



U.S. Securities and Exchange Commission

U.S. SECURITIES AND EXCHANGE COMMISSION

LITIGATION RELEASE NO. 18081 / April 10, 2003

ACCOUNTING AUDITING ENFORCEMENT RELEASE NO. 1757 / April 10, 2003

**SEC v. JOSHUA C. CANTOR, Civil Action No. 03 CV 2488 (LMM)
(S.D.N.Y. April 10, 2003)**

**SEC FILES SETTLED FINANCIAL FRAUD
AND FOREIGN CORRUPT PRACTICES ACT ACTION AGAINST
JOSHUA C. CANTOR, FORMER OFFICER OF AMERICAN BANKNOTE
CORPORATION AND AMERICAN BANK NOTE HOLOGRAPHICS, INC.**

The Securities and Exchange Commission today filed a settled civil injunctive action in the United States District Court for the Southern District of New York against Joshua C. Cantor, a former president and director of American Bank Note Holographics, Inc. ("ABNH"), and a former executive vice president of ABNH's parent, American Banknote Corporation ("ABN").

The Complaint against Cantor alleges that, from fiscal year 1996 through fiscal year 1998, Cantor participated in a systematic fraudulent scheme to inflate the revenues and net income of ABN and ABNH, in order to meet earnings forecasts and to condition the market for an initial public offering of stock by ABNH. During the period of the alleged fraud, ABN was a publicly held holding company located in New York, New York, which, through its subsidiaries, provided, among other things, stored-value telephone cards, magnetic-strip transaction cards, printed business forms, and checks. ABNH, located in Elmsford, New York, was, during the same period, engaged in the origination, production, and marketing of mass-produced secure holograms. ABNH was a wholly owned subsidiary of ABN until its initial public offering in July 1998.

The Complaint alleges that:

- During the third and fourth quarters of fiscal year 1996, Cantor caused ABNH improperly to recognize revenue totaling approximately \$645,000 on consignment sales. In addition, on or about January 30, 1997, Cantor caused ABNH to accrue approximately \$635,000 in revenue for fiscal year 1996 on two fraudulent "bill and hold" sales and caused ABNH to accrue \$800,000 in fraudulent revenue for research and development ("R&D") work.
- To convince ABN's auditors that the 1996 fiscal year end "bill and hold" and R&D transactions were proper, Cantor secured false audit confirmations from the customers.
- In fiscal year 1997, Cantor caused ABNH improperly to recognize revenue of over \$1.8 million on consignment sales and to recognize improperly revenue of approximately \$1.3 million on a December 31, 1997 shipment of unusable work in process.

- In addition, in December 1997, Cantor caused ABNH to fraudulently recognize approximately \$6 million in revenue on a "bill and hold" sale when the holograms sold had not actually been completed by the subcontractor by December 31, 1997. Thereafter, in connection with ABN's fiscal year 1997 audit, Cantor misled ABN's auditors into believing that the holograms produced by the subcontractor were completed, and delivered to ABNH's facility, by December 31, 1997.
- Cantor also obtained false audit confirmations from other customers which were given to ABN's auditors to conceal fraudulent fiscal year 1997 sales. Also, during the audit, Cantor provided to ABN's auditors a management representation letter that was false and misleading.
- In fiscal year 1998, Cantor caused ABNH fraudulently to recognize approximately \$26 million in revenue through consignment sales, shipments to warehouses, and sales of product that was never shipped, that was returned, and that was test material. In addition, in late 1998, Cantor violated the anti-bribery provisions of the federal securities laws by causing ABNH to pay \$239,000 to a Swiss bank account for the purpose of influencing or affecting the acts or decisions of one or more Saudi Arabian officials, or the Saudi Arabian government, to assist ABNH in obtaining or retaining business with that government.

Cantor, without admitting or denying the allegations in the Commission's Complaint, consented to an order permanently enjoining him from violating and/or aiding and abetting violations of the antifraud, reporting, record keeping, internal controls, and lying to auditors provisions of the federal securities laws, as well as from violating the Foreign Corrupt Practices Act -- Section 17(a) of the Securities Act of 1933, Sections 10(b), 13(a), 13(b)(2)(A) and (B), 13(b)(5), and Section 30A of the Securities Exchange Act of 1934 ("Exchange Act"), and Exchange Act Rules 10b-5, 12b-20, 13a-1, 13a-13, 13b2-1, and 13b2-2. In addition, Cantor consented to a ten year prohibition from acting as an officer or director of a public company.

This is a refiling of earlier charges against Cantor. The Commission had earlier named Cantor as a defendant in a civil injunctive action, (see Litigation Release No. 17068A, July 18, 2001), that was voluntarily dismissed without prejudice on November 15, 2001.

The Commission's investigation that led to this action was conducted in cooperation with the United States Attorney's Office for the Southern District of New York.

➤ [SEC Complaint in this matter](#)

<http://www.sec.gov/litigation/litreleases/lr18081.htm>