded its total liabilities. Frederick Sandvick, the Chairman of the Board and Chief Executive Officer of On-Point commented: "We are pleased to report our significant increases in earnings and revenues for 1997. The 1997 results were directly attributable to increased and strategic marketing efforts, as well as to the strategic cost reductions and increased operating efficiencies effected by our 'right-sizing' efforts in 1996. On-Point products have proven to be cost-effective and highly reliable, and the increases in revenue in 1997 were due to marketing these products."

32. On July 29, 1998 On-Point reported over Business Wire its second quarter 1998 and six months ended June 30, 1998 results:

On-Point generated net income of \$543,000, or \$.05 per share, for the second quarter of 1998 versus net income of \$280,000 or \$.03 per share in the prior year comparable quarter, a 94% increase in net income. The second quarter of the 1998 marked the ninth straight profitable quarter as well as the ninth straight comparative year-to-year quarterly increase in earnings for On-Point. The increases in net income were achieved despite an increase in research and development costs from \$60,000 in the prior year comparable quarter to \$455,000 in the 1998 second quarter. Revenues for the second quarter of 1998 were \$4,144,000, a 27% increase over the revenues of \$3,256,000 for the prior year comparable quarter. The 1998 second quarter also marked the seventh straight comparative year-to-year quarterly increase in revenues for On-Point. For the six months ended June 30, 1998, net income was \$1,096,000 or \$.11 per share (\$.09 diluted), versus net income of \$524,000, or \$.06 per share (\$.05 diluted), for the prior year comparable six months, a 109% increase in net income. Revenues for the six months ended June 30, 1998 were \$8,422,000, a 28% increase over the revenues of \$6,556,000 generated in the prior year comparable six months. During the six months ended June 30, 1998, On-Point improved its working capital from \$3,135,000 at December 31, 1997 to \$5,689,000 at June 30, 1998.

As a result of the improvement, On-Point's current assets were more than double its current liabilities as of June 30, 1998. In addition, On-Point increased its line of credit from \$3 million to \$5 million and decreased its interest rate to Prime plus 2%. Notwithstanding the increased line of credit, On-Point continued to maintain minimal current and long-term debt of \$2,816,000 as of June 30, 1998 on total assets of \$19,007,000 and total equity of \$11,263,000. Frederick Sandvick, the Chairman of the Board and Chief Executive Officer of On-Point, commented, "We are very pleased to report our ninth straight profitable quarter. We are also pleased to report continued increases in revenues. However, notwithstanding the increases in profit and revenues, it is important to note that On-Point expended \$455,000 in the second quarter on research and development versus only \$60,000 in the prior year comparable quarter. The additional research and development expenditures were expended as part of our strategic commitment to expand and improve our product lines. Had these expenditures not been made, On-Point would have

generated approximately \$1 million in second quarter profit. Although such profit would have been an On-Point record for a quarter, we believed that in order to maximize shareholder value it was best to begin reinvesting part of our profits for the future. By committing to these expenditures now and, therefore, decreasing our current quarter profits, we improve On-Point's ability to compete in the future by developing enhancements and new products which respond effectively to market needs. We expect to continue committing increased research and development expenditures for the remainder of 1998.

33. On November 12, 1998 On-Point reported over Business Wire its third quarter 1998 and nine months ended September 1998 results:

On-Point generated net income of \$419,000, or \$.04 per share, for the third quarter of 1998 versus net income of \$537,000 or \$.05 per share in the prior year comparable quarter. The third quarter net income of \$419,000 was achieved despite an increase of \$238,000 in research and development costs in the 1998 third quarter. Revenues for the third quarter of 1998 were \$3,828,000, versus revenues of \$5,299,000 for the prior year comparable quarter. Revenues in 1998 were impacted by certain delays in contract proposals.

For the nine months ended Sept. 30, 1998, net income was \$1,515,000 or \$.15 per share (\$.13 diluted), versus net income of \$1,061,000, or \$.12 per share (\$.10 diluted), for the prior year comparable nine months, a 43% increase in net income. Revenues for the nine months ended Sept. 30, 1998 were \$12,250,000, a 3% increase over the revenues of \$11,855,000 generated in the prior year comparable nine months.

During the nine months ended Sept. 30, 1998, On-Point improved its working capital from \$3,135,000 at Dec. 31, 1997 to \$6,017,000 at Sept. 30, 1998. As a result of the improvement, On-Point's current assets were more than triple its current liabilities as of Sept. 30, 1998. In addition, On-Point increased its line of credit from \$3 million to \$5 million and decreased its interest rate to Prime plus 2%. Notwithstanding the increased line of credit, On-Point continued to maintain minimal current and long-term debt of \$3,148,000 as of Sept. 30, 1998 on total assets of \$18,614,000 and total equity of \$11,809,000.

Frederick Sandvick, the chairman of the board and chief executive officer of On-Point, commented: "We are very pleased to report our tenth straight profitable quarter. Although revenues decreased in the third quarter as a result of delays in certain contract proposals, net income was only slightly lower than net income for the prior year third quarter. In fact, had On-Point not increased its research and development costs by \$238,000 in the 1998 third quarter, net income would have exceeded the prior year comparative quarter, despite lower revenues.

"The additional research and development costs were expended as part of On-Point's strategic commitment to expand and improve its product lines. Had these expenditures not been made, On-Point would again have reported increased earnings. However, we believe that maximizing shareholder value will be best achieved by reinvesting part of our profits for the future. By committing to these

expenditures now, we improve On-Point's ability to compete in the future by developing enhancements and new products which respond effectively to market needs. We expect to continue committing increased research and development expenditures for the remainder of 1998 and through at least the first quarter of 1999.

"As anticipated, our third quarter revenues were impacted by delays in certain contract proposals. However, since the end of the third quarter some of those delays have ended as On-Point has been awarded a new contract with the Virginia Lottery estimated at approximately \$9 million and has a new agreement in place to provide G-TECH Corporation up to 1,500 ITVM's for the California Lottery estimated at approximately \$8 million. We continue to work on several other opportunities and proposals for 1999 and beyond. We are also excited about the future potential of our new products which are under development.

"On-Point's progress could not have been achieved without the loyalty of On-Point's customers, suppliers and employees. On-Point still faces considerable changes, opportunities and challenges in the time ahead. We will continue our efforts in all areas and look forward to sharing our progress with you."

34. On March 30, 1999 On-Point reported over Business Wire its fourth quarter 1998 and fiscal year end 1998 results:

On-Point generated net income of \$1,711,000, or \$.17 per share (\$.15 on a diluted basis), for the year ending December 31, 1998, versus net income of \$1,572,000, or \$.17 per share (\$.15 on a diluted basis) for the prior comparable year, a 9% increase in net income. The 1998 net income of \$1,711,000 was achieved despite an increase of \$823,000 in research and development costs in 1998 and despite certain delays in contract proposals that negatively impacted revenues. Revenues for 1998 were \$16,416,000, versus \$17,439,000 for the prior comparable year.

Net income for the fourth quarter of 1998 was \$196,000 versus net income of \$511,000 for the prior year comparable quarter. The decrease was primarily the result of one-time costs associated with a legal settlement and of increased research and development costs. Revenues for the 1998 fourth quarter were \$4,166,000 versus \$5,584,000 in the prior year comparable quarter. The legal settlement related to a suit in excess of \$1.2 million from the company's principal competitor stemming from a failed merger between the two companies in 1995. On-Point counter sued and both companies confidentially settled the case in March 1999 with neither party admitting liability. Although settled in 1999, On-Point effected the settlement costs into its 1998 fourth quarter results.

During 1998, On-Point improved its working capital from \$3,135,000 at December 31, 1997 to \$4,129,000 at December 31, 1998; On-Point's current assets are now over twice its current liabilities. Also during 1998, On-Point's net cash provided by operating activities increased from \$337,000 in 1997 to \$2,753,000 in 1998, resulting in approximately \$2.4 million of increased cash flow.

Frederick Sandvick, the Chairman of the Board and Chief Executive Officer of On-

Point, commented, "We are pleased to report increased earnings for the third consecutive year. Increased earnings were achieved despite lower revenues and higher research and development costs. In fact, had On-Point not increased its research and development costs by \$823,000 in 1998, net income would have exceeded \$2.6 million, bringing a 60% increase in earnings and a \$.26 earnings per share for 1998 (\$.22 on a diluted basis). However, instead we chose to invest a significant amount of those earnings into developing what we believe will be the next generation of instant ticket dispensing products for lotteries worldwide.

"As a result of our development efforts, we intend to introduce in 1999 the Company's next generation automated instant ticket vending terminal ("PlayPoint (tm)") and the Company's first automated instant ticket counter-top dispensing terminal ("CounterPoint(tm)"). PlayPoint(tm) has been engineered to provide the most advanced electronic, software, communication and dispensing capabilities of any instant ticket lottery terminal in the world. PlayPoint(tm) will also have new ergonomic features designed to increase impulse purchasing while also designed to meet all ADA established guidelines. We believe PlayPoint(tm) will be far superior to any instant ticket vending machine currently in the market. CounterPoint(tm) on the other hand has been designed to be the most flexible automated counter-top dispensing system available and will incorporate many of PlayPoint's(tm) proprietary features. We are excited about the future potential of these new products.

"We are also pleased to note that, even without the introduction of On-Point's next generation lottery products, On-Point has nevertheless received three major lottery contract awards over the last six months, including the award of an exclusive contract from La Francaise des Jeux, which is the largest instant ticket lottery in the world with annual sales in excess of \$3 billion. The aggregate value of those three contract awards is estimated at approximately \$27 million. Primarily as a result of those recent awards and other contracts, On-Point anticipates an increase in 1999 first quarter revenues over the prior year comparable quarter revenues. In addition to those contract awards, On-Point continues to work on several other opportunities and proposals for 1999 and beyond.

35. The foregoing announcements regarding On-Point's financial results and the state of its business were false and/or misleading as they did not accurately reflect the earnings, revenues, and state of On-Point's business. More specifically, each and every announcement falsely claimed earnings, revenues and assets which were being recognized in violation of Generally Accepted Accounting Principles ("GAAP") because the company treated a long-term lease with Solutioneering as a sales-type lease rather than as an operating lease.
36. By definition, a sales-type lease has to meet at least two criteria: a) predictability of lease payments; and b) no significant uncertainties surrounding unreimbursable costs that may be incurred.
37. On-Point has filed a lawsuit against Solutioneering in which it claims that it has received no lease payments from Solutioneering since, at the latest, December 1997. Thus, by definition, On-Point should have revised its accounting treatment of its long-term lease with Solutioneering by, at the very latest, first quarter fiscal 1998.
38. On January 10, 2000, a joint announcement was made over PR Newswire reporting that GTECH Holdings Corporation, a NYSE listed company, had entered into an agreement with

- On-Point to acquire 100 percent of On-Point's outstanding stock at a price of \$3.00 per share of On-Point, and that additionally, each On-Point shareholder would receive 1 share of stock in On-Point's subsidiary, e-Point Technologies, Inc. per two shares of On-Point securities tendered.
39. On February 22, 2000, On-Point filed a Form 8-K with the Securities and Exchange Commission ("SEC") stating that the company was in the process of restating its financial statements for periods beginning with fiscal year 1997 to reflect its revised determination that a long-term lease of vending machines to Solutioneering, Inc. should have been carried as an operating lease, rather than a sales-type lease.
 40. The Form 8-K further stated that "certain options and warrants granted to a Company employee and a corporation wholly owned by him should have resulted in expense for service in 1997 and 1998" and that as a result, the company's financials for fiscal years 1997 and 1998 would be restated.
 41. On February 23, 2000 NASDAQ announced a trading halt in On-Point and requested additional information from the company.
 42. On-Point did not publicly announce its intention to restate its financials until an announcement issued on February 29, 2000, that was posted to the company's website www.onpt.com.
 43. The February 29, 2000 announcement was reported in a story on the Dow Jones News wire service, but was not publicly disseminated by the Company on either Business Wire or PR Newswire as had been the company's custom for previous press releases.
 44. The February 29, 2000 announcement stated, in part, that the company's accounting for the Solutioneering lease as a operating lease rather than the previously recorded sales-type lease would result in a reduction of net income by \$4.4 million over the periods fiscal 1997 through 1999 and that it would file an amended Form 10-KSB.
 45. On March 1, 2000 On-Point was allowed to resume trading on the NASDAQ national market system.
 46. After resuming trading, On-Point dropped from a pre-trading halt close of \$2.75 to close at \$1.8437 on March 1, 2000, on extraordinary volume of 280,200 shares traded in the one hour the stock was available for trading.
 47. On April 7, 2000, On-Point finally announced that its restated results for fiscal years 1997 and 1998. On-Point reported that for fiscal 1997, its real earnings were only \$171,000 versus previously reported earnings of \$1.57 million, resulting in a corrected EPS of only \$0.02 versus the previously reported EPS of \$0.17. It further adjusted fiscal 1997 revenues down to \$14.3 million from previously reported revenues of \$17.4 million.
 48. In the same announcement, On-Point reported that for fiscal 1998, it had actually incurred an earnings **loss** of \$404,000 versus a previously reported gain of \$1.7 million, resulting in a corrected EPS of -\$0.04 versus the previously reported EPS of \$0.17. It further adjusted fiscal 1998 revenues down to \$14.8 million from previously reported revenues of \$16.4 million.
 49. Simultaneously with the announcement of the restatement, GTECH Holdings Corporation announced that it had terminated its merger agreement in which On-Point shareholders.
 50. On-Point's shares dropped again on the news from a previous day's close of \$1.8125 to close at \$1.40625 on the day after the restatement was announced, a drop of almost 50 percent.
 51. In ignorance of the adverse facts concerning On-Point's true business and financial condition, which were concealed by defendants, plaintiff and other members of the Class purchased On-Point common stock at artificially high prices, relying upon the statements made and/or upon the integrity of the market and were damaged thereby.
 52. Had plaintiff and the other members of the Class known of the materially adverse information not disclosed by the defendants, they would not have purchased On-Point common stock at the artificially inflated prices that they did.

COUNT I
**(Violations of Section 10(b) of the Exchange Act
and Rule 10-5 Promulgated Thereunder)**

53. Plaintiff repeats and realleges the allegations above as though fully set forth herein.
54. During the Class Period, the defendants, and each of them, carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including plaintiff and the other class members, as alleged herein; (ii) artificially inflate and maintain the market price of On-Point; and (iii) cause plaintiff and other members of the Class to purchase On-Point securities at inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.
55. Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's stock in an effort to maintain artificially high market prices for On-Point securities in violation of section 10(b) of the Exchange Act and Rule 10b-5.
56. The statements made by defendants during the Class Period were materially false and misleading because at the time they were made, the Company and persons acting as corporate officers knew or recklessly ignored, but failed to disclose, the matters set forth herein.
57. In ignorance of the artificially high market prices of On-Point's publicly traded securities, and relying directly on defendants or indirectly on the false and misleading statements made by defendants, upon the integrity of the market in which the securities trade, on the integrity of the regulatory process and the truth of representations made to appropriate agencies throughout the Class Period and/or on the absence of material adverse information that was known to defendants, but not disclosed in public statements by defendants during the Class Period, plaintiff and the other members of the Class acquired On-Point securities during the Class Period at artificially high prices and were damaged thereby.
58. Had plaintiff and the other members of the Class and the marketplace known of the true financial condition, business prospects and character of leadership of On-Point which were not disclosed by defendants, plaintiff and other members of the Class would not have purchased or otherwise acquired their On-Point securities during the Class Period, or would have not done so at the artificially inflated prices which they paid. Hence, plaintiff and the Class were damaged by defendants' violations of Section 10(b) and Rule 10b-5.

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

59. Plaintiff incorporates by reference the above paragraphs above as if set forth fully herein. This Count is asserted against the Individual Defendants.
60. The Individual Defendants acted as controlling persons of On-Point within the meaning of Section 20 of the Exchange Act as alleged herein. By reasons of their executive, managerial and/or directorial positions with On-Point, the Individual Defendants had the power and authority to cause the Company to engage in the wrongful conduct complained of herein.
61. By reasons of the aforementioned wrongful conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of their

wrongful conduct, plaintiff and the other members of the Class suffered damages in connection with purchasing the Company's securities during the Class period.

WHEREFORE, plaintiff prays for relief and judgment, as follows:

- i. Determining that this action is a proper class action, certifying plaintiff as class representative under Rule 23 of the Federal Rules of Civil Procedure and his counsel as class counsel;
- ii. Awarding compensatory damages in favor of plaintiff and the other class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- iii. Awarding plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- iv. Such other and further relief as the Court may deem just and proper.

DATED: April 27, 2000

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Counsel For Plaintiff

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury pursuant to Rule 38(b) of the Federal Rules of Civil

Procedure.

DATED: April 27, 2000

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