UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10812 / July 31, 2020

SECURITIES EXCHANGE ACT OF 1934
Release No. 89445 / July 31, 2020

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4155 / July 31, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-19902

In the Matter of

TANYA R. CARRO, CPA

Respondent.

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

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act") and Sections 4C[1] and 21C of the Securities

[1] Section 4C provides, in relevant part, that:

> The Commission may censure any person, or deny, temporarily or permanently, to any person the privilege of appearing or practicing before the Commission in any way, if that person is found . . . (1) not to possess the requisite qualifications to represent others; (2) to be lacking in character or integrity, or to have engaged in unethical or improper professional conduct; or (3) to have willfully violated, or willfully aided and abetted the violation of, any provision of the securities laws or the rules and regulations issued thereunder.

Exchange Act of 1934 ("Exchange Act"), and Rule 102(e)(1)(iii) of the Commission's Rules of Practice,[2] against Tanya R. Carro, CPA ("Carro" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over her and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Public Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act, Sections 4C and 21C of the Exchange Act, and Rule 102(e) of the Commission's Rules of Practice, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[3] that:

Summary

1. This matter involves material misstatements and omissions in quarterly earnings presentations and calls and periodic filings of Valeant Pharmaceuticals International, Inc. ("Valeant"), now known as Bausch Health Companies Inc. ("Bausch Health"), in fiscal years 2014 and 2015. As Valeant's corporate controller and senior vice president during the relevant time period, Tanya R. Carro, CPA ("Carro") helped prepare the company's earnings presentations and call scripts and periodic filings. Bausch Health is a publicly-traded global pharmaceutical and medical device company that develops, manufactures, and markets a broad range of branded, generic and branded generic pharmaceuticals, over-the-counter products, and medical devices. During the relevant period, Bausch Health was known as Valeant Pharmaceuticals International, Inc. Due to its growth-by-acquisition business strategy in 2014 and 2015, Valeant supplemented its disclosures pursuant to Generally Accepted Accounting Principles ("GAAP") with non-GAAP financial measures as "a meaningful, consistent comparison of the company's core operating results and trends." Among those non-GAAP financial measures were same store organic growth ("organic growth"), which represented growth rates for businesses owned for one year or more, and "Cash EPS," which excluded costs associated with business development, among other things. When announcing certain GAAP and non-GAAP

---

[2] Rule 102(e)(1)(iii) provides, in pertinent part, that:

> The Commission may . . . deny, temporarily or permanently, the privilege of appearing or practicing before it . . . to any person who is found…to have willfully violated, or willfully aided and abetted the violation of any provision of the Federal securities laws or the rules and regulations thereunder.

[3] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

financial measures, Valeant failed to disclose to investors certain material information about these measures.

2. Valeant helped establish a mail order pharmacy, Philidor Rx Services, LLC, in 2013 and played a significant role in Philidor's business. In 2013, Valeant provided an advance of $2 million and entered into agreements with Philidor to dispense Valeant's products. From Q3 2014 through Q3 2015, Carro tracked Valeant's expanding sales to Philidor. Philidor increasingly contributed to Valeant's U.S. organic growth in particular. By Q3 2015, Valeant announced double-digit growth for the fifth consecutive quarter, with U.S. organic growth of 22%. By this time, sales to Philidor had grown to such an extent that it alone accounted for over 14% of U.S. organic growth. Excluding those sales to Philidor, Valeant's U.S. organic growth for the quarter was over 7%. Valeant disclosed for the first time it had, since December 2014, an option to purchase Philidor in its Q3 2015 earnings call.

3. In Q2 2015, Valeant recorded revenue resulting from price appreciation credits ("PACs") it received pursuant to its Distribution Services Agreements ("DSAs") with its major wholesalers, which impacted certain reported GAAP and non-GAAP measures. A provision in the DSAs provided for Valeant to offset distribution fees owed to wholesalers with price increases on Valeant products held in wholesalers' inventory. Thus, price increases generated additional net revenue to Valeant not just from prospective products sales at the incrementally higher prices, but also from previously sold products still held by wholesalers. On June 18, 2015, Valeant recorded approximately $110 million in net PAC revenue through a 500% price increase on Glumetza, a drug acquired on April 1, 2015. Rather than reflecting any of the PAC generated by the Glumetza price increase as revenue attributable to Glumetza in its records, Carro implemented management's decision to erroneously allocate the entire $110 million Glumetza PAC as net revenue to over 100 other products. The allocation of the Glumetza PAC resulted in misleading statements in Valeant's Q2 2015 earnings presentation and Commission periodic reports filed for Q2 and Q3 2015 and year ended 2015.

4. On October 26, 2015, in response to media and analyst attention over its relationship with Philidor, Valeant gave an investor presentation concerning Philidor. On April 29, 2016, after Carro was placed on administrative leave, Valeant filed its annual report for the year ended December 31, 2015 ("2015 Form 10-K"). Valeant restated its financial statements for the year ended December 31, 2014 to reduce previously reported fiscal year 2014 revenue from sales to Philidor by approximately $58 million due to such revenue being recognized prematurely. Among other things, Valeant acknowledged the existence of material weaknesses in its internal control over financial reporting, including "tone at the top of the organization, with its performance-based environment, in which challenging targets were set and achieving those targets was a key performance expectation." Valeant also disclosed the existence of PACs for the first time but failed to disclose the impact PACs earned in 2015 had on certain GAAP and non-GAAP measures.

5. Based on the foregoing and the conduct described herein, Carro willfully[4] violated Sections 17(a)(2) and 17(a)(3) of the Securities Act and Rule 13b2-1 and Rule 100(b) of Regulation G of the Exchange Act and caused Valeant's violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder.

Respondent

6. **Tanya R. Carro, CPA** ("Carro"), age 51, is a resident of Branchburg, New Jersey and holds an inactive CPA license from New Jersey. Carro was Valeant's corporate controller and senior vice president of finance from 2011 to February 2016, when she was placed on administrative leave. Carro left Valeant in October 2016. As corporate controller, Carro helped prepare Valeant's quarterly, annual, and current reports and earnings presentations and call scripts.

Relevant Entities

7. **Valeant Pharmaceuticals International, Inc.**, now known as **Bausch Health Companies Inc.** ("Bausch Health"), is a British Columbia corporation headquartered in Laval, Quebec with its principal administrative offices in Bridgewater, New Jersey. On July 13, 2018, Valeant changed its name to Bausch Health. Bausch Health's common stock is registered under Section 12(b) of the Exchange Act and is dually listed on the New York and Toronto Stock Exchanges.

8. **Philidor Rx Services LLC** is a defunct Delaware limited liability company that was formed in January 2013. Philidor was a licensed pharmacy based in Hatboro, Pennsylvania. Approximately 95% of the product dispensed by Philidor and its affiliated pharmacies (collectively, "Philidor") consisted of Valeant branded drugs. Valeant acquired an option to purchase Philidor on December 15, 2014, and terminated its relationship with Philidor on October 30, 2015. Valeant fully paid for but never exercised its option to purchase Philidor.

Facts

Philidor

9. Valeant management identified Philidor as a "key strategy" to turnaround the dermatology unit in 2014. Valeant's agreements with Philidor included similar terms as with any wholesaler, but there were several other important aspects to Valeant's relationship with Philidor.

---

[4] A "willful" violation of the securities laws "'means no more than that the person charged with the duty knows what he is doing.'" *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (*quoting Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). "There is no requirement that the actor also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965) (*citing Gilligan, Will & Co. v. SEC, 267* F.2d 461, 468 (2d Cir.), *cert. denied*, 361 U.S. 896 (1959). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term "willfully" for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has "willfully omit[ted]" material information from a required disclosure in violation of Section 207 of the Advisers Act).

Valeant: 1) provided an advance of $2 million to Philidor; 2) was involved in setting up its infrastructure and hiring of key employees; 3) maintained a sales force to promote access to its products through Philidor to health care providers; and 4) advised and assisted Philidor on its launch and expansion to other states. In addition, Valeant agreed to reimburse Philidor for the cost of Valeant drugs that the third-party payors and insurance companies did not cover and deducted this obligation from gross revenue. Valeant internally recorded this obligation as the "alternative fulfilment subsidy" or "AF subsidy." Valeant's sales to Philidor increased throughout 2014 and 2015 and Philidor sales became one of the growth drivers for Valeant's dermatology products.

10. During the relevant period, Carro tracked product sales as the quarters progressed and prepared for and participated in weekly calls in which business unit heads discussed their latest revenue numbers and expected sales against targets. Philidor sales were included and tracked as part the dermatology unit's performance.

11. Toward the end of Q3 2014, Valeant received a $75 million order from Philidor, which was put on hold because it exceeded Philidor's credit limit. Carro and others approved a $70 million credit increase to process this order without proper justification and documentation as required by Valeant's Standard Operating Procedure ("SOP") for credit limits. At the time of the credit increase Philidor's accounts receivable balance was $32 million, with $8.5 million of the balance over 61 days past due.

12. In Q4 2014, Valeant received a $130 million order from Philidor in early December. Once more Carro and others approved Philidor's credit increase, and also granted extended payment terms. Philidor's accounts receivable balance was approximately $78.3 million, of which approximately $41 million was past due.

13. The $130 million order included one-time special pricing implemented for Philidor orders placed between November 24 and December 5, 2014, in which Philidor paid 4% over the wholesale cost. Carro approved the one-time pricing and knew or should have known that others overrode the prices in the system to process these orders.

14. The timing and amount of the $130 million order, with its one-time pricing, occurred less than two weeks before the December 15, 2014 date when Valeant acquired the option to purchase Philidor for $100 million cash and began consolidating Philidor in its financial statements. Carro knew that upon the closing of the option agreement, Valeant would consolidate Philidor in its financial statements and would have to wait to recognize the Philidor revenue until Philidor sold the product through to patients. Valeant's actions through management, including Carro, with respect to the $130 million order enabled it to conclude at the time that it could recognize revenue when the products were delivered to Philidor. Valeant later restated the net revenue from this order.

15. Valeant management, including Carro, evaluated Valeant's disclosure obligations in light of the option agreement. Valeant maintained internal disclosure thresholds concerning whether and how to disclose acquisitions. As of December 1, 2014, Valeant's disclosure thresholds called for Valeant to disclose details about transactions of the size of the Philidor

transaction, including mentioning the acquiree by name, in its annual report on Form 10-K for 2014. On December 10, 2014, Valeant management increased the thresholds to amounts that exceeded the anticipated total option purchase price for Philidor. Under the increased thresholds, Valeant would no longer disclose transactions of the size of the Philidor transaction by name in the 2014 Form 10-K. Management informed the Board's audit and risk committee about the increased disclosure threshold, including its impact on disclosure of the Philidor option transaction.

16. In August 2015, Valeant management, including Carro, received an economic analysis of products it sold to Philidor, and was told that the product sales growth through Philidor had been mostly "subsidized (free) through Philidor."

Valeant's Disclosures Regarding Philidor

17. Valeant reported its results for the quarters ended September 30, 2014 through September 30, 2015 in earnings calls and presentations and in periodic reports filed with the SEC. Carro participated in drafting Valeant's presentations and knew or should have known that Valeant's disclosures did not reveal the material impact of the Philidor sales on certain of Valeant's GAAP and non-GAAP financial measures.

a. *Same Store Organic Growth*: Valeant announced U.S. organic growth in the double digits for each quarter from Q3 2014 through Q3 2015. Philidor represented an increasingly larger portion of Valeant's U.S. organic growth and Valeant would have failed to achieve it without Philidor.

b. *Cash EPS:* Valeant exceeded its guidance and analyst consensus estimates of $2.55 for Q4 2014 when it announced Cash EPS of $2.58 in its earnings presentation. Valeant's sales to Philidor contributed $0.12 to Valeant's Q4 2014 Cash EPS.

c. *Dermatology unit revenue:* Valeant announced its dermatology unit's revenue of $273 million for Q3 2014 and $425 million for Q4 2014 in its earnings calls. Valeant conveyed no information regarding the material contribution of the sales made by Philidor, which represented over 13% of the third quarter dermatology revenue or over 16% of the fourth quarter dermatology revenue.

d. *Dermatology unit's performance:* Valeant highlighted the performance of the dermatology unit in its earnings calls, variously describing it as experiencing a "turnaround" (Q3 2014), having "strong growth for promoted brands" (Q4 2014), experiencing "positive organic growth" for all promoted brands (Q1 2015), and "outperforming" (Q2 and Q3 2015). From time to time, Valeant referred to an alternative fulfillment channel, but it did not provide details about its relationship with Philidor or explain how sales to Philidor contributed to dermatology performance.

18. Valeant failed to disclose requisite material information about Philidor in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in its quarterly reports on Form 10-Q for Q3 2014, annual report on Form 10-K for 2014, and quarterly reports on Forms 10-Q for Q1, Q2, and Q3 2015. Carro helped draft and reviewed Valeant's MD&A disclosure. Item 303(b)(2) requires issuers to disclose in quarterly reports "any material changes in the registrant's results of operations … with respect to that fiscal quarter and the corresponding fiscal quarter in the preceding fiscal year." Item 303(b)(2) of Regulation S-K, 17 C.F.R. § 229.303(b)(2). Regulation S-K also requires that the discussion of material changes in results of operations during the quarter "shall identify any significant elements of the registrant's income or loss from continuing operations which do not arise from or are not necessarily representative of the registrant's ongoing business." 17 C.F.R. § 229.303(b), Instruction 4. Additionally, reporting companies must disclose in the MD&A section of Form 10-K information "necessary to an understanding of [the company's] financial condition, changes in financial condition and results of operations" and "any known trends or uncertainties" or "any unusual or infrequent events or transactions" that materially affected a company's operations. Item 303(a) of Regulation S-K, 17 C.F.R. § 229.303(a).

a. *Relationship with Philidor:* Carro knew or should have known that Valeant sold to Philidor dermatology drugs facing eroding market share or reimbursement blocks, or newly launched products to boost prescription volume. Valeant's MD&A made no mention of its unique relationship with Philidor, even as Valeant's sales to Philidor increased each quarter.

b. *Risks related to Philidor:* Carro knew or should have known that Valeant's MD&A contained no discussion of the risks arising from its unique relationship with Philidor.

19. Valeant improperly recognized net revenue and net income relating to sales to Philidor for the second half of 2014 by $58 million and $33 million, respectively. Rule 4.01 of Regulation S-X states that financial statements filed with the Commission that are not prepared in accordance with GAAP are presumed to be misleading or inaccurate. Accounting Standards Codification (ASC) 605, "Revenue Recognition," states that revenue should not be recognized until it is realized or realizable and earned. One criterion generally necessary for revenue to be realized is for collectability to be reasonably assured. During Q3 and Q4 2014, Carro and others approved increases to Philidor's credit limit to process the orders. These approvals did not comport with Valeant's SOPs for credit limit increases and Valeant did not reasonably assure collectability.

20. On October 26, 2015, Valeant gave an investor presentation concerning Philidor, and Carro was one of the speakers. In this presentation, Valeant did not fully disclose its Philidor relationship or explain how sales to Philidor had impacted certain GAAP and non-GAAP measures Valeant presented in earlier quarters. Carro presented a slide that claimed Valeant was not required to disclose the Philidor purchase option under its pre-established internal disclosure threshold. Carro knew or should have known this was not accurate. Valeant increased its disclosure threshold on an ad hoc basis as the company grew, and it did so in early December 2014, shortly before the purchase option closed.

21. From Q3 2014 through Q3 2015, Carro helped prepare and reviewed Valeant's earnings presentations and Forms 10-Q for Q3 2014 and Q1, Q2 and Q3 2015, and Form 10-K for 2014.

Price Appreciation Credits

22. Valeant's largest customers are major U.S. drug wholesalers, who enter into distribution service agreements ("DSAs") that, among other things, set the fees Valeant pays wholesalers for their distribution and inventory management services. Through at least 2015, these DSAs contained price appreciation clauses whereby Valeant was entitled to credits from such wholesalers for price increases on products currently held by the wholesalers. This PAC was calculated based on wholesalers' inventory of the product subject to a price increase, multiplied by the amount of the price increase. Pursuant to the terms of the DSAs, PACs offset the DSA fees Valeant owed to wholesalers. Valeant recorded the net revenue impact of PACs at the time customers were notified of the price increase.

23. Valeant acquired a diabetes drug called Glumetza on April 1, 2015, through its acquisition of Salix Pharmaceuticals, Ltd. Carro knew that Valeant initially planned to raise Glumetza's price by 50% effective May 15, 2015. Throughout Q2 2015, Carro and her subordinates created forecasts of the net revenue to be generated by the corresponding Glumetza PAC, which was based on the projected amount of Glumetza inventory held by wholesalers.

24. On June 3, 2015, Valeant management approved a price increase for Glumetza of 500% and notified customers of the price increase approximately two weeks later. Valeant's accounting practice was to record PACs to the product whose price increase generated the PACs, thereby offsetting DSA fees accrued on sales of that product and increasing net revenue attributable to that product. In this instance, however, most of the Glumetza inventory had been purchased from Salix, which had accrued no DSA fees to offset the Glumetza PAC. Carro therefore implemented management's decision to allocate the Glumetza PAC as revenue to other products. Carro knew or should have known that Valeant recorded none of the Glumetza PAC as revenue attributable to Glumetza, even though Valeant had sold at least $26 million of Glumetza to wholesalers and accrued corresponding DSA fees in Q2 2015.

25. On July 31, 2015, Valeant raised Glumetza's price again by 50%, which generated $21.5 million in net PAC revenue. In October 2015, Carro implemented management's decision to allocate $11.9 million of the Q3 2015 Glumetza PAC to other products. This allocation was based on the amount of wholesalers' Glumetza inventory that had been purchased from Salix rather than Valeant. Carro knew or should have known that the two Glumetza PAC allocations in Q2 2015 and Q3 2015 were the only instances in which Valeant allocated PACs as revenue to products other than the one that generated the PAC.

Valeant's Disclosures Regarding the Glumetza PAC and Its Allocation

26. Valeant reported its results for the quarter ended June 30, 2015 in an earnings call, presentation, and Form 8-K on July 23, 2015 and filed its Form 10-Q on July 28, 2015. Carro

helped prepare and reviewed the earnings presentation and periodic filings. Carro knew or should have known that Valeant's Q2 2015 disclosures did not reveal the details of PACs or the material impacts of the $110.4 million in net revenue from the Glumetza PAC and that PAC's allocation to 106 other products to several GAAP and non-GAAP financial measures:

a. *Cash EPS*: Valeant's earnings presentation and Form 8-K reported Cash EPS of $2.56. Absent the Glumetza PAC, Cash EPS for the quarter would have been $2.34, falling short of Valeant's guidance for the quarter ($2.40 – $2.50) and analyst's consensus estimate ($2.46).

b. *Same Store Organic Growth*: Valeant's earnings presentation and Form 8-K reported 19% same store organic growth for Q2 2015, but failed to disclose that this calculation included $85 million of the Glumetza PAC allocated from a recent acquisition (Salix) to businesses owned for one year or more. Without the Glumetza PAC allocation, same store organic growth for the quarter would have been 14%.

c. *Top 20 Brands*: Valeant's earnings presentation reported Glumetza as the company's #18 product based on revenue of $26 million. Had Glumetza's PAC been recorded entirely as Glumetza's revenue, as was Valeant's accounting practice, Glumetza would have been Valeant's #2 product based on revenue of $136 million.

d. *Revenues by Business Unit*: Valeant's Form 8-K did not disclose that the Glumetza PAC allocation impacted reported business unit revenues, resulting in greater revenue by Valeant's neurology ($62.2 million), dermatology ($32.6 million), and ophthalmology ($15.1 million) business units and lower gastrointestinal (Salix) revenue ($110.4 million) because of the Glumetza PAC's allocation to other products.

e. *Incremental Revenues and Profits from Acquisitions and Existing Business*: Valeant's Form 10-Q did not disclose the impact of the Glumetza PAC allocation on reported incremental revenues and profits. The allocation reduced the reported incremental revenue and profit from acquisitions by $85 million, and increased the reported revenue and profits from existing business by the same amount.

f. *MD&A:* Valeant's Q2 2015 Form 10-Q did not disclose the existence of PACs generally or the material impact of the $110.4 million in net revenue recorded from the Glumetza PAC to Q2 2015 results. In Q2 2015, the Glumetza PAC alone represented 32% of Valeant's operating income that quarter.

27. Valeant reported its results for the quarter ended September 30, 2015 in an earnings call, presentation, and Form 8-K on October 19, 2015 and filed its Q3 2015 Form 10-Q on October 26, 2015. Carro helped prepare and reviewed the earnings presentation and filings. Similar to

the prior quarter, Valeant's Q3 2015 disclosures did not reveal the material impacts of the Q2 Glumetza PAC and the Q2 and Q3 PAC allocations to certain GAAP and non-GAAP financial measures for the nine months ended September 30, 2015.

28. On April 29, 2016, after Carro was placed on administrative leave, Valeant filed its Form 10-K for the year ended December 31, 2015. In this filing, Valeant disclosed the existence of PACs, which had a net revenue impact of $171 million in 2015.

Valeant's Internal Accounting Control Failures

29. Valeant did not design and maintain sufficient internal accounting controls. As Valeant's corporate controller during the relevant time period, Carro was responsible for the implementation and execution of internal accounting controls and procedures for, among other things, revenue recognition and credit limits. Valeant failed to implement sufficient accounting controls with respect to the Philidor sales transactions and PACs, such that there were no reasonable assurances that transactions are recorded as necessary to, among other things, permit the preparation of financial statements in conformity with GAAP and to maintain the accountability of assets. Valeant did not have sufficient controls relating to non-standard journal entries and price changes above wholesale cost. Valeant's existing controls also were not sufficient to address how exceptions to policies and procedures should be documented and approved, which made it possible for management to override internal accounting controls when Carro and others approved the Philidor credit limit increases to facilitate sales to Philidor during Q3 and Q4 of 2014.

Offer and Sale of Securities

30. Valeant offered and sold securities throughout the relevant time period. On March 18, 2015, Valeant issued and sold 7.3 million shares of common stock pursuant to a prospectus supplement to a Form S-3 registration statement filed on June 10, 2013. During Q1 2015, Valeant also issued four senior notes with the total par value of $9.5 billion. From Q3 2014 through Q4 2015, Valeant also offered and sold 59,075 shares of common stock to its employees pursuant to the company's employee stock purchase plan.

Violations

31. As a result of the conduct described above:

a. Respondent Carro willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act, which prohibit any person in the offer or sale of securities from directly or indirectly obtaining money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, or engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser. Claims under Sections 17(a)(2) and 17(a)(3) of the Securities Act do not require a showing of scienter; instead, a showing of negligence is sufficient. *Aaron v. SEC*, 446 U.S. 680, 697 (1980); *SEC v. Hughes Capital Corp.*, 124 F.3d 449, 453-54 (3d Cir. 1997).

b. Carro caused Valeant's violations of Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder, which require issuers of securities registered pursuant to Section 12 of the Exchange Act file with the Commission information, documents, and annual, current, and quarterly reports as the Commission may require, and mandate that periodic reports contain such further material information as may be necessary to make the required statements not misleading.

c. Carro caused Valeant's violations of Section 13(b)(2)(A) of the Exchange Act, which requires reporting companies to make and keep books, records, and accounts which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets.

d. Carro caused Valeant's violations of Section 13(b)(2)(B) of the Exchange Act, which requires all reporting companies to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP.

e. Carro willfully violated Rule 13b2-1, which prohibits any person from directly or indirectly falsifying any book, record, or account required to be kept by a reporting company under Section 13(b)(2)(A) of the Exchange Act.

f. Carro willfully violated Rule 100(b) of Regulation G, which prohibits a registrant, or a person acting on its behalf, from making public a non-GAAP financial measure that, taken together with the information accompanying that measure and any other accompanying discussion of that measure, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the presentation of the non-GAAP financial measure, in light of the circumstances under which it is presented, not misleading. By its express terms, scienter is not required in order to violate Regulation G.

g. Carro willfully violated the federal securities laws or rules and regulations thereunder pursuant to Section 4C of the Exchange Act and Rule 102(e)(1)(iii) of the Commission's Rules of Practice.

<u>Findings</u>

32. Based on the foregoing, the Commission finds that Carro willfully violated Sections 17(a)(2) and 17(a)(3) of the Securities Act and Rule 13b2-1 and Rule 100(b) of

Regulation G of the Exchange Act and caused Valeant's violations of Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 4C and 21C of the Exchange Act, and Rule 102(e) of the Commission's Rules of Practice, it is hereby ORDERED that:

A. Respondent Carro cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act and Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, 13a-13, and 13b2-1 and Rule 100(b) of Regulation G thereunder.

B. Respondent is denied the privilege of appearing or practicing before the Commission as an accountant.

C. After one (1) year from the date of this order, Respondent Carro may request that the Commission consider her reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission (other than as a member of an audit committee, as that term is defined in Section 3(a)(58) of the Securities Exchange Act of 1934). Such an application must satisfy the Commission that Respondent Carro's work in her practice before the Commission as an accountant will be reviewed either by the independent audit committee of the public company for which she works or in some other acceptable manner, as long as she practices before the Commission in this capacity; and/or

2. a preparer or reviewer, or a person responsible for the preparation or review, of any public company's financial statements that are filed with the Commission as a member of an audit committee, as that term is defined in Section 3(a)(58) of the Securities Exchange Act of 1934. Such an application will be considered on a facts and circumstances basis with respect to such membership, and the applicant's burden of demonstrating good cause for reinstatement will be particularly high given the role of the audit committee in financial and accounting matters; and/or

3. an independent accountant.

Such an application must satisfy the Commission that:

a) Respondent Carro, or the public accounting firm with which she is associated, is registered with the Public Company Accounting Oversight Board ("Board") in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

(b) Respondent Carro, or the registered public accounting firm with which she is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the Respondent's or the firm's quality control system that would indicate that Respondent Carro will not receive appropriate supervision;

(c) Respondent Carro has resolved all disciplinary issues with the Board, and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) Respondent Carro acknowledges her responsibility, as long as she appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

D. The Commission will consider an application by Respondent Carro to resume appearing or practicing before the Commission provided that her state CPA license is current and she has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission's review may include consideration of, in addition to the matters referenced above, any other matters relating to Respondent Carro's character, integrity, professional conduct, or qualifications to appear or practice before the Commission as an accountant. Whether an application demonstrates good cause will be considered on a facts and circumstances basis with due regard for protecting the integrity of the Commission's processes.

E. Respondent shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of $75,000.00 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Carro as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Alka Patel, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, Los Angeles Regional Office, 444 South Flower Street, Suite 900, Los Angeles, CA 90071.

F. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the penalties referenced in paragraph IV.E above. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, she shall not argue that she is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that she shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary