

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA :  
 : INFORMATION  
 -v- :  
 JOSHUA C. CANTOR : 01 Cr. 687  
 :  
 Defendant. :

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**COUNT ONE**

(Conspiracy To Commit Securities Fraud, To Falsify Books  
and Records, And To Make False Statements To Auditors)

The United States Attorney charges:

THE RELEVANT PARTIES

1. At all times relevant to this Information, American Banknote Corporation ("ABN"), a Delaware corporation, was a holding company whose various subsidiaries, located in the United States, Australia, Brazil, New Zealand, and France, engaged in the business of designing and manufacturing products that included counterfeit-resistant technology. Among other things, ABN's products included: currencies; travelers and other checks; stock and bond certificates; stored value telephone, magnetic-strip, memory, and microprocessing-based transaction cards; and a wide variety of electronically and digitally produced personalized documents. ABN maintained its principal executive offices in New York, New York. On or about December 8, 1999, ABN filed for a petition for relief

under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York.

2. At all times relevant to this Information, American Bank Note Holographics, Inc. ("ABNH"), a Delaware corporation and a wholly-owned ABN subsidiary until in or about July 1998, was engaged principally in the business of originating, producing, and manufacturing mass-produced secure holograms. One of ABNH's principal lines of business was the production and sale of secure holograms for Visa and MasterCard credit cards. ABNH maintained its principal executive offices in Elmsford, New York.

3. From in or about November 1995 until in or about May 1997, JOSHUA C. CANTOR, the defendant, was the Executive Vice President and General Manager of ABNH. Thereafter, CANTOR became President of ABNH, a title he retained until his resignation on or about February 4, 1999.

#### BACKGROUND

##### Trading In Equity Securities Of ABN And ABNH

4. At all times relevant to this Information, ABN's common stock was publicly traded on the New York Stock Exchange ("NYSE") under the symbol "ABN."

5. In or about July 1998, ABNH filed a registration statement with the United States Securities and Exchange Commission ("SEC"), pursuant to which ABNH sought to register its common stock for sale to members of the public in the United States.

6. On or about July 14, 1998, the SEC declared effective ABNH's registration statement. Pursuant to the registration statement, ABN conducted an initial public offering ("IPO"), through underwriters in New York, New York, among other places, of approximately 13,636,000 shares of ABNH common stock at an initial offering price of \$8.50 per share, for a total of approximately \$115 million. On or about July 15, 1998, ABNH's common stock began publicly trading on the NYSE under the symbol "ABH."

#### Financial Disclosures and Procedures

7. ABN and ABNH were required to comply with provisions of the federal securities laws, including the Securities Exchange Act of 1934 and regulations promulgated thereunder, that were designed to ensure that each company's financial information was accurately recorded and disclosed to the public.

8. Under these provisions, ABN and ABNH had the duty to, among other things: (a) make and keep books, records, and accounts that accurately and fairly reflected each company's business transactions; (b) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that each company's transactions were recorded as necessary to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles and other applicable criteria; (c) file with the SEC annual financial statements,

audited by an independent accountant, that disclosed each company's balance sheet as of the end of the two most recent fiscal years and each company's statement of income and cash flow for each of the three most recent fiscal years; and (d) file with the SEC quarterly updates of their financial statements that disclosed their financial condition and the results of their business operations for each three-month period.

9. From at least 1996 through 1998, ABN publicly filed with the SEC annual and quarterly reports that purported to conform with these legal requirements. Each of these reports contained what were purported to be accurate financial statements of ABN, including statements of its revenue and net income. In these reports, ABN represented, among other things, that it recorded revenue only after goods were completed and either shipped to customers or segregated from the rest of its inventory and delivered to an on-site secured facility for the benefit of specific customers.

#### ABN's Financial Condition

10. ABNH was an important contributor to ABN's overall financial performance. During fiscal years 1996 and 1997, ABN reported revenue in excess of \$300 million per year. However, ABN reported consolidated net income of only \$4,099,000 in 1996 (approximately 1% of revenues) and a consolidated net loss of \$1,749,000 in 1997; these numbers reflected the combined

performance of all of ABN's subsidiaries. In contrast, ABNH, although it accounted for less than 10 percent of ABN's consolidated sales in 1996 and 1997, was a high-margin business which contributed a disproportionate share of ABN's net income. For example, ABNH reported net income of \$4,820,000 for 1996 and net income of \$7,539,000 for 1997, more than the consolidated net income of ABN for those years.

11. In the period from 1996 through July 1998, ABN was also heavily indebted. At the end of 1997, ABN had long-term debt of approximately \$293 million and was required to pay millions of dollars per year in interest and principal payments. The combination of ABN's thin profit margins and heavy debt load placed ABN in a precarious financial condition: if it did not generate sufficient cash to meet its debt requirements, the corporation could be forced into bankruptcy. ABN had been actively seeking means to generate cash and reduce ABN's debt since as early as 1996. By early 1998, ABN determined to do so by selling ABNH to members of the public in an IPO.

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THE SCHEME TO INFLATE THE REPORTED  
FINANCIAL PERFORMANCE OF ABN AND ABNH

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12. Beginning in or about late 1996 and continuing through in or about December 1998, JOSHUA C. CANTOR, the defendant, and co-conspirators not named herein as defendants, devised and put into effect a scheme to inflate the revenues and earnings that ABN and ABNH reported to the public and the SEC. The scheme began

while ABNH was a wholly-owned subsidiary of ABN and continued after ABNH became a publicly-traded company in or about July 1998. As a result of the scheme, ABN and ABNH disclosed to members of the public, including the companies' shareholders and bondholders, materially false information about the companies' revenues and earnings. This fraud was particularly significant in that it enabled CANTOR his co-conspirators not named herein as defendants to report an upward trend in ABNH's revenue and earnings in the period leading up to the IPO, when, in fact, its revenue and earnings were declining during this period. On the basis of this fraudulent financial information, CANTOR, and co-conspirators not named herein as defendants, caused ABN to sell the common stock of ABNH to members of the public for a total price of approximately \$115 million, substantially in excess of its true value.

13. The essential means by which JOSHUA C. CANTOR, the defendant, and co-conspirators not named herein as defendants, fraudulently inflated the revenue and earnings of ABN and ABNH, was by recording revenue for sales to ABNH customers that did not actually occur or that were incomplete as of the time they were recorded. To carry out this fraud, CANTOR, and co-conspirators not named herein as defendants, deceived the independent auditors of ABN and ABNH ("ABN's Independent Auditors") with false representations and fabricated corporate records concerning these transactions. Moreover, CANTOR, and co-conspirators not named

herein as defendants, enlisted the assistance of numerous others, including customers and lower-level employees of ABNH, in verifying false representations, creating false corporate records, and performing other tasks necessary to prevent ABN's Independent Auditors from discovering the scheme and disclosing its impact on the financial statements of ABN and ABNH. Thus, for example:

a. On or about January 30, 1997, CANTOR, with the knowledge and approval of a co-conspirator not named herein as a defendant, convinced an ABNH customer ("Customer-1") to represent that the customer had purchased approximately \$400,000 of Visa holograms (i.e., holograms affixed on Visa credit cards for security purposes) during 1996 when no such purchase had actually taken place. Based on this non-existent transaction, ABNH fraudulently recorded, as revenue earned in 1996, a sale of approximately \$400,000 to Customer-1. At the request of CANTOR, an employee of Customer-1 later signed a representation letter to ABN's Independent Auditors that falsely confirmed that a sale in this approximate amount had occurred in 1996;

b. In or about December 1997, CANTOR, with the knowledge and approval of a co-conspirator not named herein as a defendant, convinced Customer-1 to assist ABN and ABNH in fraudulently recording revenue in 1997 for a purported sale of approximately \$1.3 million of Visa holograms to Customer-1. In order to create the appearance that ABNH had sold approximately

\$1.3 million of Visa holograms before the end of 1997, Cantor arranged for ABNH to deliver a large number of unfinished holograms to Customer-1 at the end of the year. Customer-1 agreed to accept delivery of these unfinished holograms on the representation and condition that Customer-1 would return the unfinished holograms to ABNH after the end of the year. Pursuant to this arrangement, ABNH delivered a large quantity of unfinished Visa holograms to Customer-1 on or about December 31, 1997, and, in the first quarter of 1998, Customer-1 returned these unfinished holograms to ABNH. ABN and ABNH recorded 1997 revenue of approximately \$1.3 million for this shipment. On or about March 4, 1998, at the request of CANTOR, an employee of Customer-1 signed a representation letter to ABN's Independent Auditors that falsely confirmed that Customer-1 owed ABNH a total of approximately \$1.9 million -- which included the fraudulent \$1.3 million transaction -- as of December 31, 1997; and

c. From in or about 1996 through in or about late 1998, CANTOR, with the knowledge and approval of co-conspirators not named herein as defendants, and other employees of ABNH, recorded revenue for shipments of holograms that were delivered to customers under "consignment" arrangements. Under these arrangements, customers received physical delivery of goods but were not obliged to purchase them - and had the option to return them - up until the time that the goods were actually used by the customers. As CANTOR



and his co-conspirators knew, therefore, the delivery of goods under these consignment arrangements did not constitute a bona fide sale of those goods and should not have resulted in ABNH recognizing revenue. In order to conceal that the holograms were delivered under consignment arrangements, ABNH employees prepared two sets of invoices, one that truthfully reflected that the goods were delivered on consignment and another that falsely reflected that the goods were sold to customers. The invoices that revealed the true nature of the consignments were provided to customers, while the invoices that falsely recorded the consignments as sales were retained by ABNH and provided to ABN's Independent Auditors.

#### The MasterCard Transaction

14. The largest transaction for which ABNH improperly recorded revenue was a sale of approximately \$6.9 million of holograms that arose out of an order for \$8 million of holograms that MasterCard placed with ABNH in December 1997 and that ABNH completed in 1998 with the assistance of a subcontractor (hereinafter, the "MasterCard Transaction"). Under the terms of this order, ABNH was required to produce approximately 17,500 reels of MasterCard holograms, each consisting of approximately 20,000 individually numbered holograms.

15. Pursuant to a "bill and hold" arrangement with MasterCard, ABNH typically recognized sales to MasterCard when completed holograms were transferred to a secure on-site facility

at ABNH, rather than when goods were actually shipped to MasterCard. This arrangement was disclosed in annual reports to the SEC and shareholders for 1996 and 1997, as well as in the registration statement ABNH filed in connection with its IPO in or about July 1998. Under criteria established by the SEC, revenue may be recorded under a "bill and hold" arrangement only if, among other requirements, products are complete and ready for shipment, segregated from the seller's inventory, and not subject to being used to fill other orders. Consequently, in order to recognize revenue for the MasterCard Transaction in 1997, ABNH was required to deliver completed "reels" of individually numbered MasterCard holograms to its on-site secure vault on or before December 31, 1997.

16. As JOSHUA C. CANTOR, the defendant, knew, ABNH had not produced all of the MasterCard holograms by the end of 1997. In order to fill this order, ABNH entered into a subcontract with another hologram manufacturer (the "Subcontractor"). However, the Subcontractor only had the manufacturing capability to produce what are commonly known as "rolls" of holograms. Those "rolls" had to undergo an important manufacturing process at ABNH - commonly known as "slitting and numbering" - before they could be converted into finished "reels" for the use of MasterCard. Moreover, the Subcontractor, which did not begin work until the middle of December 1997, failed to complete production of the required

quantity of unfinished "rolls" of holograms until mid-January 1998. Nevertheless, in order to boost the reported revenue and income of ABNH and ABN, CANTOR, and co-conspirators not named herein as defendants, recorded as revenue in 1997 approximately \$6.9 million of the \$8 million MasterCard order, of which approximately \$6.2 million was fraudulent.

17. In or about early 1998, in connection with the audit of ABN's 1997 financial statements, ABN's Independent Auditors requested documentation from ABNH to justify recognition of the \$6.9 million MasterCard Transaction. In response, JOSHUA C. CANTOR, the defendant, and co-conspirators not named herein as defendants, and others at ABNH, undertook an extensive effort to deceive ABN's Independent Auditors, with the goal of assuring the improper recognition of the full \$6.9 million in 1997.

18. At the direction of a co-conspirator not named herein as a defendant, JOSHUA C. CANTOR, the defendant, and another co-conspirator not named herein as a defendant, created false documents regarding the MasterCard Transaction in an effort to satisfy ABN's Independent Auditors. These false documents included the following:

a. Falsified shipping records from the Subcontractor. CANTOR, and a co-conspirator not named herein as a defendant, whited-out and altered shipping records from the Subcontractor to create the false appearance that the Subcontractor

had delivered finished reels of holograms, by December 31, 1997, in an amount corresponding to the \$6.9 million MasterCard Transaction.

b. Fabricated receiving documents purportedly drawn from ABNH's internal files. Receiving documents of ABNH were fabricated after the fact by ABNH employees acting at CANTOR's direction, to create the false appearance that ABNH had received, by December 31, 1997, finished reels of holograms in an amount corresponding to the \$6.9 million MasterCard Transaction.

19. Notwithstanding receipt of these falsified documents, in or about mid-February 1998, ABN's Independent Auditors advised ABNH that it would be necessary to obtain a written representation letter signed by the Subcontractor, confirming that ABNH had received finished reels of MasterCard holograms from the Subcontractor on or before December 31, 1997 in an amount sufficient to fulfill the \$6.9 million MasterCard Transaction (hereinafter, the "Subcontractor's Confirmation Letter"). ABN's Independent Auditors provided the language of the Subcontractor's Confirmation Letter, and insisted that it be signed by a representative of the Subcontractor.

20. Between late February and early March 1997, JOSHUA C. CANTOR, the defendant, and co-conspirators not named herein as defendants, each contacted a representative of the Subcontractor ("Person-1"), individually, and requested that he/she sign the Subcontractor's Confirmation Letter. In response to each request,

Person-1 refused to sign the letter, explaining that he would not do so because the representations contained in the letter were false.

21. Because Person-1 refused to sign the Subcontractor's Confirmation Letter, JOSHUA C. CANTOR, the defendant, and co-conspirators not named herein as defendants, devised another means of deceiving ABN's Independent Auditors. At the direction of a co-conspirator not named herein as a defendant, CANTOR and another co-conspirator not named herein as a defendant, obtained a bogus report from an independent security firm. This security firm had been hired by ABNH to guard the Subcontractor's manufacturing facility during the production of the unfinished rolls. The firm, however, had not witnessed the production of finished reels, and its representatives had remained on site at the Subcontractor's premises well into January 1998. Nevertheless, CANTOR procured a report, signed by the Chairman and CEO of the independent security firm, which was backdated and which falsely represented that the security firm had witnessed the production of finished reels of holograms by the Subcontractor, by December 31, 1997, in an amount corresponding to the \$6.9 million MasterCard Transaction.

22. ABN's Independent Auditors, however, continued to insist that ABNH produce a signed Subcontractor's Confirmation Letter as a precondition to recognition of the \$6.9 million MasterCard Transaction. In response, a co-conspirator not named

herein as a defendant, argued to ABN's Independent Auditors that a confirmation letter from the Subcontractor was unnecessary, and that the auditors should accept the documentation that had been provided by ABNH. As a result, in or about early March 1998, ABN's Independent Auditors advised the co-conspirator not named herein as a defendant that a disagreement existed between ABN and the auditors and requested a meeting with the Audit Committee of ABN's Board of Directors.

23. In or about mid-March 1998, a co-conspirator not named herein as a defendant, contacted the owner of the Subcontractor ("Person-2"), bypassing Person-1. Despite his knowledge that the Subcontractor's Confirmation Letter was false, the co-conspirator not named herein as a defendant persuaded Person-2 to sign the confirm letter, which Person-2 signed on or about March 11, 1998.

24. On or about March 17, 1998, JOSHUA C. CANTOR, the defendant, co-conspirators not named herein as defendants, and others, signed a management representation letter addressed to ABN's Independent Auditors in connection with the audit of ABN's financial statements for the year ending December 31, 1997. In that letter, CANTOR, and co-conspirators not named herein as defendants, falsely represented that the Subcontractor had delivered to ABNH, on or before December 31, 1997, finished reels

of MasterCard holograms in an amount sufficient to satisfy the \$6.9 million MasterCard Transaction.

25. As a result of the deception by JOSHUA C. CANTOR, the defendant, co-conspirators not named herein as defendants, and others, ABN's Independent Auditors approved recognition of the \$6.9 million MasterCard Transaction in ABN's 1997 financial results.

The ABNH IPO

26. In July 1998 -- approximately four months after the completion of the 1997 audit -- ABNH conducted its IPO. In connection with the IPO, JOSHUA C. CANTOR, the defendant, and others signed and caused ABNH to file with the SEC a registration statement on Form S-1 (the "Registration Statement"), which included financial statements of ABNH that falsely purported to conform with applicable regulatory requirements. The Registration Statement purported to disclose, among other things, ABNH's sales, net income, and income per share for the years ended December 31, 1996 and December 31, 1997, as follows:

<b>Item</b>	<b>Year ending 12/31/96</b>	<b>Year ending 12/31/97</b>
Sales	\$28,649,000	\$30,915,000
Net income	\$4,820,000	\$7,539,000
Income per share	\$.35	\$.55

Included as reported revenue and income were the \$6.9 million MasterCard Transaction and other sales that, as described above, either had not occurred or were not completed by the end of the

relevant fiscal year. As a result of the inclusion of these transactions - and the MasterCard Transaction in particular - ABNH reported revenue and income that substantially exceeded its actual revenue and net income, and gave the false impression that ABNH's financial performance was strong and improving over time. On the basis of this fraudulent financial information, investors purchased in the IPO approximately 13,636,000 shares of common stock of ABNH, at \$8.50 per share, for a total of approximately \$115 million.

ABNH'S ANNOUNCEMENT OF IMPROPER REVENUE RECOGNITION AND  
EVENTUAL RESTATEMENT OF ITS FINANCIAL RESULTS

27. In a series of press releases beginning on or about January 19, 1999, ABNH disclosed that it had uncovered evidence of inappropriate revenue recognition during 1996, 1997, and 1998. These press releases stated ABNH's belief that, as a result of the improper revenue recognition, ABNH's financial statements would likely require restatement. ABNH's disclosures had an immediate effect on the market for its common stock. On or about January 15, 1999, the last trading day prior to the initial press release, ABNH stock closed at a price of \$15.0625 per share. On or about January 20, 2000, the day after the initial press release, ABNH's stock closed at a price of \$4.5625 per share, a decline of approximately 70 percent. Between on or about January 21, 1999 and on or about February 1, 1999, as ABNH issued additional press releases increasing the estimated scope of the restatement, ABNH's stock continued to decline, closing at a price of \$1.75 per share on or



about February 2, 1999. On or about August 3, 1999, ABNH's common stock was suspended from trading on the NYSE.

28. In or about December 1999, following an internal investigation regarding the MasterCard Transaction and other instances of fraudulent revenue recognition, ABNH issued restated financial statements for 1996, 1997, and the first three quarters of 1998. The restated financial results reflect financial performance that was significantly poorer than the results that had been reported in the Registration Statement:

Item	Year ending 12/31/96	Year ending 12/31/97
Sales	\$27,516,000	\$23,085,000
Net income	\$4,338,000	\$2,820,000
Income per share	\$.32	\$.21

Based on the restated figures, ABNH overstated its actual net income for 1996 by \$482,000 (11%), its actual revenues for 1997 by \$7,830,000 (34%), and its actual net income for 1997 by \$4,719,000 (169%). Also, the restated figures demonstrate a downward trend in sales and net income from 1996 to 1997, in sharp contrast to the upward trend presented to investors in the IPO.

#### STATUTORY CHARGE

##### The Conspiracy

29. From in or about late 1996 to in or about December 1998, in the Southern District of New York and elsewhere, JOSHUA C. CANTOR, the defendant, and others known and unknown, unlawfully,

willfully, and knowingly did combine, conspire, confederate, and agree together and with each other to commit offenses against the United States, namely, (a) to commit fraud in the offer and sale of securities by ABNH, in violation of Title 15, United States Code, Sections 77q(a) and 77x; (b) to falsify books, records, and accounts of ABNH and ABN, in violation of Title 15, United States Code, Sections 78m(b) (2) (A), 78m(b) (5) and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-1, and (c) to directly and indirectly, (A) make and cause to be made materially false and misleading statements; and (B) omit to state, and cause 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 accountants in connection with (i) audits and examinations of the financial statements of ABN, an issuer registered pursuant to section 12 of the Securities Exchange Act of 1934; and (ii) the preparation and filing of documents and reports required to be filed with the SEC pursuant to rules and regulations promulgated by the SEC, in violation of Title 15, United States Code, Sections 78m(b) (1) and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-2.

#### THE OBJECTS OF THE CONSPIRACY

##### Fraud In The Offer And Sale Of Securities

30. It was a part and an object of the conspiracy that JOSHUA C. CANTOR, the defendant, and others known and unknown, un-

lawfully, willfully, and knowingly, in the offer and sale of ABNH securities by the use of the means and instruments of transportation and communication in interstate commerce and by the use of the mails, directly and indirectly, would and did: (a) employ devices, schemes, and artifices to defraud; (b) obtain money and property by means of untrue statements of material fact and omitting to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engage in transactions, practices, and courses of business which operated and would operate as a fraud and deceit upon the purchasers of ABNH securities, all in violation of Title 15, United States Code, Sections 77q(a) and 77x.

#### False Books and Records

31. It was further a part and an object of the conspiracy that JOSHUA C. CANTOR, the defendant, and others known and unknown, unlawfully, willfully, and knowingly would and did, directly and indirectly, falsify and cause to be falsified books, records, and accounts which, in reasonable detail, accurately and fairly reflected the transactions and dispositions of the assets of ABNH and ABN, issuers with classes of securities outstanding pursuant to Section 12 of the Securities Exchange Act of 1934, in violation of Title 15, United States Code, Sections 78m(b) (2) (A), 78m(b) (5) and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-1.

### False Statements To Auditors

32. It was further a part and an object of the conspiracy that JOSHUA C. CANTOR, the defendant, and others known and unknown, unlawfully, willfully, and knowingly would and did, directly and indirectly, (a) make and cause to be made materially false and misleading statements; and (b) omit to state, and cause 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 accountants in connection with (i) audits and examinations of the financial statements of ABN, an issuer registered pursuant to Section 12 of the Securities Exchange Act of 1934; and (ii) the preparation and filing of documents and reports required to be filed with the SEC pursuant to rules and regulations promulgated by the SEC, in violation of Title 15, United States Code, Sections 78(m) (b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.13b2-2.

### MEANS AND METHODS OF THE CONSPIRACY

33. Among the means and methods by which JOSHUA C. CANTOR, the defendant, and his co-conspirators would and did carry out the conspiracy were the following:

a. CANTOR and his co-conspirators caused ABNH to file with the SEC a registration statement containing financial statements that materially overstated ABNH's sales figures and failed to disclose substantial irregularities in ABNH's sales

recognition practices.

b. CANTOR and his co-conspirators caused the \$6.9 million MasterCard Transaction to be recognized on the books and records of ABN and ABNH as of December 31, 1997, even though most of the merchandise in question was not completed as of that date.

c. CANTOR and his co-conspirators deceived ABN's Independent Auditors, using methods that included falsifying and fabricating documents, in order to conceal improper revenue recognition in connection with the MasterCard Transaction and avoid detection of the scheme.

#### OVERT ACTS

34. In furtherance of the conspiracy and to effect its unlawful objects, the following overt acts, among others, were committed in the Southern District of New York and elsewhere:

a. In or about January 1998, JOSHUA C. CANTOR, the defendant, and a co-conspirator not named herein as a defendant, backdated certain shipping records at ABNH's offices in Elmsford, New York relating to MasterCard holograms produced by the Subcontractor.

b. In or about March 1998, JOSHUA C. CANTOR, the defendant, and co-conspirators not named herein as defendants, signed a management representation letter addressed to ABN's Independent Auditors which they knew to contain false statements regarding, among other things, the MasterCard Transaction.

c. In or about July 1998, JOSHUA C. CANTOR, the defendant, and co-conspirators not named herein as defendants, effected an IPO of ABNH securities and caused a registration statement to be filed with the SEC which they knew to contain false statements regarding ABNH's financial performance including, among other things, the MasterCard Transaction.

(Title 18, United States Code, Section 371).

**COUNT TWO**

(False Books And Records)

The United States Attorney further charges:

35. The allegations of paragraphs 1 through 28, 33, and 34 of this Information are repeated and realleged as though fully set forth herein.

36. From in or about late 1996 to in or about December 1998, in the Southern District of New York and elsewhere, JOSHUA C. CANTOR, the defendant, unlawfully, willfully, and knowingly, directly and indirectly, falsified and caused to be falsified books, records, and accounts which, in reasonable detail, accurately and fairly reflected the transactions and dispositions of the assets of ABN and ABNH, issuers with classes of securities

outstanding pursuant to Section 12 of the Securities Exchange Act of 1934.

(Title 15, United States Code, Sections 78m(b)(2)(A), 78m(b)(5) and 78ff; Title 17, Code of Federal Regulations, Section 240.13b2-1; and Title 18, United States Code, Section 2).

**COUNT THREE**

(False Statements To Auditors)

The United States Attorney further charges:

37. The allegations of paragraphs 1 through 28, 33, and 34 of this Information are repeated and realleged as though fully set forth herein.

38. From in or about January 1998 to in or about July 1998, in the Southern District of New York and elsewhere, JOSHUA C. CANTOR, the defendant, unlawfully, willfully and knowingly, directly and indirectly, (a) made and caused to be made materially false and misleading statements; and (b) 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 accountants in connection with (i) audits and examinations of the financial statements of ABN, an issuer registered pursuant to section 12 of the Securities Exchange Act of 1934; and (ii) the preparation and filing of documents and reports required to be filed with the SEC pursuant to rules and regulations promulgated by the SEC.

(Title 15, United States Code, Sections 78m(b)(1) and 78ff; Title 17, Code of Federal Regulations, Section 240.13b2-2; and Title 18, United States Code, Section 2).

#### COUNT FOUR

(Conspiracy to Violate Foreign Corrupt Practices Act)

The United States Attorney further charges:

39. The allegations of paragraphs one through six of this Information are repeated and realleged as though fully set forth herein.

#### BACKGROUND

40. At all times relevant to this Information, ABNH was a corporation incorporated under the laws of the state of Delaware with its principal place of business in Elmsford, New York, and was a "domestic concern" as that term is defined in Title 15, United States Code, Section 78dd-2(h)(1)(B). From on or about July 13, 1998, ABNH had a class of securities registered pursuant to Title 15, United States Code, Section 78~~l~~ and, as such, was also an "issuer" as that term is defined in Title 15, United States Code, Sections 78c(a)(8) and 78dd-1(a).

41. At all times relevant to this Information, JOSHUA C. CANTOR, the defendant, was a citizen of the United States and an officer of ABNH and, as such, was a "domestic concern" as that term is defined in Title 15, United States Code, Section 78dd-2(h)(1)(A). Further, as an officer of ABNH, CANTOR was, until on or about July 14, 1998, an officer of a "domestic concern," and after on or about July 14, 1998, was an officer of an "issuer," as



those terms are defined in Title 15, United States Code, Sections 78c(a)(8), 78dd-1(a), and 78dd-2(h)(1)(B).

42. At all times relevant to this Information, a co-conspirator not named herein as a defendant (the "ABNH Sales Agent") resided in the United Kingdom and served as a sales agent for ABNH. In that capacity, the ABNH Sales Agent sought to arrange sales of holograms by ABNH to various customers, including foreign governments. The ABNH Sales Agent was generally compensated by ABNH through commissions on sales that he arranged.

43. At all times relevant to this Information, the Saudi Arabian Monetary Agency ("SAMA") was an agency of the Kingdom of Saudi Arabia.

44. At all times relevant to this Information a foreign official of the Kingdom of Saudi Arabia ("the Foreign Official") served as Director of the Issues and Vaults Department of SAMA and, as such, was a "foreign official" as defined in Title 15, United States Code, Sections 78dd-1(f)(1) and 78dd-2(h)(2).

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THE UNLAWFUL SCHEME

45. From in or about May 1998 until in or about January 1999, JOSHUA C. CANTOR, the defendant, and his co-conspirators carried out a scheme to pay money to the Foreign Official for the purpose of enabling ABNH to obtain and retain business with SAMA.

46. In or about May 1998, the ABNH Sales Agent advised representatives of ABNH that SAMA was planning to produce a special

commemorative banknote with a hologram; that ABNH was being given the opportunity to be the hologram supplier, subject to the submission of a competitive bid; and that if ABNH was awarded the contract and performed acceptably, it would have a good chance to obtain future, lucrative business from SAMA.

47. In or about May 1998, the ABNH Sales Agent advised ABNH representatives that ABNH's bid would "need to include an additional sum to cover consultancy fees." JOSHUA C. CANTOR, the defendant, believed that at least a portion of the "consultancy fee" would be received by one or more foreign government officials at SAMA in order to ensure that ABNH was awarded the contract to provide holograms for the Saudi Arabian commemorative banknote, and in order to enable ABNH to receive future business from SAMA. Thereafter, in or about May 1998, CANTOR and one or more co-conspirators not named herein as defendants approved a bid for the commemorative banknote hologram that incorporated a substantial "consultancy fee."

48. In or about June 1998, ABNH's bid was accepted on the Saudi Arabian commemorative banknote project. In or about September 1998, the Foreign Official approved a sample hologram supplied by ABNH. Thereafter, ABNH supplied approximately 105 million holograms in connection with the Saudi Arabian commemorative banknote project.

49. In November 1998, the ABNH Sales Agent contacted ABNH regarding remittance of his commission and the "consultancy fee." By memorandum dated November 4, 1998, the ABNH Sales Agent directed a representative of ABNH to forward his commission, in the amount of \$28,560, to his personal bank account in England. The November 4, 1998 memorandum stated that the ABNH Sales Agent was still awaiting information from "my Saudi friend" regarding "the name and address to which the consultancy fees should be transferred."

50. By memorandum dated November 16, 1998, the ABNH Sales Agent directed ABNH to forward the "consultancy fee," in the amount of \$239,000, to a Swiss bank account in Geneva held in the name of an entity called "Satapco." On or about November 20, 1998, JOSHUA C. CANTOR, the defendant, approved payment of the "consultancy fee." On or about December 8, 1998, funds in the amount of \$239,000 were transferred from an ABNH bank account in New York to the Satapco account in Switzerland.

51. The Foreign Official ultimately received at least a portion of the \$239,000 "consultancy fee."

#### STATUTORY CHARGE

##### The Conspiracy

52. From in or about May 1998 until in or about January 1999, in the Southern District of New York and elsewhere, JOSHUA C. CANTOR, the defendant, and others known and unknown, unlawfully,

wilfully, and knowingly did combine, conspire, confederate, and agree together and with others to commit an offense against the United States, to wit, to violate the Foreign Corrupt Practices Act of 1977, Title 15, United States Code, Sections 78dd-1(a)(1) and 78dd-2(a)(1).

53. It was a part and an object of the conspiracy that JOSHUA C. CANTOR, the defendant, being a domestic concern and an officer of an issuer, and others known and unknown, unlawfully, wilfully and knowingly, would and did use the mails and other means and instrumentalities of interstate commerce, corruptly in furtherance of an offer, payment, promise to pay, and authorization of the payment of money to foreign officials for the purposes of (a) influencing acts and decisions of such foreign officials in their official capacities, (b) inducing such foreign officials to do and omit to do acts in violation of the lawful duty of such officials, (c) securing an improper advantage, and (d) inducing such foreign officials to use their influence with foreign governments and instrumentalities thereof to affect and influence acts and decisions of such governments and instrumentalities, in order to assist such domestic concern and issuer in obtaining and retaining business for and with, and directing business to, any person.

### Overt Acts

54. In furtherance of the conspiracy and to effect its unlawful object, JOSHUA C. CANTOR, the defendant, and others known and unknown, committed the following overt acts in the Southern District of New York and elsewhere:

a. On or about May 20, 1998, the ABNH Sales Agent sent a facsimile to ABNH's offices in Elmsford, New York regarding the Saudi Arabian commemorative banknote project that included a "consultancy fee."

b. On or about May 27, 1998, in Elmsford, New York, CANTOR approved a bid for the Saudi Arabian commemorative banknote project.

c. On or about November 4, 1998, the ABNH Sales Agent sent a facsimile to ABNH's offices in Elmsford, New York regarding payment of his commission and a "consultancy fee" in connection with the Saudi Arabian commemorative banknote project.

d. On or about November 16, 1998, the ABNH Sales Agent sent a facsimile to ABNH's offices in Elmsford, New York regarding payment of the "consultancy fee" in connection with the Saudi Arabian commemorative banknote project.

e. On or about November 20, 1998, in Elmsford, New York, CANTOR approved payment of a \$239,000 "consultancy fee" in connection with the Saudi Arabian commemorative banknote project.

f. On or about December 8, 1998, an ABNH employee directed an employee of Chase Manhattan Bank in Jericho, New York to transfer \$239,000 from an ABNH account to Account # 47377V, in the name of "Satapco," at Credit Agricool Indosuez, Geneva, Switzerland.

(Title 18, United States Code, Section 371.)

\_\_\_\_\_/s/  
MARY JO WHITE  
United States Attorney