

Press Release

SEC Charges Medical Device Manufacturer With FCPA Violations

FOR IMMEDIATE RELEASE

2016-126

Washington D.C., June 21, 2016 — The Securities and Exchange Commission today announced that Massachusetts-based medical device manufacturer Analogic Corp. and its wholly-owned Danish subsidiary have agreed to pay nearly \$15 million to settle parallel civil and criminal actions involving Foreign Corrupt Practices Act (FCPA) violations.

An SEC investigation found that Analogic's Danish subsidiary, BK Medical ApS, engaged in hundreds of sham transactions with distributors that funneled about \$20 million to third parties, including individuals in Russia and apparent shell companies in Belize, the British Virgin Islands, Cyprus, and Seychelles.

Analogic agreed to pay \$7.67 million in disgorgement and \$3.8 million in prejudgment interest to settle the SEC's charges that it failed to keep accurate books and records and maintain adequate internal accounting controls. In determining the settlement, the SEC considered Analogic's self-reporting, remedial acts, and general cooperation with the SEC's investigation. BK Medical agreed to pay a \$3.4 million criminal fine in a non-prosecution agreement announced today by the U.S. Department of Justice.

"Analogic's subsidiary, BK Medical, allowed itself to be used as a slush fund for its distributors, funneling millions of dollars around the world at its distributors' direction without knowing the purpose of the payments or anything about the recipients," said Kara Brockmeyer, Chief of the SEC Enforcement Division's FCPA Unit. "Issuers and their subsidiaries cannot turn a blind eye to suspicious payments, even if they believe they are simply 'helping out' a business partner."

Lars Frost, BK Medical's former Chief Financial Officer, agreed to pay a \$20,000 penalty to the SEC to settle charges that he knowingly circumvented the internal controls in place at BK Medical and falsified its books and records.

According to the SEC's order instituting a settled administrative proceeding against Analogic and Frost:

- From at least 2001 through early 2011, at the direction of its distributors, BK Medical participated in hundreds of highly suspicious transactions that posed a significant risk of bribery or other improper conduct, such as embezzlement or tax evasion.
- At its distributors' request, BK Medical would issue fictitious inflated invoices to the distributors and direct the overpayments it received to third parties identified by the distributors. BK Medical did not have a relationship with the third parties and did not know if the payments had any business purpose.

- BK Medical's Russian distributor accounted for at least 180 payments totaling more than \$16 million. BK Medical participated in similar arrangements, but to a lesser degree, with distributors in Ghana, Israel, Kazakhstan, Ukraine, and Vietnam, for which BK Medical acted as a conduit for at least 80 payments totaling approximately \$3.8 million.
- Frost, who was BK Medical's CFO from 2008 to 2011, personally authorized approximately 150 conduit payments and submitted false quarterly sub-certifications to Analogic.

Frost, a Danish citizen, consented to the SEC's order without admitting or denying the findings that he caused Analogic's violations and that he violated provisions of the federal securities laws and a related SEC rule that prohibit the knowing circumvention of internal controls and knowing falsification of books and records.

The SEC's investigation was conducted by James R. Drabick and Patrick Noone of the Boston Regional Office and was supervised by Paul G. Block of the FCPA Unit. The SEC appreciates the assistance of the Fraud Section of the U.S. Department of Justice, the U.S. Attorney's Office for the District of Massachusetts, and the Federal Bureau of Investigation, as well as the Danish State Prosecutor for Serious Economic and International Crime, the Austrian Financial Market Authority, the Latvian Financial and Capital Market Commission and the Financial Services Commission of the British Virgin Islands.

###

Related Materials

- [SEC order](#)