



H.S. Grace & Company, Inc.

Securities Class Action Lawsuit - Pharmaceuticals

Allegations

H.S. Grace & Company, Inc. was engaged by counsel for a pharmaceutical company (Company) which was a Defendant in a Class Action lawsuit by shareholders of the Company who had suffered losses in connection with their investment to examine whether the Company's actions and failures to disclose were the cause of the shareholders' losses. The Company was primarily involved in research and development activities resulting in significant losses (with an accumulated deficit of approximately \$12 million) and had only one drug in the testing phase. When that drug did not receive final FDA approval, the stock of the Company which traded on the NASD OTC Bulletin Board plummeted in value resulting in shareholder losses.

Analysis

Our examination included issues regarding the operations of the Company and the level of disclosures of risk factors made by the Company in various public documents, which documents included, among others, SEC Registration Statements and a Prospectus, Company financial statements, press releases and analyst reports regarding the Company and its stock. Our Report listed and described the numerous disclosures of risk factors in the documents, including the fact that the Company had only one potential product that could only be sold after successful FDA "trials" and warning statements that the Company had no revenue to date, expected future losses and the potential for no future revenue. Various other warnings regarding the volatility of thinly traded stocks, marketing issues and product liability claims exposure were also highlighted in the Report. The Report also addressed how allegations made by the Plaintiffs' were not supported by the facts in the case.

Result

Counsel for the Company utilized our Report to narrow the issues in a second mediation session and obtained a Motion for Summary Judgment in favor of the Company.

H.S. Grace & Company, Inc. is a team of senior executives who diagnose and resolve critical corporate problems in business governance, operations, finance and control. With more than 1,000 years of experience, our goal is to help companies enhance shareholder value, protect reputation and their long-term ability to succeed, avoid and manage litigation, and navigate major changes such as mergers and acquisitions or bankruptcies. We often serve as consulting and testifying experts, identifying and analyzing critical business issues.

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