

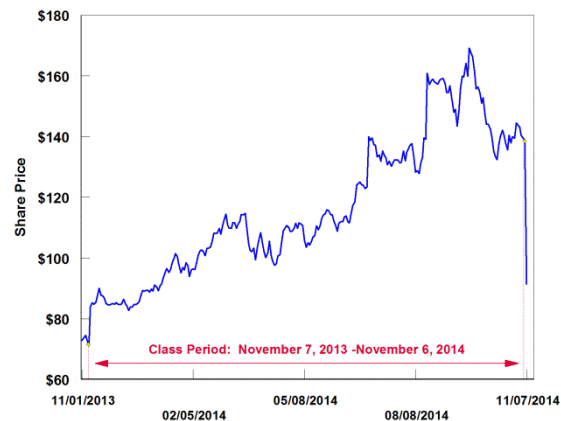
Salix Pharmaceuticals, Ltd.

Summary of the Case:

The complaint charges Salix and certain of its officers and directors with violations of the Securities Exchange Act of 1934. Salix is a pharmaceutical company that focuses on the treatment of digestive system diseases and disorders. Its top-selling drug, XIFAXAN® (rifaximin) ("Xifaxan"), is an antibiotic that is currently approved to treat traveler's diarrhea and a liver disorder that impairs brain function. Salix primarily sells its products through wholesalers, which then resell and distribute the Company's products to and through pharmacies.

The complaint alleges that during the Class Period, defendants made false and misleading statements and concealed material information regarding the Company's business and prospects, including that demand for Xifaxan and other Salix drugs was deteriorating and that wholesaler inventory levels of Xifaxan and other Salix drugs were significantly greater and rising more rapidly than previously represented. The complaint also claims that Salix's reserves for outstanding inventory were understated, causing the Company's reported quarterly and annual net revenue and earnings per share figures to be overstated, and that Salix's disclosure controls and procedures and its internal controls over financial reporting and accounting were subject to material weaknesses. As a result of defendants' false and misleading statements and omissions, Salix securities traded at artificially inflated prices during the Class Period, with its stock reaching prices above \$160 per share.

Then on November 6, 2014, after the markets closed, Salix issued a series of disclosures that revealed corporate misconduct and a poor outlook for the Company. On November 6, 2014, Salix disclosed that its longstanding Chief Financial Officer, Adam C. Derbyshire, had abruptly resigned. Then the Company issued its third quarter 2014 financial and operating results, reporting net product revenue of \$354.7 million – well below its projections of \$395 million – and a GAAP loss per share of \$1.39. The press release also disclosed a dramatic increase in wholesaler inventory levels, which were three times greater than previously reported, and that the Audit Committee of Salix's Board of Directors had retained outside counsel as part of an inquiry into the Company's reporting of wholesale inventory of Xifaxan and other drugs. In addition, the Company stated that its previously issued guidance for full year 2014 revenues would not be met and needed to be reduced by 12.5%. In reaction to these revelations, Salix's stock price fell \$47.08 per share, or 33.98%, to close at \$91.47 per share, on extraordinary trading volume.



Class:

Purchasers of Salix publicly traded securities between November 7, 2013 and November 6, 2014

Lead Plaintiff Motion Date:

January 6, 2015

Ticker/CUSIP:

SLXP/795435106

Defendants:

Salix Pharmaceuticals, Ltd., Carolyn J. Logan and Adam C. Derbyshire

Basis of Action:

Sections 10(b) and 20(a) of the Securities Exchange Act of 1934

Date Filed:

November 7, 2014

Court:

Southern District of New York

Judge:

Wood

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