

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 100808 / August 22, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-19899

In the Matter of :
 :
Valeant Pharmaceuticals International, :
Inc., n/k/a Bausch Health Companies Inc., :
 :
Respondent. :

ORDER APPROVING
CORRECTED PLAN OF
DISTRIBUTION

ADMINISTRATIVE PROCEEDING
File No. 3-19900

In the Matter of :
 :
J. Michael Pearson, :
 :
Respondent. :

ADMINISTRATIVE PROCEEDING
File No. 3-19901

In the Matter of :
 :
Howard B. Schiller, :
 :
Respondent. :

ADMINISTRATIVE PROCEEDING
File No. 3-19902

In the Matter of :
 :
Tanya R. Carro, CPA, :
 :
Respondent. :

On July 31, 2020, the Commission issued four separate, but related settled orders (collectively, the “Orders”) against Valeant Pharmaceuticals International, Inc. n/k/a Bausch Health Companies Inc. (“Valeant”),¹ J. Michael Pearson (“Pearson”),² Howard B. Schiller (“Schiller”),³ and Tanya R. Carro, CPA (“Carro”)⁴ (collectively, the “Respondents”). In the Orders, the Commission found that beginning in 2014, when announcing certain GAAP and non-GAAP financial measures, Valeant, among other things, misstated revenue transactions and included erroneous revenue allocations. For example, the Orders found that for five consecutive quarters Valeant, former CEO Pearson, former CFO Schiller, and former controller Carro, touted double-digit same store organic growth, a non-GAAP financial measure that represented growth rates for businesses owned for one year or more. Much of that growth came from sales to Philidor, a mail order pharmacy Valeant helped establish, fund, and subsidize. The Orders found that Valeant improperly recognized revenue relating to Philidor sales and did not disclose its unique relationship with, or risks related to, Philidor in SEC filings and earnings and investor presentations. Valeant ended its ties to Philidor in October 2015 and restated its 2014 financial statements in April 2016, reducing the revenue that was improperly recognized.

The Orders also found that Valeant failed to disclose the material impact of certain revenue it received from drug wholesalers following a 500% increase of the price of a single drug that Valeant acquired in April 2015. Valeant erroneously attributed the resulting revenue to more than 100 unrelated products and did not record any as attributable to that drug. Additionally, in its SEC filings and earnings presentations for the second and third quarters of 2015 and its 2015 year-end report, Valeant failed to disclose the impact of that allocation on its GAAP and non-GAAP financial measures.

In the Orders, Valeant, Pearson, Schiller, and Carro were ordered, among other things, to pay civil penalties in the amount of \$45,000,000; \$250,000; \$100,000; and \$75,000, respectively, for a total of \$45,425,000 to the Commission. In each of the Orders, the Commission also created a Fair Fund, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, so the penalties collected can be distributed to harmed investors.

Respondents paid a collective total of \$45,425,000.00 in civil penalties, as ordered. On January 8, 2024, the Commission ordered that the Fair Funds created in the Orders be consolidated for the purposes of distribution administration (the “Fair Fund”).⁵ The Fair Fund

¹ See Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order, Securities Act Rel. No. 10809 (July 31, 2020) (Admin. Proc. File No. 3-19899).

² See Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order, Securities Act Rel. No. 10810 (July 31, 2020) (Admin. Proc. File No. 3-19900).

³ See Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order, Securities Act Rel. No. 10811 (July 31, 2020) (Admin. Proc. File No. 3-19901).

⁴ See Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 4C and 21C of the Securities Exchange Act of 1934, and Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, Securities Act Rel. No. 10812 (July 31, 2020) (Admin. Proc. File No. 3-19902).

⁵ Order Consolidating Fair Funds and Setting Deadline to Submit Proposed Plan of Distribution Exchange Act Rel. No. 99284 (Jan. 8, 2024).

consists of the \$45,425,000.00 paid by the Respondents and has been deposited in a Commission-designated account at the U.S. Department of the Treasury, and any accrued interest will be added to the Fair Fund.

On June 24, 2024, the Division of Enforcement, pursuant to delegated authority, published a Notice of Proposed Plan of Distribution and Opportunity for Comment (“Notice”),⁶ pursuant to Rule 1103 of the Commission’s Rules on Fair Fund and Disgorgement Plans (“Commission’s Rules”);⁷ and simultaneously posted the Proposed Plan of Distribution (the “Proposed Plan”). The Notice advised interested persons that they could obtain a copy of the Proposed Plan from the Commission’s public website or by submitting a written request to Amy Sumner, United States Securities and Exchange Commission, Byron Rogers Federal Office Building, 1961 Stout Street, Suite 1700, Denver, CO 80294-1961. The Notice also advised that all persons desiring to comment on the Proposed Plan could submit their comments, in writing, within 30 days of the Notice. The Commission received no comments on the Proposed Plan during the comment period.

The Proposed Plan provides for the distribution of the Net Available Fair Fund⁸ to those who were harmed by the Respondents’ conduct described in the Orders, in connection with improper revenue recognition and materially misleading disclosures as calculated by the methodology used in the Plan of Allocation in the Proposed Plan.

The Division of Enforcement now requests that the Commission approve the Proposed Plan, as corrected.⁹

Accordingly, it is hereby ORDERED, pursuant to Rule 1104 of the Commission’s Rules,¹⁰ that the Proposed Plan is approved, and the approved Corrected Plan of Distribution shall be posted simultaneously with this order on the Commission’s website at www.sec.gov.

For the Commission, by the Division of Enforcement, pursuant to delegated authority.¹¹

Vanessa A. Countryman
Secretary

⁶ Exchange Act Rel. No. 100410 (June 24, 2024).

⁷ 17 C.F.R. § 201.1103.

⁸ All capitalized terms used herein but not defined shall have the same meanings ascribed to them in the Proposed Plan.

⁹ The Proposed Plan has been corrected to fix numeration of the footnotes and the citation referenced in footnote 8.

¹⁰ 17 C.F.R. § 201.1104.

¹¹ 17 C.F.R. § 200.30-4(a)(21)(iv).