

## VALEANT SETTLEMENT PLAN OF ALLOCATION

### RECITALS:

- A. **WHEREAS** the action styled *Catucci and Aubin v. Valeant International Pharmaceuticals Inc. et al.*, brought in the Québec Superior Court of Justice, Court File No.: 500-06-000783-163 (the "**Action**") was commenced by Celso Catucci and Nicole Aubin (the "**Plaintiffs**") on behalf of putative class members for, *inter alia*, damages for misrepresentation under Title VIII, Chapter II, Divisions 1 and 11 of the QSA and, if necessary, the concordant provisions of the other Securities Legislation, and for civil fault pursuant to article 1457 of the CCQ;
- B. **AND WHEREAS** the Québec Superior Court of Justice has approved settlements between the Plaintiffs and PricewaterhouseCoopers LLP ("**PwC Settlement**") and between the Plaintiffs and the other Defendants in the Action (the "**Valeant Settlement**");
- C. **AND WHEREAS** the goal of this Plan of Allocation is to distribute to Securities Claimants the Settlement Amounts, less Class Counsel Fees, costs of administration of the Escrow Account (including taxes), a holdback to fund the continuing litigation in this matter and any expenses and taxes relating to the notice of the settlement approval hearing, notice of the fees and allocation hearing and notice of this Plan of Allocation.

### DEFINITIONS:

1. For the purposes of this Plan of Allocation, the definitions set out in the Settlement Agreement apply to and are incorporated into this Plan of Allocation and, in addition, the following definitions apply:
- (a) "**2018 6.75% Notes**" means the 6.75% senior notes due 2018;
  - (b) "**2020 5.375% Notes**" means the 5.375% senior unsecured notes due 2020;
  - (c) "**2021 7.50% Notes**" means the 7.50% senior notes due 2021;
  - (d) "**2021 5.625% Notes**" means the 5.625% senior notes due 2021;
  - (e) "**2023 5.50% Notes**" means the 5.50% senior unsecured notes due 2023;
  - (f) "**2023 5.875% Notes**" means the 5.875% senior unsecured notes due 2023;
  - (g) "**2023 4.50% Notes**" means the 4.50% senior unsecured notes due 2023; and
  - (h) "**2025 6.125% Notes**" means the 6.125% senior unsecured notes due 2025;
  - (i) "**ACB**" means the adjusted cost base for the purchase of shares or notes, inclusive of brokerage commissions;

- (j) “**Administration Expenses**” has the meaning ascribed to that term in the Settlement Agreement.
- (k) “**Allocation System**” means the method of determining the Compensable Loss assigned to a claim in order to determine the amount of compensation to be awarded for that claim (as set out below). This is based on each Securities Claimant’s estimated losses attributable to misrepresentations in Valeant’s offering documents, taking into account risk adjustments to account for the liability risks for different categories of Securities Claimants.
- (l) “**Claim Form**” means a written claim in the prescribed form seeking compensation from the Net Settlement Amount.
- (m) “**Claimant**” means any person or entity making a claim as purporting to be a Securities Claimant or on behalf of a purported Securities Claimant, with proper authority (as determined by the Claims Administrator or Class Counsel).
- (n) “**Claims Administrator**” means ●.
- (o) “**Class Counsel**” has the meaning ascribed in the Settlement Agreements.
- (p) “**Class Counsel Fees**” means, as defined in the Settlement Agreements, the fees and accrued interest thereon, disbursements, costs, holdbacks, GST/PST/HST and other applicable taxes or charges of Class Counsel, as approved by the Court.
- (q) “**Compensable Damages**” means the amount of a Claimant’s damages for each type of purchase of Securities after accounting for Offset Profits for those purchases.
- (r) “**Compensable Loss**” is the sum of the Claimant’s damages after Offset Profits are deducted and risk adjustments applied for each type of purchase.
- (s) “**Escrow Account**” has the meaning ascribed in the Settlement Agreement.
- (t) “**Excluded Claim**” means a claim by or on behalf of any person or entity that is a named defendant to any of the Class Actions (as defined in the PwC Settlement), and their past and present subsidiaries, affiliates, officers, directors, senior employees, partners, legal representatives heirs predecessors, successors and assigns, and immediate family member.
- (u) “**FIFO**” means the method applied to the holdings of Securities Claimants who made multiple purchases or sales such that sales of securities will be matched, in chronological order, first against securities first purchased.
- (v) “**Net Settlement Amount**” means the Escrow Settlement Amount remaining after payment of Administration Expenses, Class Counsel Fees, and the Class Proceedings Fund levy paid in respect of the PwC Settlement.
- (w) “**Offerings**” (each being an “**Offering**”) means:
  - (i) Distribution of the 2018 6.75% Notes and the 2021 7.50% Notes pursuant to the Offering Circular dated June 27, 2013;
  - (ii) Distribution of the 2021 5.625% Notes pursuant to the Offering Circular dated November 15, 2013;

- (iii) Distribution of the 2023 5.50% Notes pursuant to the Offering Memorandum dated January 15, 2015;
- (iv) Distribution of the 2020 5.375% Notes, the 2023 5.875% Notes and the 2025 6.125% Notes pursuant to the Offering Memorandum dated March 13, 2015;
- (v) Distribution of common shares pursuant to the Short Form Base Shelf Prospectus dated June 14, 2013, the Prospectus Supplement dated June 18, 2013, the Prospectus dated June 10, 2013, and the Prospectus Supplement dated June 18, 2013 ("**June 2013 Share Offering**");
- (vi) Distribution of common shares pursuant to the Prospectus dated June 10, 2013 and the Prospectus Supplement dated March 17, 2015 ("**March 2015 Share Offering**");
- (x) "**Offset Profits**" means the total increase in inflation of each Security sold by a Securities Claimant prior to October 19, 2015 where such security was purchased after February 27, 2012. Such inflation for Valeant Securities shall be determined by Frank Torchio of Forensic Economics, in consultation with Class Counsel.
- (y) "**Risk Adjusted Damages**" means the Compensable Damages for each type of purchase of securities, after it has been adjusted by a risk adjustment.
- (z) "**Sale Price**" means the price at which the Claimant disposed of shares or notes, taking into account any commissions paid in respect of the disposition, such that the Sale Price reflects the economic benefit the Claimant received on disposition.
- (aa) "**Securities**" means common shares, notes or other securities defined in the Quebec *Securities Act*, or that are securities at law.
- (bb) "**Securities Claimants**" means other than Excluded Claims and any person who validly opted out or who is deemed to have opted out:
  - (i) **Primary Market Sub-Class:** All persons and entities, wherever they made reside or be domiciled, who, during the period February 28, 2013 to November 12, 2015, acquired Valeant's Securities in an Offering, and held some or all of such Securities at any point in time between October 19, 2015 and November 12, 2015, excluding any claims in respect of Valeant's Securities acquired in the United States (but not excluding any claims in respect the 2023 4.50% Notes); and,
  - (ii) **Secondary Market Sub-Class:** All persons and entities, wherever they may reside or may be domiciled who, during the period February 27, 2012 to November 12, 2015, acquired Valeant's Securities in the secondary market and held some or all such Securities at any point in time between October 19, 2015 and November 12, 2015, excluding any claims in respect of Valeant's Securities acquired in the United States.
- (cc) "**Settlement Amount**" has the meaning ascribed to that term in the Settlement Agreement.

(dd) “Shares” means Securities that are common shares.

2. The Claims Administrator shall distribute the Net Settlement Amount as set out below.

### **GOAL**

3. The goal is to distribute the Net Settlement Amount among Securities Claimants who submit valid and timely claims for Securities purchased via the secondary market and/or Offerings, or any of them.

### **DEADLINE FOR CLAIMS**

4. Any person who wishes to claim compensation shall deliver to or otherwise provide the Claims Administrator a Claim Form by ●, or such other date set by the Court. If the Claims Administrator does not receive a Claim Form from a Claimant by the deadline, then the Claimant shall not be eligible for any compensation whatsoever from the Net Settlement Amount. Notwithstanding the forgoing, the Claims Administrator shall have the discretion to permit otherwise-valid late claims without further order of the Court.

### **COMPLETION OF CLAIM FORM**

5. If, for any reason, a living Securities Claimant is unable to complete the Claim Form then it may be completed by the Securities Claimant’s personal representative or a member of the Securities Claimant’s family.

### **PROCESSING CLAIM FORMS**

6. The Claims Administrator shall review each Claim Form and verify that the Claimant is eligible for compensation, as follows:

(a) For a Claimant claiming as a Securities Claimant, the Claims Administrator shall be satisfied that (i) the Claimant is a Securities Claimant; and (ii) the claim is not an Excluded Claim.

(b) For a Claimant claiming on behalf of a Securities Claimant or a Securities Claimant’s estate, the Claims Administrator shall be satisfied that (i) the Claimant has authority to act on behalf of the Securities Claimant or the Securities Claimant’s estate in respect of financial affairs; (ii) the person or estate on whose behalf the claim was submitted is a Securities Claimant; and (iii) the claim is not an Excluded Claim.

7. The Claims Administrator shall review the Claim Forms and assign the Compensable Loss to the claims prescribed by the Allocation System.

8. The Claims Administrator shall take reasonable measures to verify that the Claimants are eligible for compensation and that the information in the Claim Forms is accurate. The Claims Administrator may make inquiries of the Claimants in the event of any concerns, ambiguities or inconsistencies in the Claim Forms.

### **IRREGULAR CLAIMS**

9. The claims process is intended to be expeditious, cost effective and “user friendly” and to minimize the burden on Securities Claimants. The Claims Administrator shall, in the absence of reasonable grounds to the contrary, assume the Securities Claimants to be acting honestly and in good faith.
10. Where a Claim Form contains minor omissions or errors, the Claims Administrator shall correct such omissions or errors if the information necessary to correct the error or omission is readily available to the Claims Administrator.
11. The claims process is also intended to prevent fraud and abuse. If, after reviewing any Claim Form, the Claims Administrator believes that the claim contains unintentional errors which would materially exaggerate the Compensable Loss to be awarded to the Claimant, then the Claims Administrator may disallow the claim in its entirety or make such adjustments so that an appropriate Compensable Loss is awarded to the Claimant. If the Claims Administrator believes that the claim is fraudulent or contains intentional errors which would materially exaggerate the Compensable Loss to be awarded to the Claimant, then the Claims Administrator shall disallow the claim in its entirety the Claimant shall be barred from subsequent claims arising from any settlement or judgment in this class proceeding.
12. Where the Claims Administrator disallows a claim in its entirety, the Claims Administrator shall send to the Claimant at the address provided by the Claimant or the Claimant’s last known email or postal address, a notice advising the Claimant that he, she or it may request the Claims Administrator to reconsider its decision. For greater certainty, a Claimant is not entitled to a notice or a review where a claim is allowed but the Claimant disputes the determination of Compensable Loss or his, her or its individual compensation.

13. Any request for reconsideration must be received by the Claims Administrator within 21 days of the date of the notice advising of the disallowance. If no request is received within this time period, the Claimant shall be deemed to have accepted the Claims Administrator's determination and the determination shall be final and not subject to further review by any court or other tribunal.
14. Where a Claimant files a request for reconsideration with the Claims Administrator, the Claims Administrator shall advise Class Counsel of the request and conduct an administrative review of the Claimant's complaint.
15. Following its determination in an administrative review, the Claims Administrator shall advise the Claimant of its determination. In the event the Claims Administrator reverses a disallowance, the Claims Administrator shall send the Claimant at the Claimant's last known postal address, a notice specifying the revision to the Claims Administrator's disallowance.
16. The determination of the Claims Administrator in an administrative review is final and is not subject to further review by any court or other tribunal.

**ALLOCATION SYSTEM AND PAYMENT OF NET SETTLEMENT AMOUNT**

17. As soon as possible after (i) all timely Claim Forms have been processed; (ii) the time to request a reconsideration for disallowed claims under paragraph ● has expired; and (iii) all administrative reviews under paragraphs ● have concluded, the Claims Administrator shall determine each Claimant's Compensable Loss as follows:
  - (a) The ACB for each security purchased is determined using FIFO on a per security, per account, basis.
  - (b) the Securities purchased are divided into the types of securities described in the chart at paragraph ●.
  - (c) For each type of purchase of Securities, the damages for those purchases are calculated as follows:

Time of Sale of Securities <sup>1</sup>	Damages
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<sup>1</sup> For the purposes of these calculations, in respect to the Notes, each US\$1,000 principal amount of the Notes shall be deemed 1 (one) note.

Sold before October 19, 2015	No damages
Sold from October 19, 2015 to November 25, 2015	(#of Securities sold) X (ACB - Sale Price)
Sold after November 25, 2015	<p>Lesser of:  (i) (#of shares sold) X (ACB per share – Sale Price); or  (ii) (#of shares sold) X (ACB per share – CAD\$106.77)  For March 2015 Offering:  Lesser of:  (i) (#of shares sold) X (ACB – Sale Price); or  (i) (#of shares sold or held) X (ACB per share - USD\$81.84)</p> <p><i>2018 6.75% Notes</i> Lesser of (i) (#of notes sold) X (ACB per note - USD\$956.16) or (ii) (#of Securities sold) X (ACB - Sale Price)  <i>2020 5.375% Notes</i> Lesser of (i) (#of notes sold) X (ACB per note - USD\$868.25) or (ii) (#of Securities sold) X (ACB - Sale Price)  <i>2021 7.50% Notes</i> Lesser of (i) (#of notes sold) X (ACB per note - USD\$900.23) or (ii) (#of Securities sold) X (ACB - Sale Price)  <i>2021 5.625% Notes</i> Lesser of (i) (#of notes sold) X (ACB per note - USD\$838.50) or (ii) (#of Securities sold) X (ACB - Sale Price)  <i>2023 5.50% Notes</i> Lesser of (i) (#of notes sold) X (ACB per note - USD\$823.94) or (ii) (#of Securities sold) X (ACB - Sale Price)  <i>2023 5.875% Notes</i> Lesser of (i) (#of notes sold) X (ACB per note - USD\$833.32) or (ii) (#of Securities sold) X (ACB - Sale Price)  <i>2023 4.50% Notes</i> Lesser of (i) (#of notes sold) X (ACB per note - €810.84) or (ii) (#of Securities sold) X (ACB - Sale Price)  <i>2025 6.125% Notes</i> Lesser of (i) (#of notes sold) X (ACB per note - USD\$832.27) or (ii) (#of Securities sold) X (ACB - Sale Price)</p>
Still held:	<p>Lesser of:  (i) (#of shares held) X (ACB per share - CAD\$106.77)  For March 2015 Offering: (#of shares held) X (ACB per share - USD\$81.84)</p> <p><i>2018 6.75% Notes</i> (#of notes sold or held) X (ACB per note - USD\$956.16)  <i>2020 5.375% Notes</i> (#of notes sold or held) X (ACB per note - USD\$868.25)  <i>2021 7.50% Notes</i> (#of notes sold or held) X (ACB per note - USD\$900.23)  <i>2021 5.625% Notes</i> (#of notes sold or held) X (ACB per note - USD\$838.50)  <i>2023 5.50% Notes</i> (#of notes sold or held) X (ACB per note - USD\$823.94)  <i>2023 5.875% Notes</i> (#of notes sold or held) X (ACB per note - USD\$833.32)  <i>2023 4.50% Notes</i> (#of notes sold or held) X (ACB per note €810.84)  <i>2025 6.125% Notes</i> (#of notes sold or held) X (ACB per note - USD\$832.27)</p>

- (d) The damages for each type of purchase are reduced by subtracting the Claimant's Offset Profits for those purchases to obtain the Compensable Damages.
- (e) The Compensable Damages for each type of purchase are multiplied by the risk adjustment in the following chart to obtain the Risk Adjusted Damages:

Type of Purchase	Risk Adjustment
<b><i>A. Share Purchases</i></b>	
<u>(a) Primary Market</u>	
June 2013 Share Offering	0.10
March 2015 Share Offering	0.25
<u>(b) Secondary Market</u>	
February 27, 2012 to February 27, 2013	0.01
February 28, 2013 to February 24, 2015	0.25
February 25, 2015 to October 26, 2015	1.0
October 27, 2015 to November 12, 2015	0.50
<b><i>B. Note Purchases</i></b>	
<u>(a) Primary Market</u>	
2018 6.75% Notes 2021 7.50% Notes 2021 5.625% Notes	0.05
2023 5.50% Notes	0.10
2020 5.375% Notes 2023 5.875% Notes 2025 6.125% Notes	0.20
<u>(b) Secondary Market</u>	
February 27, 2012 to February 27, 2013	0.01
February 28, 2013 to February 24, 2015	0.25
February 25, 2015 to October 26, 2015	1.0
October 27, 2015 to November 12, 2015	0.50

- (f) The Compensable Loss is equal to the sum of the Risk Adjusted Damages for each type of purchase.

18. The Claims Administrator shall make payments to the eligible Claimants based on the allocation under paragraphs ● to ●, subject to the following:



- (a) Payments will be made in Canadian currency.
- (b) The Claims Administrator shall not make payments to Claimants whose allocation is less than \$50.00. Such amount shall instead be allocated *pro rata* to the other eligible Claimants.
- (c) The Claims Administrator shall make payment to a Claimant by either bank transfer or by cheque to the Claimant at the address provided by the Claimant or the last known postal addresses for the Claimant. If, for any reason, a Claimant does not cash a cheque within 6 months after the date of the cheque, the Claimant shall forfeit the right to compensation and the funds shall be distributed in accordance with paragraph ● and ●.

## REMAINING AMOUNTS

19. If the Escrow Account is in a positive balance (whether by reason of tax refunds, un-cashed cheques or otherwise) after one hundred and eighty (180) days from the date of distribution of the Net Settlement Amount to Claimants, the Claims Administrator shall, if feasible, allocate such balance among Claimants in an equitable and economic fashion. Thereafter, any remaining funds will be distributed as follows:
- a) The *Regulation respecting the percentage withheld by the Fonds d'aide aux actions collectives*, c. F-3.2.0.1.1, r.2 will apply to the portion of any remaining balance.
  - b) If the Claims Administrator determines, at its discretion, that funds that cannot be economically allocated among Claimants, the Claims Administrator shall, after payment is made to the *Fonds d'aide aux actions collectives*, hold the balance in the Escrow Account pending a further settlement in the the proceedings or otherwise subject to further order of the Court.

## ADDITIONAL RULES

20. Data from each Claim Form shall be retained such that a Claimant is not required to file further claim forms in any future settlement or distribution.
21. The failure to file a timely valid Claim Form shall not prejudice any person's ability to file a claim form in any future settlement or distribution.
22. Any matter not referred to above shall be determined by analogy by the Claims Administrator in consultation with Class Counsel.