

Notice is hereby given, pursuant to Rule 1103 of the United States Securities and Exchange Commission's (the "Commission") Rules on Fair Fund and Disgorgement Plans (the "Commission's Rules"), 17 C.F.R. § 201.1103, that the Division of Enforcement has submitted to the Commission a proposed plan of distribution (the "Proposed Plan") for the distribution of monies paid in the above-captioned matter.

On July 31, 2020, the Commission issued four separate, but related settled orders (collectively, the "Orders") against Valeant Pharmaceuticals International, Inc. n/k/a Baush 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 their respective orders, Valeant, Pearson, Schiller, and Carro were ordered, among other things, to pay civil penalties in the amount of \$45 million, \$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.

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).

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).

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).

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).

Respondents have 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 each of the Orders be consolidated for the purposes of distribution administration (the “Fair Fund”).⁵ The Fair Fund 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.

OPPORTUNITY FOR COMMENT

Pursuant to this Notice, all interested persons are advised that they may obtain a copy of the Plan from the Commission’s public website at <http://www.sec.gov/litigation/fairfundlist.htm>. Interested persons may also obtain a written copy of the Proposed Plan by submitting a written request to Amy A. Sumner, United States Securities and Exchange Commission, Byron Rogers Federal Office Building, 1961 Stout Street, Suite 1700, Denver, CO 80294-1961. All persons who desire to comment on the Proposed Plan may submit their comments, in writing, no later than thirty (30) days from the date of this Notice:

1. to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090;
2. by using the Commission’s Internet comment form (<http://www.sec.gov/litigation/admin.shtml>); or
3. by sending an e-mail to rule-comments@sec.gov.

Comments submitted by email or via the Commission’s website should include “Administrative Proceeding File Nos. 3-19899, 3-19900, 3-19901, and 3-19902” in the subject line. Comments received will be publicly available. Persons should submit only information they wish to make publicly available.

⁵ Exchange Act Rel. No. 399284 (Jan. 8, 2024).

THE PROPOSED PLAN

The Net Available Fair Fund⁶ is comprised of the \$45,425,000.00 in civil money penalties collected from the Respondents, plus any interest and income earned thereon, less taxes, fees, and expenses. The Proposed Plan provides for the distribution of the Net Available Fair Fund to investors 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 Plan.

For the Commission, by the Division of Enforcement, pursuant to delegated authority.⁷

Vanessa A. Countryman
Secretary

⁶ All capitalized terms used herein but not defined shall have the same meanings ascribed to them in the Proposed Plan.

⁷ 17 C.F.R. § 200.30-4(a)(21)(iii).