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SEC Alleges Violations of Securities Exchange Act Against Manufacturer and Former CEO

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The defendants purchased thousands of shares mainly from current and former employees through the company's employee stock plan. The SEC alleges that the prices paid for the shares were significantly lower than their fair market value because the defendants misled shareholders by failing to disclose crucial information that would affect the price of the shares. The defendants allegedly failed to disclose stock valuations by five private equity firms that were up to 200% higher than the valuations used in the buybacks. The SEC asserts that defendants also failed to disclose that they were in active discussions to sell the company to one of several large pharmaceuticals companies. This information was allegedly kept within the Steifel family and some members of senior management.

The SEC alleges that the defendants procured large financial gains as a result of this scheme as they saved significant amounts of money by not paying fair market value for the shares. Steifel Labs distributed some of the shares purchased in the buybacks to its senior officers and employees, including Charles Steifel and his sons. The company then cancelled or retired the remainder of the shares. According to the SEC, Charles

Steifel, his sons and other remaining shareholders stood to make an even greater amount of money upon the eventual sale of the company as a result of the buybacks. Among other forms of relief, the SEC seeks civil money penalties, permanent injunctive relief, and disgorgement of ill-gotten gains from both defendants.

Securities and Exchange Commission v. Stiefel Laboratories Inc. and Charles W. Stiefel (S.D. Fla.)