

CANADA
PROVINCE OF QUEBEC
DISTRICT OF LAVAL
No.: 540-

SUPERIOR COURT
(Class Action)

CELSO CATUCCI, residing and domiciled
at 89 Elmbrook Crescent, in the city of
Toronto, province of Ontario, M9C 5C8

Representative Plaintiff

-and-

**VALEANT PHARMACEUTICALS
INTERNATIONAL INC.**, a moral person
incorporated pursuant to the laws of British
Columbia, having its principal place of
business at 2150 boulevard Saint-Elzéar,
West, in the city and district of Laval,
province of Quebec, H7L 4A8

Defendant

**MOTION FOR AUTHORIZATION OF A CLASS ACTION AND FOR AUTHORIZATION
TO BRING AN ACTION PURSUANT TO SECTION 225.4 OF THE *QUEBEC
SECURITIES ACT***

**IN SUPPORT OF ITS MOTION FOR AUTHORIZATION, THE PLAINTIFF
RESPECTFULLY SUBMITS AS FOLLOWS:**

I. INTRODUCTION

1. Valeant Pharmaceuticals International, Inc. ("Valeant") is a multinational specialty pharmaceutical company with a focus on branded pharmaceuticals, branded generics and over-the-counter products;
2. Valeant's head office is located in Laval, Quebec, and incorporated under the laws of British Columbia;
3. Valeant is traded publicly on the New York ("NYSE"), Swiss ("SWX") and Toronto ("TSX") stock exchanges;
4. Valeant's stock ticker on the TSX is "VRX" and CUSIP 91911K;
5. The proposed class (the "Class") is composed of the following members:

All persons in Canada who acquired or disposed of Valeant's securities on the Toronto Stock Exchange or the Swiss Stock Exchange, between February 29, 2012 and October 21, 2015,

excluding those persons who acquired or disposed of Valeant's securities on the New York Stock Exchange during that same period.

6. Plaintiff representative (the "Representative"), purchased three hundred (300) Valeant securities on September 24, 2015, and continued to hold those securities until after October 21, 2015;

II. FACTS

7. On **February 29, 2012**, Valeant filed its Form 10-K for year ended December 31, 2011, and incorporated the material facts and, therefore, the market price or value of the securities, the whole as appears from a copy thereof communicated as **Exhibit P-1A**;
8. On **March 1, 2012**, Valeant opened up at \$52.18 per share on the TSX;
9. On **May 16, 2012**, the United States Securities and Exchange Commission (the "SEC") sent a letter questioning the following aspects of the information disclosed in Valeant's Form 10-K, Exhibit P-1A:
 - a. Accounting related to write-offs of obsolete inventory; and
 - b. Failure to disclose agreements documenting Valeant's acquisition of iNova and AB Sanitas.

the whole as appears from a copy of the SEC letter, communicated as **Exhibit P-2**;

10. On **February 28, 2013**, Valeant filed Form 10-K for the year ended December 31, 2012, and incorporated the material facts and, therefore, the market price or value of the securities, the whole as appears from a copy thereof, communicated as **Exhibit P-1B**;
 11. On **August 7, 2013**, Valeant filed Form 10-Q for the quarterly period ended June 30, 2013, and incorporated the material facts and, therefore, the market price or value of the securities, the whole as appears from a copy of Form 10-Q, communicated as **Exhibit P-3**;
 12. On **September 18, 2013**, the SEC sent a letter questioning why Valeant changed its revenue recognition procedure for several brands acquired in collaboration with an entity called Medics, to now recognise revenue upon shipment to the distributor instead of when this distributor ships the products to physicians; the whole as appears from a copy of this letter, communicated as **Exhibit P-4**;
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13. Valeant did not disclose either of the two SEC letters on SEDAR or send those letters to Canadian-based investors;
 14. On **February 28, 2014**, Valeant filed Form 10-K for the year ended December 31, 2013, the whole as appears from a copy thereof, communicated as **Exhibit P-1C**;
 15. On **October 19, 2015**, Southern Investigation Report published an article questioning Valeant's relationship to Philidor Rx Services ("Philidor"), a speciality pharmacy, and Valeant's relationship to R&O Pharmacy ("R&O"), the whole as appears from a copy of the article, communicated as **Exhibit P-5**;
 16. On **October 20, 2015**, Valeant's stock price drops from \$213.05 to \$190.38;
 17. On **October 21, 2015**, Citron Research published a report addressing Valeant's accounting and disclosure practices in relation to questionable acquisitions as well as in relation to Philidor and R&O, the whole as appears from a copy of the report, communicated as **Exhibit P-6**;
 18. Shortly after the release of the Citron Research report, Valeant's stock price drops from \$190.85 to \$154.04;
 19. On **October 22, 2015**, Bronte Capital published a report addressing Valeant's response to Citron Research's report (Exhibit P-6) highlighting the following issues:
 - a. BMO Capital Markets questions Valeant's revenues relating to the sale of Xifaxan and sales and growth from \$300M to \$460M;
 - b. Valeant's disclosure that subpoenas it has received from prosecutors in New York and Massachusetts concern, in part, how Valeant makes disclosures regarding the distribution of its products; and
 - c. Philidor's disclosures to the State of California are inaccurate and contain material fact discrepancies.

the whole as appears from a copy of the report, communicated as **Exhibit P-7**;
 20. On **October 23, 2015**, Valeant shares open at \$153.85 and close at \$152.69;
 21. The Southern Investigation Report, Citron Research, and Bronte Capital reports refer to issues raised by the two letters sent by the SEC to Valeant;
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III. THE CRITERIA OF ART. 1003 C.C.P.

(a) the recourses of the members raise identical, similar or related questions of law or fact

22. The recourses of each of the members of the Class are founded on Valeant's misleading documents and management's misleading public statements relating to Valeant's business and affairs within the meaning of sections 225.8 to 225.11 of the *Quebec Securities Act*;

23. It is respectfully submitted, that in this context, the principle questions of fact and law to be dealt with collectively are the following:

a. Did Valeant disclose documents or make public oral statements which are misleading within the meaning of section 225.8 to 225.11 of the *Quebec Securities Act*?

b. If so, when was the misleading information publicly corrected?

c. Accordingly, is the redress sought by the Class members under sections 225.8 to 225.11 of the *Quebec Securities Act*, well founded in fact and law? and

d. Collectively determine the damages for all members of the Class pursuant to section 225.28 of the *Quebec Securities Act*.

24. Consequently, Plaintiff Representative and the members of the Class seek for this honourable Court to authorize the following conclusions to the proposed class action proceedings:

DECLARE that, starting on February 29, 2012 Valeant International Inc. released a series of misleading documents and public oral statements within the meaning of sections 225.8 to 225.11 of the *Quebec Securities Act*;

DECLARE that these misleading documents and public oral statements within the meaning of sections 225.8 to 225.11 of the *Quebec Securities Act* were not publicly corrected until October 21, 2015 upon the release of the Citron Research report;

DECLARE that Valeant has committed a fault and is liable for damages, plus interest, pursuant to sections 225.8 to 225.11 of the *Quebec Securities Act* to the members of the Class.

CONDEMN Valeant Pharmaceuticals International Inc. to pay to the Class damages as assessed pursuant to section 225.28 of the *Quebec Securities Act*,

DECLARE that the claims of the members shall be recovered collectively;

(b) the facts alleged seem to justify the conclusions sought;

25. As of February 29, 2012, Valeant has been misleading its investors as to:
 - a. Its policies and accounting in relation to acquisition of new corporate entities;
 - b. Its relationship with Philidor and ultimately, R&O; and
 - c. Its policies and accounting practices in relation to the recognition of revenue.
26. These materially misleading statements and documents issued by Valeant since February 29, 2012 were only publicly corrected on October 21, 2015 with the release of the Citron Research report;
27. It is respectfully submitted that all members of the Class are therefore entitled to claim redress from Valeant on the basis of article 225.8 to 225.11 of the *Quebec Securities Act* and to have damages collectively assessed pursuant to section 225.28 of the *Quebec Securities Act*;

(c) the composition of the group makes the application of article 59 or 67 difficult or impracticable; and

28. Valeant is a multinational company having issued approximately 334,000,000 shares which are publicly traded on three worldwide stock exchanges;
29. In this context, it would be impracticable for each member of the class to bring a separate action;

(d) the member to whom the court intends to ascribe the status of representative is in a position to represent the members adequately.

30. The Representative understands the requirements of time and dedication required of his role and is prepared to devote the required resources to carry forward this proposed class action on behalf of the Class;
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FOR THESE REASONS, MAY IT PLEASE THE COURT TO:

AUTHORIZE the Class including all persons in Canada who acquired or disposed of Valeant's securities on the Toronto Stock Exchange or the Swiss Stock Exchange, between February 29, 2012 and October 21, 2015, excluding those persons who acquired or disposed of Valeant's securities on the New York Stock Exchange during that same period;

NAME Mr. Celso Catucci, as the Class representative;

DECLARE that the following questions of fact and law be dealt with collectively:

- a. Did Valeant disclose documents or make public oral statements which are misleading within the meaning of section 225.8 to 225.11 of the *Quebec Securities Act*?
- b. If so, when was the misleading information publicly corrected?
- c. Accordingly, is the redress sought by the Class members under sections 225.8 to 225.11 of the *Quebec Securities Act*, well founded in fact and law? and
- d. Collectively determine the damages for all members of the Class pursuant to section 225.28 of the *Quebec Securities Act*.

AUTHORIZE the class action proceedings to seek the following conclusions:

DECLARE that, starting on February 29, 2012 Valeant International Inc. released a series of misleading documents and public oral statements within the meaning of sections 225.8 to 225.11 of the *Quebec Securities Act*,

DECLARE that these misleading documents and public oral statements within the meaning of sections 225.8 to 225.11 of the *Quebec Securities Act* were not publicly corrected until October 21, 2015 upon the release of the Citron Research report;

DECLARE that Valeant has committed a fault and is liable for damages, plus interest, pursuant to sections 225.8 to 225.11 of the *Quebec Securities Act* to the member of the Class;

CONDEMN Valeant Pharmaceuticals International Inc. to pay to the Class damages as assessed pursuant to section 225.28 of the *Quebec Securities Act*,

DECLARE that the claims of the members shall be recovered collectively;

AUTHORIZE these class action proceedings under section 225.4 of the *Quebec Securities Act*;

APPROVE the notice to the members of the Class in the form submitted to the Court;

ORDER the publication of the notice to the members of the Class no later than thirty (30) days after the date of the judgement authorising the class proceedings;

ORDER that the deadline for a member of the Class to exclude themselves from the class action proceedings shall be sixty (60) days from the publication of the notice to the members of the Class.

THE WHOLE WITH COSTS.

MONTREAL, this 26th day of October, 2015

(S) Faguy & Co.

FAGUY & CO. BARRISTERS & SOLICITORS INC.
Attorneys for Representative Plaintiff

SCHEDULE 1
(Art. 119, C.C.P.)

NOTICE TO THE DEFENDANT:

Take notice that the Plaintiff has filed this action or application in the Superior Court of Quebec in the judicial District of Laval.

To file an answer to this action or application, you must first file an Appearance, personally or by advocate, at the courthouse of Laval, located at 2800, boulevard Saint-Martin Ouest, Laval (Québec) H7T 2S9, within ten (10) days of service of this Motion.

If you fail to file an Appearance within the time limit indicated, a judgment by default may be rendered against you without further notice upon the expiry of the 10-day period.

If you file an Appearance, the action or application will be presented before the Court on **Tuesday, December 1, 2015 at 9:00 a.m. in room 2.02** of the courthouse. On that date, the Court may exercise such powers as are necessary to ensure the orderly progress of the proceeding or the Court may hear the case, unless you make a written agreement with the Plaintiff or the Plaintiff's advocate on a timetable for the orderly progress of the proceeding. The timetable must be filed in the office of the Court.

In support of the Motion, the Plaintiff discloses the following exhibits:

- **Exhibit P-1A:** Form 10-K for year ended December 31, 2011;
- **Exhibit P-1B:** Form 10-K for the year ended December 31, 2012;
- **Exhibit P-1C:** Form 10-K for the year ended December 31, 2013;
- **Exhibit P-2:** United States Securities and Exchange Commission letter dated May 16, 2012;
- **Exhibit P-3:** Form 10-Q for the quarterly period ended June 30, 2013;
- **Exhibit P-4:** United States Securities and Exchange Commission letter dated September 18, 2013;
- **Exhibit P-5:** Southern Investigation Report article;
- **Exhibit P-6:** Citron Research report; and
- **Exhibit P-7:** Bronte Capital report.

Request for transfer of a small claim

If the amount claimed by the Plaintiff does not exceed \$15,000 and if you could have filed such an action as a Plaintiff in Small Claims Court, you may make a request to the clerk for the action to be disposed of pursuant to the rules of Book VIII of the Code of

Civil Procedure (R.S.Q., c. C-25). If you do not make such a request, you could be liable for costs higher than those provided for in Book VIII of the Code.

MONTREAL, this 26th day of October, 2015

(S) Faguy & Co.

FAGUY & CO. BARRISTERS & SOLICITORS INC.
Attorneys for Representative Plaintiff