

Press Release

SEC Charges Biotech Company, Executives With Accounting Fraud

FOR IMMEDIATE RELEASE

2017-207

Washington D.C., Nov. 2, 2017— The Securities and Exchange Commission today charged a Maryland-based biotech company and four former top executives with prioritizing revenue growth over lawful accounting and misleading investors in the process.

The SEC alleges that Osiris Therapeutics routinely overstated company performance and issued fraudulent financial statements for a period of nearly two years. According to the SEC's complaint, the company improperly recognized revenue using artificially inflated prices, backdated documents to recognize revenue in earlier periods, and prematurely recognized revenue upon delivery of products to be held on consignment. Osiris Therapeutics and its executives also allegedly used pricing data that they knew was false and attempted to book revenue on a fictitious transaction, among other accounting improprieties.

"As alleged in our complaint, Osiris Therapeutics falsely portrayed to investors that its revenue was growing so rapidly that its performance was consistently exceeding expectations," said Julie Lutz, Director of the SEC's Denver Regional Office. "Corporate cultures cannot be so fixated on higher revenues that they use illegal accounting gimmicks to meet the financial numbers they desire."

Osiris Therapeutics agreed to settle the charges without admitting or denying the allegations and must pay a \$1.5 million penalty.

The litigation continues against four executives who led Osiris during the alleged period of accounting fraud from 2014 to 2015: chief executive officer Lode B. Debrabandere, chief financial officers Philip R. Jacoby Jr. and Gregory I. Law, and chief business officer Bobby Dwayne Montgomery. The SEC's complaint seeks disgorgement of ill-gotten gains plus interest and penalties along with officer-and-director bars.

The SEC's investigation was conducted by Laura Ordaz and Anne Romero with assistance from Judy Bizu of the Denver office. The case was supervised by Laura Metcalfe and Kurt Gottschall. The litigation will be led by Danielle Voorhees and supervised by Gregory Kasper. The SEC appreciates the cooperation of the U.S. Attorney's Office for the Southern District of New York, which filed criminal charges against Jacoby.

###