

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 77288 / March 3, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17152

In the Matter of

MIKHAIL GOUREVITCH,

Respondent.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Mikhail Gourevitch (“Gourevitch” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

This matter concerns violations of the anti-bribery, books and records and internal controls provisions of the Foreign Corrupt Practices Act of 1977 ("FCPA") by Mikhail Gourevitch, a former engineer at Nordion, Inc. ("Nordion"). Nordion was, and its successor in interest, Nordion (Canada) Inc., is a global health science company. From at least 2004 through 2011, Gourevitch violated Section 30A of the Exchange Act by authorizing, offering, or making corrupt payments to Russian government officials through a Nordion third-party agent in Russia to obtain government approval to distribute Nordion's liver cancer treatment in Russia. Gourevitch knowingly provided false documentation to Nordion and circumvented what internal controls existed at the company to conceal his scheme with the third-party agent to bribe Russian government officials and receive kickbacks from the agent. As a result of the false documentation provided by Gourevitch, Nordion failed to record the payments to the third-party agent in a manner that accurately and fairly reflected the transactions in its books and records.

Respondent

1. **Mikhail Gourevitch** ("Gourevitch" or "Respondent") is a dual Canadian and Israeli citizen. Gourevitch was formerly employed by Nordion as an engineer. During the relevant time period, Gourevitch resided in Canada. Gourevitch currently resides in Israel. From approximately 2004 through October 2011, Gourevitch facilitated, helped negotiate and monitored consulting contracts between Nordion and a Russian third-party agent to license, register, and distribute TheraSphere, a Nordion liver cancer therapy, in Russia.

Related Entities

2. **Nordion (Canada) Inc.** is the successor in interest to Nordion. Nordion is a global health science company and a leading provider of medical isotopes, targeted therapies, and sterilization technologies used by pharmaceutical and biotechnology companies, medical-device manufacturers, hospitals, medical clinics, and research laboratories in more than 60 countries. During the relevant time period, Nordion was headquartered in Ottawa, Canada and its common stock was registered with the Commission pursuant to Section 12(b) of the Exchange Act and traded on the New York Stock Exchange (NYSE: NDZ) and Toronto Stock Exchange (TSX: NDN). On March 28, 2014, during the course of the investigation, Nordion was acquired by Nordion (Canada) Inc., a privately held company, for approximately USD \$727,000,000.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Background

3. Nordion provides medical isotopes for molecular and diagnostic imaging, radiotherapeutics and sterilization technologies.

4. Gourevitch, an engineer employed by Nordion during the relevant time period, represented to Nordion that his purported childhood friend from Russia, who was now a Russian businessman, knew how to navigate the business landscape in Russia and might be able to help Nordion obtain contracts for cobalt-60 supply in Russia.

5. Based on Gourevitch's recommendation, in or around the summer of 2000, a department manager at Nordion informally authorized Gourevitch's friend and his company (hereinafter "Agent") to meet with Russian officials on behalf of Nordion in an effort to procure cobalt-60 supply contracts.

6. Nordion had little or no experience using third-party agents in Russia prior to Gourevitch's suggestion. Historically, Nordion obtained cobalt-60 directly from the Canadian government and sold its products directly to health care institutions. It also had little experience operating in jurisdictions with a high risk of corruption. Nordion provided little, if any, training to its employees about how to conduct business in countries well-known for corruption.

7. The Agent had no experience in the nuclear power industry, nuclear medicine or medical isotopes. However, in or around March 2002, Nordion executed the first written consulting agreement which retained the services of the Agent to obtain medical isotopes from a Russian government instrumentality. As of that time, Nordion had performed virtually no due diligence on the Agent.

8. After the Agent was able to help Nordion obtain medical isotopes from Russia, Nordion expanded its relationship with the Agent. In or around 2004, Nordion procured the services of the Agent to help Nordion obtain government approval for a liver cancer treatment, TheraSphere. Nordion entered into a contract with the Agent to register, license, and distribute its liver cancer treatment, TheraSphere, in Russia. Gourevitch again played a principal role in the relationship between Nordion and the Agent.

9. Gourevitch knew that the Agent intended to use a portion of the funds Nordion paid the Agent to bribe Russian government officials to obtain approval for TheraSphere. The Agent also compensated Gourevitch from the money it received from Nordion.

10. Email communications (primarily in Russian) between Gourevitch and the Agent documented the bribe scheme. For example, the Agent emailed cost estimates to Gourevitch for each step of the process required to register and license Therasphere in Russia. These cost estimates noted the payment of "unofficial costs" or bribes to Russian government officials. "Official" government fees were listed and then additional agent fees were added to "manage" the approval process or to "ensure the favorable acceptance of TheraSphere" by the Russian

government. However, Gourevitch revised the cost estimates before any other Nordion employee reviewed it to increase the budget estimates to hide the costs of the bribes and remove any reference to “unofficial costs” or bribes. In an email, Gourevitch told the Agent, “Nordion does not want to see the bribes in your cost estimate and justification.”

11. Gourevitch hid the scheme from Nordion by communicating in Russian, preparing multiple drafts of documents to conceal the true use of funds, and misrepresenting how the Agent would use the funds it received from Nordion. However, Nordion did not do due diligence on the Agent or follow its own internal controls procedures in place at the time. For example, Nordion paid the Agent’s invoices even though they lacked detail and directed Nordion to make payment to offshore bank accounts for entities that were unknown to Nordion and appeared to be unrelated to the Agent.

12. From 2005 through 2011, Nordion paid the Agent approximately USD \$235,043 for consulting work in Russia to obtain government approval for TheraSphere. Ultimately, Nordion was unable to distribute TheraSphere in Russia and, as a result, did not earn any profits on the sale of the product in Russia.

13. Bank records show that the Agent compensated Gourevitch at least USD \$100,000 for his role in the arrangement which was not disclosed to Nordion.

Violations

14. Section 30A(a) of the Exchange Act sets forth the anti-bribery provisions of the FCPA. It prohibits an issuer or any officer, director, employee or agent of such issuer or any stockholder thereof acting on behalf of such issuer from using the “mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay, or authorization of the payment” of money to any person, while knowing that all or a portion of such money “will be offered, given, or promised, directly or indirectly, to any foreign official ... for purposes of”, among other things, “inducing such foreign official ... in order to assist such issuer in obtaining or retaining business for or with, or directing business to, any person.”

15. By engaging in the conduct described above, Gourevitch, an employee of Nordion, violated Section 30A of the Exchange Act by authorizing, offering, or making corrupt payments to Russian government officials to obtain government approval to distribute TheraSphere, Nordion’s liver cancer treatment, in Russia. Gourevitch authorized the Agent to make corrupt payments to Russian government officials in violation of the FCPA. Gourevitch used the mails and other means and instrumentalities of interstate commerce in the bribery scheme by communicating about the scheme using U.S. based email accounts, meeting with the Agent on numerous occasions in the U.S. in furtherance of the scheme, and routing funds used to pay bribes and kickbacks through U.S. correspondent bank accounts.

16. Section 13(b)(5) of the Exchange Act provides that no person shall knowingly circumvent or knowingly fail to implement a system of internal accounting controls or knowingly falsify any book, record or account of an issuer described in Section 13(b)(2) of the Exchange Act. Exchange Act Rule 13b2-1 prohibits any person from, directly or indirectly, falsifying or causing to be falsified any book, record, or account subject to Exchange Act Section 13(b)(2)(A). Scienter is not an element of a Rule 13b2-1 violation. *See SEC v. McNulty*, 137 F.2d 732, 740-41 (2nd Cir. 1998).

17. Gourevitch knowingly provided false documentation to Nordion and circumvented what internal controls existed at the company to conceal his scheme to bribe Russian government officials and receive kickbacks from the Agent. Accordingly, Gourevitch violated Section 13(b)(5) of the Exchange Act, and Rule 13b2-1.

18. As a result of the conduct described above, Gourevitch also caused Nordion to violate Section 13(b)(2)(A) of the Exchange Act, which requires reporting companies to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent cease and desist from committing or causing any violations and any future violations of Sections 30A, 13(b)(5) and 13(b)(2)(A) of the Exchange Act and Rule 13b2-1 thereunder.

B. Respondent shall, within 30 days of the entry of this Order, pay disgorgement of \$100,000, prejudgment interest of \$12,950, and a civil money penalty in the amount of \$66,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment of disgorgement and prejudgment interest is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. If timely payment of a civil money penalty is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or

- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Mikhail Gourevitch as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Richard R. Best, Regional Director, Salt Lake City Regional Office, Securities and Exchange Commission, 351 S. West Temple, Suite 6.100, Salt Lake City, Utah 84101.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. §523, the findings in this Order are true and admitted by Respondent, and further, any debt for civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. §523(a)(19).

By the Commission.

Brent J. Fields
Secretary