



*United States Attorney
Southern District of New York*

FOR IMMEDIATE RELEASE
August 6, 2003

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**FORMER AMERICAN BANKNOTE CEO CONVICTED
OF \$100 MILLION ACCOUNTING FRAUD SCHEME**

JAMES B. COMEY, the United States Attorney for the Southern District of New York, announced today that MORRIS WEISSMAN, former Chief Executive Officer and Chairman of the Board of American Banknote Corporation ("ABN") and American Bank Note Holographics, Inc. ("ABNH"), was convicted today in Manhattan federal court of participating in a massive accounting fraud scheme. The scheme involved the fraudulent inflation of ABNH's revenues and earnings through the improper, early recognition of millions of dollars in revenue, and the use of the resulting false financial figures to raise more than \$115 million from public investors through an initial public offering ("IPO") of ABNH stock. WEISSMAN's conviction followed a five-week jury trial presided over by the Honorable BARBARA S. JONES. The jury deliberated for approximately a day and a half.

According to the evidence at trial, in January 1999,

when ABNH announced that its financial position had been misrepresented, ABNH stock lost over 80 percent of its value in two days, resulting in approximately \$100 million in losses to investors.

According to the evidence at trial, from 1996 to 1999, ABN was a New York based public corporation with over \$300 million in annual revenues. ABN's several subsidiaries produced currencies, travelers and other checks, and magnetic strip transaction cards. Until July 1998, ABNH was a wholly-owned ABN subsidiary that produced and sold secure holograms for use on credit cards and other security devices.

The evidence at trial established that WEISSMAN and two subordinate ABNH executives fraudulently inflated ABNH's reported revenue and earnings for fiscal years 1996 and 1997 and for the first three fiscal quarters of 1998. WEISSMAN and his co-conspirators engaged in sham transactions, recognized revenue from sales of holograms before the manufacturing process was even complete, and lied to the company's independent auditors in an effort to conceal the scheme.

As a result of these fraudulent transactions, the evidence showed, ABNH represented to the public an upward trend in ABNH's revenue and earnings in the period leading up and following ABNH's IPO, when, in fact, ABNH's revenue and earnings were declining during the period. According to the evidence at

trial, in July 1998, on the basis of this fraudulent financial information, WEISSMAN and his co-conspirators caused ABN to sell the common stock of ABNH to members of the investing public for \$115 million, substantially more than its true value.

The evidence at trial established that on January 19, 1999, six months after the ABNH IPO, ABNH announced that it would restate some of its previous financial statements. Over the following few days, the price of ABNH stock plummeted from approximately \$16 a share to approximately \$1.80, resulting in a decline of more than \$190 million in ABNH's market capitalization.

United States District Judge BARBARA S. JONES, who presided over WEISSMAN's trial, scheduled sentencing for November 13, 2003. WEISSMAN, who was convicted on charges of conspiracy, securities fraud, falsifying corporate books and records, and lying to independent auditors, faces a maximum sentence of 30 years in prison, a fine of \$1 million or twice the gross loss or gain resulting from the offense, and mandatory restitution.

Two other defendants, Richard Macchiarulo and Joshua Cantor previously plead guilty to their roles in the scheme and are awaiting sentencing before Judge JONES.

WEISSMAN, 62, resides in Palm Beach, Florida, and is free on bond.

Mr. COMEY, a member of President BUSH's Corporate Fraud Task Force stated, "The conviction of MORRIS WEISSMAN - a CEO who breached the trust placed in him by his own shareholders -- strikes at the very heart of the type of corporate fraud that this office will continue to root out so that the integrity of the market place can be restored for investors."

Mr. COMEY also praised the efforts of the Federal Bureau of Investigation and thanked the United States Securities and Exchange Commission for its assistance in the investigation of this case.

Assistant United States Attorney ANDREW J. CERESNEY and Special Assistant United States Attorney JOSHUA KLEIN are in charge of the prosecution.

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