

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 77290 / March 3, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17153

In the Matter of

NORDION (CANADA) INC.,

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 Nordion (Canada) Inc. (“Respondent”), which is the successor in interest to Nordion, Inc. (“Nordion”).

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 it and the subject matter of these proceedings, which are admitted, 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

From at least 2004 through 2011, Nordion, Inc. ("Nordion"), a global health science company, violated the books and records and internal accounting controls provisions of the Foreign Corrupt Practices Act of 1977 ("FCPA") in connection with payments made to a third-party agent to obtain Russian government approval to distribute TheraSphere, Nordion's liver cancer treatment, in Russia. Nordion failed to record those payments in a manner that accurately and fairly reflected the transactions in its books and records. Nordion also failed to devise and maintain adequate internal accounting controls to provide sufficient reassurances that Nordion funds were used as authorized, that third-party agents were appropriately vetted, and that Nordion adequately trained its employees to conduct business in countries with significant corruption risks.

Respondent

1. **Nordion (Canada) Inc.** ("Respondent") is the successor in interest to Nordion. Nordion was, and Respondent now is, a global health science company and a leading provider of medical isotopes 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 August 6, 2014, during the course of the investigation, Nordion was acquired by the Respondent, a privately held company, for approximately USD \$727,000,000.

Other Relevant Individuals and Entities

2. **Mikhail Gourevitch** ("Gourevitch") 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.

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 was, and Respondent now is, a leading provider of medical isotopes and sterilization technologies. Nordion provided, and Respondent now 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 solely on Gourevitch's recommendation, in or around the summer of 2000, a department manager at Nordion informally authorized Gourevitch's friend and one of his companies (referred to hereinafter, along with another one of those companies, as "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, anti-corruption compliance 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 other Agent to help Nordion obtain government approval for a liver cancer treatment, TheraSphere.

9. Nordion entered into a contract with that 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.

10. Gourevitch and the Agent conspired to use a portion of the funds Nordion paid the Agent to bribe Russian government officials to obtain approval for TheraSphere. The Agent also paid Gourevitch some of the money it received.

11. Email communications (primarily in Russian) between Gourevitch and the Agent documented their contemplated 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.”

12. Gourevitch and the Agent 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 failed to conduct adequate 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.

13. 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.

14. Gourevitch and the Agent communicated via email about the amount of money the Agent would pay to Gourevitch, which was not disclosed to Nordion.

15. Nordion’s applicable internal accounting controls were deficient. Nordion failed to detect or prevent Agent expenditures which the Agent delineated as both official fees and unofficial fees required to obtain Russian government approval to distribute TheraSphere. Nordion also lacked sufficient internal accounting controls to ensure it made payments to entities with which it had contractual arrangements.

16. Nordion did not have adequate policies and procedures in place to detect corruption risks and provided little, if any, anti-corruption compliance training to its employees during the relevant time about how to detect corruption and how to conduct business in a high-risk jurisdiction.

17. Nordion mischaracterized fees paid to its Agent as legitimate business expenses when some or all of the fees may have been used to make corrupt payments to Russian government officials and to pay kickbacks to Gourevitch.

18. Nordion failed to devise and maintain sufficient accounting controls to detect and prevent the making of potential improper payments to foreign officials.

Discovery, Internal Investigation and Self Report

19. When Nordion discovered evidence which suggested that payments may have been made to a Russian government official, Nordion self-reported to authorities in both Canada and the U.S., fully cooperated with parallel investigations, and implemented extensive remedial measures.

20. Nordion hired both outside counsel and forensic auditors to examine and revise its policies, procedures and internal controls and conduct an independent investigation to determine the scope of potential compliance issues related to Nordion's business in Russia.

21. As the internal investigation progressed, Nordion shared the results of the investigation with Commission staff and undertook significant remedial measures, including: hiring a new Director for Corporate Compliance and staffing additional compliance personnel; including a compliance-based assessment as a component of its annual employee performance reviews; and providing anti-corruption, internal accounting controls and finance trainings to Board members, management, and employees throughout the Company. Nordion terminated all contracts with the Agent and enacted a strict protocol governing the use of and payment to third-party agents and implemented policies and procedures to conduct third-party risk assessments. The company also requires all agents to enter contracts that include FCPA warranties and representations and to adopt its anti-corruption policies.

Books and Records and Internal Accounting Controls Violations

22. As a result of the conduct described above, Nordion violated 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 the transactions and disposition of the assets of the issuer. 15 U.S.C. §78m(b)(2)(A).

23. As a result of the conduct described above, Nordion also violated Section 13(b)(2)(B) of the Exchange Act which requires reporting companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. 15 U.S.C. §78m(b)(2)(B).

Commission Consideration of Nordion's and Respondent's Remedial Efforts

In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Nordion and Respondent, Nordion's self-reporting, and their cooperation afforded

the Commission staff. Nordion self-reported the conduct to authorities in both the U.S. and Canada, conducted a thorough internal review, identified the illegal conduct, voluntarily produced witnesses from Canada for interviews in the U.S. and translated documents, and implemented substantial remedial measures to prevent future violations.

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 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

B. Respondent shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$375,000 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 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 Nordion (Canada) Inc. 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 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, it shall not argue that it is entitled to, nor shall it 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 it 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.

D. Respondent acknowledges that the Commission is not imposing a civil penalty in excess of \$375,000 based upon its and Nordion's cooperation in a Commission investigation and related enforcement action. If at any time following the entry of the Order, the Division of Enforcement ("Division") obtains information indicating that Respondent knowingly provided materially false or misleading information or materials to the Commission or in a related proceeding, the Division may, at its sole discretion and with prior notice to the Respondent, petition the Commission to reopen this matter and seek an order directing that the Respondent pay an additional civil penalty. Respondent may contest by way of defense in any resulting administrative proceeding whether it knowingly provided materially false or misleading information, but may not: (1) contest the findings in the Order; or (2) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

By the Commission.

Brent J. Fields
Secretary