

UPDATE: New Data Now Confirms Valeant's Undisclosed SEC Investigation



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Sunday Special UPDATE: Last week, on 23-Feb-2016, [we published a report warning of the potential for a new and undisclosed SEC probe of Valeant](#). In a letter dated 22-Feb-2016, and just received by us on Saturday via US Mail, the SEC has now confirmed Valeant's involvement in on-going enforcement proceedings that remain undisclosed as of this date. All we know about the SEC probe at this time is that it somehow pertains to the conduct, transactions, and/or disclosures of Valeant Pharmaceuticals.

The SEC's letter now confirming on-going enforcement proceedings at Valeant has the same date as the press release put out by Valeant last week in which the company announced a restatement and delayed filings. (See, "[Valeant Ad Hoc Committee has Made Substantial Progress in Its Review of Philidor and Related Accounting Matters](#)".) Despite the same date, the company remained silent on any new SEC investigation.

Updated Analysis and Opinion: We remain convinced that the now-confirmed SEC investigation of Valeant likely started last fall and absolutely should have been disclosed by now. Management may have their [strained] rationale for having not disclosed, but that matters little. The continued silence raises troubling questions about the overall quality of Valeant's disclosures and the integrity of the management team that produces them.

Excerpts from our Report of 23-Feb-2016: Our report of last week offered our analysis as to why we think our latest SEC responses represent a new investigation of Valeant. The following is an excerpt from that analysis,

"We are convinced that last October's array of negative reports published on Valeant compelled the SEC to open a new investigation into the company. The accusations embedded within those negative reports, and attendant stock price volatility triggered by them, is catnip for SEC enforcement officials. They simply could not ignore it.

We also presented data last week explaining why we think this new data from the SEC is unrelated to a previously-disclosed SEC probe of Valeant's Salix unit. From last week's report,

"In a letter dated 30-Sep-2015, we received information from the SEC to suggest the absence of recent SEC investigative activity at Valeant. What's notable is that the company had already disclosed an SEC probe of its recently-acquired Salix unit at the time of the SEC's September letter to us. Starting with an 8-K filed in Feb-2015, Valeant began disclosing an SEC investigation at Salix. Valeant most recently disclosed it in the 10-Q filed 26-Oct-2015. This leaves us comfortable that the response of 04-Feb-2016 is almost certainly related to a new SEC investigation involving the conduct, transactions, and/or disclosures of Valeant Pharmaceuticals, and not necessarily Salix."

Suggested questions for Valeant at this time: (According to our expert counsel, there is no reason they cannot answer all of them other than they choose not to) –

- *What communications has Valeant had with the SEC's Division of Enforcement in the past two years?*

- *Did the reports published last October trigger a new SEC investigation? If so, when did you first learn of it?*
- *How many SEC investigations is the company aware of in which the SEC is investigating Valeant, Salix, and/or any person or entity related to the company?*
- *Which investigations are formal and which are informal?*
- *On those that are formal, to whom [within the company] were the subpoenas sent and what did they seek? (We say 'within the company' as they may not know of parties outside that got subpoenas.)*
- *Where does each investigation stand, when did each start, and, why have you not told us about all of them sooner?*
- *Are there any other entities investigating that you have not yet disclosed? If so, please elaborate.*

Until we find out what's really going on between Valeant and the SEC, we again suggest you proceed with appropriate caution.

Editor's Note: We don't usually publish over weekends. However, Valeant plans to host a conference call at 8:00 a.m. ET tomorrow, 29-Feb-2016, to discuss unaudited financial results for the fourth quarter of 2015, and provide a business update. Our new SEC information came in over this weekend and we thought you should see it ahead of the call.

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