

CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
No.: 500-06-000783-163

SUPERIOR COURT
(Class Action)

CELSO CATUCCI

and

NICOLE AUBIN, ES QUALITÉ TRUSTEE OF
THE AUBIN FAMILY TRUST

Applicants

-v-

**VALEANT PHARMACEUTICALS
INTERNATIONAL INC.**

and

**J. MICHAEL PEARSON, HOWARD B.
SCHILLER, ROBERT L. ROSIELLO, ROBERT
A. INGRAM, RONALD H. FARMER, THEO
MELAS-KYRIAZI, G. MASON MORFIT, DR.
LAURENCE PAUL, ROBERT N. POWER,
NORMA A. PROVENCIO, LLOYD M. SEGAL,
KATHARINE B. STEVENSON, FRED
HASSAN, COLLEEN GOGGINS, ANDERS O.
LONNER, JEFFREY W. UBBEN**

and

PRICEWATERHOUSECOOPERS LLP

and

**GOLDMAN, SACHS & CO., GOLDMAN
SACHS CANADA INC., DEUTSCHE BANK
SECURITIES INC., BARCLAYS CAPITAL
INC., HSBC SECURITIES (USA) INC.,
MITSUBISHI UFJ SECURITIES (USA) INC.,
DNB MARKETS INC., RBC CAPITAL
MARKETS LLC, MORGAN STANLEY & CO.
LLC, SUNTRUST ROBINSON HUMPHREY
INC., CITIGROUP GLOBAL MARKETS INC.,
CIBC WORLD MARKETS CORP., SMBC
NIKKO SECURITIES AMERICA INC., TD
SECURITIES (USA) LLC, J.P. MORGAN
SECURITIES LLC, MERRILL LYNCH,
PIERCE, FENNER & SMITH
INCORPORATED, BMO CAPITAL MARKETS
CORP.**

Respondents

**RE-RE-AMENDED 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 THEIR MOTION FOR AUTHORIZATION, THE PLAINTIFFS
RESPECTFULLY SUBMIT AS FOLLOWS:**

I. DEFINITIONS

1. In this document, in addition to the terms that are defined elsewhere herein, the following terms have the following meanings:
 - a. “**AIF**” means Annual Information Form. Here, the term “AIF” refers to **Valeant’s** Annual Reports on Form 10-K issued during the **Class Period**;
 - b. “**Alternative Fulfillment Program**” means a **Valeant** program providing for an alternative sales channel for its products through **Specialty Pharmacies**, including **Philidor**, which was developed and implemented in order to improve Valeant’s financial performance by improving both sales volumes and profitability of Valeant’s products;
 - c. “**Auditors’ Professional Standards**” means the standards of the Public Company Accounting Oversight Board (United States), applicable to **PwC** in performing its engagements with **Valeant**;
 - d. “**Class**” and “**Class Members**” are comprised of the following, other than the **Excluded Persons**:
 - i. **Primary Market Sub-Class**: All persons and entities, wherever they may reside or may be domiciled who, during the **Class Period**, acquired **Valeant’s Securities** in an **Offering**, and held some or all of such **Securities** as of at least October 19, 2015, excluding any claims in respect of **Valeant’s Securities** acquired in the United States (but not excluding any claims in respect of Valeant's 4.50% Senior Notes due 2023 offered in March 2015); and
 - ii. **Secondary Market Sub-Class**: All persons and entities, wherever they may reside or may be domiciled who, during the **Class Period**, acquired **Valeant’s Securities** in the secondary market and held some or all of such **Securities** as of at least October 19, 2015, (...) excluding

any claims in respect of Valeant's Securities acquired in the United States;

(...)

(...)

- e. "**Class Period**" means the period from February 28, 2013 to October 26, 2015, inclusive;
 - f. "**CCQ**" means the *Civil Code of Quebec*;
 - g. "**Defendants**" means **Valeant**, the **Individual Defendants**, **PWC** and the **Underwriters**;
 - h. "**EDGAR**" means the Electronic Data Gathering, Analysis, and Retrieval system;
 - i. "**Excluded Persons**" means the **Defendants**, members of the immediate families of the **Individual Defendants**, and the directors, officers, subsidiaries, and affiliates of **Valeant**;
 - j. "**GAAP**" means United States generally accepted accounting principles;
 - k. "**Impugned Documents**" (each being an "**Impugned Document**") means, collectively:
 - i. the press release titled "Valeant Pharmaceuticals Reports 2012 Fourth Quarter Financial Results," filed on SEDAR and EDGAR on February 28, 2013, communicated herewith as **Exhibit P-1**;
 - ii. the annual report on Form 10-K filed on SEDAR and EDGAR on February 28, 2013, communicated herewith as **Exhibit P-2**;
 - iii. the audited annual financial statements for the three month period and year ended December 31, 2012, filed on SEDAR and EDGAR on February 28, 2013, communicated herewith as **Exhibit P-3**;
 - iv. the MD&A for the three month period and year ended December 31, 2012, filed on SEDAR and EDGAR on February 28, 2013, communicated herewith as **Exhibit P-4**;
 - v. the management information circular dated April 11, 2013, filed on SEDAR and EDGAR on April 11, 2013, communicated herewith as **Exhibit P-5**;
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- vi. the press release titled "Valeant Pharmaceuticals Reports 2013 First Quarter Financial Results," filed on SEDAR and EDGAR on May 2, 2013, communicated herewith as **Exhibit P-6**;
 - vii. the interim financial statements for the three month period ended March 31, 2013, filed on SEDAR and EDGAR on May 3, 2013, communicated herewith as **Exhibit P-7**;
 - viii. the MD&A for the three month period ended March 31, 2013, filed on SEDAR and EDGAR on May 3, 2013, communicated herewith as **Exhibit P-8**;
 - ix. the press release titled "Valeant Pharmaceuticals Reports 2013 Second Quarter Financial Results," filed on SEDAR and EDGAR on August 7, 2013, communicated herewith as **Exhibit P-9**;
 - x. the interim financial statements for the three and six month periods ended June 30, 2013, filed on SEDAR and EDGAR on August 7, 2013, communicated herewith as **Exhibit P-10**;
 - xi. the MD&A for the three and six month periods ended June 30, 2013, filed on SEDAR and EDGAR on August 7, 2013, communicated herewith as **Exhibit P-11**;
 - xii. the press release titled "Valeant Pharmaceuticals Reports 2013 Third Quarter Financial Results," filed on SEDAR and EDGAR on October 31, 2013, communicated herewith as **Exhibit P-12**;
 - xiii. the interim financial statements for the three and nine month periods ended September 30, 2013, filed on SEDAR and EDGAR on November 1, 2013, communicated herewith as **Exhibit P-13**;
 - xiv. the MD&A for the three and nine month periods ended September 30, 2013, filed on SEDAR and EDGAR on November 1, 2013, communicated herewith as **Exhibit P-14**;
 - xv. the press release titled "Valeant Pharmaceuticals Reports Fourth Quarter And Full Year 2013 Financial Results," filed on EDGAR on February 27, 2014, communicated herewith as **Exhibit P-15**;
 - xvi. the annual report on Form 10-K for the three month period and year ended December 31, 2013, filed on SEDAR and EDGAR on February 28, 2014, communicated herewith as **Exhibit P-16**;
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- xvii. the audited annual financial statements for the three month period and year ended December 31, 2013, filed on SEDAR and EDGAR on February 28, 2014, communicated herewith as **Exhibit P-17**;
 - xviii. the MD&A for the three month period and year ended December 31, 2013, filed on SEDAR and EDGAR on February 28, 2014, communicated herewith as **Exhibit P-18**;
 - xix. the management Information circular dated April 21, 2014, filed on SEDAR and EDGAR on April 22, 2014, communicated herewith as **Exhibit P-19**;
 - xx. the press release titled "Valeant Pharmaceuticals Reports First Quarter 2014 Financial Results," filed on SEDAR and EDGAR on May 8, 2014, communicated herewith as **Exhibit P-20**;
 - xxi. the interim financial statements for the three month period ended March 31, 2014, filed on SEDAR and EDGAR on May 9, 2014, communicated herewith as **Exhibit P-21**;
 - xxii. the MD&A for the three month period ended March 31, 2014, filed on SEDAR and EDGAR on May 9, 2014, communicated herewith as **Exhibit P-22**;
 - xxiii. the press release titled "Valeant Pharmaceuticals Reports Second Quarter 2014 Financial Results," filed on SEDAR and EDGAR on July 31, 2014, communicated herewith as **Exhibit P-23**;
 - xxiv. the interim financial statements for the three and six month periods ended June 30, 2014, filed on SEDAR on July 31, 2014 and on EDGAR on August 1, 2014, communicated herewith as **Exhibit P-24**;
 - xxv. the MD&A for the three and six month periods ended June 30, 2014, filed on SEDAR on July 31, 2014 and on EDGAR on August 1, 2014, communicated herewith as **Exhibit P-25**;
 - xxvi. the press release titled "Valeant Pharmaceuticals Reports Second Quarter 2014 Financial Results," filed on SEDAR and EDGAR on October 20, 2014, communicated herewith as **Exhibit P-26**;
 - xxvii. the interim financial statements for the three and nine month periods ending September 30, 2014, filed on SEDAR and EDGAR on October 24, 2014, communicated herewith as **Exhibit P-27**;
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- xxviii. the MD&A for the three and nine month periods ending September 30, 2014, filed on SEDAR and EDGAR on October 24, 2014, communicated herewith as **Exhibit P-28**;
 - xxix. the press release titled “Valeant Pharmaceuticals Reports Fourth Quarter And Full Year 2014 Financial Results,” filed on SEDAR and EDGAR on February 23, 2015, communicated herewith as **Exhibit P-29**;
 - xxx. the annual report on Form 10-K for the three month period and year ended December 31, 2014, filed on SEDAR and EDGAR on February 25, 2015, communicated herewith as **Exhibit P-30**;
 - xxxi. the audited annual financial statements for the three month period and year ended December 31, 2014, filed on SEDAR and EDGAR on February 25, 2015, communicated herewith as **Exhibit P-31**;
 - xxxii. the MD&A for the three month period and year ended December 31, 2014, filed on SEDAR and EDGAR on February 25, 2015, communicated herewith as **Exhibit P-32**;
 - xxxiii. the management information circular dated April 9, 2015, filed on SEDAR and EDGAR on April 9, 2015, communicated herewith as **Exhibit P-33**;
 - xxxiv. the press release titled “Valeant Pharmaceuticals Reports First Quarter 2015 Financial Results,” filed on SEDAR and EDGAR on April 29, 2015, communicated herewith as **Exhibit P-34**;
 - xxxv. the interim financial statements for the three month period ended March 31, 2015, filed on SEDAR and EDGAR on April 30, 2015, communicated herewith as **Exhibit P-35**;
 - xxxvi. the MD&A for the three month period ended March 31, 2015, filed on SEDAR and EDGAR on April 30, 2015, communicated herewith as **Exhibit P-36**;
 - xxxvii. the press release titled “Valeant Pharmaceuticals Reports Second Quarter 2015 Financial Results,” filed on SEDAR and EDGAR on July 23, 2015, communicated herewith as **Exhibit P-37**;
 - xxxviii. the interim financial statements for the three and six month periods ended June 30, 2015, filed on SEDAR on July 27, 2015 and on EDGAR on July 28, 2015, communicated herewith as **Exhibit P-38**;
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xxxix. the MD&A for the three and six month periods ended June 30, 2015, filed on SEDAR on July 27, 2015 and on EDGAR on July 28, 2015, communicated herewith as **Exhibit P-39**;

xl. the press release titled “Valeant Pharmaceuticals Reports Third Quarter 2015 Financial Results,” filed on SEDAR and EDGAR on October 19, 2015, communicated herewith as **Exhibit P-40**;

xli. the **Prospectuses**; and

xlii. the **Offering Memoranda**;

in each case, where applicable, including all documents incorporated by reference therein;

l. “**Individual Defendants**” (each being an “**Individual Defendant**”) means J. Michael Pearson, Howard B. Schiller, Robert L. Rosiello, Robert A. Ingram, (...) Ronald H. Farmer, Theo Melas-Kyriazi, G. Mason Morfit, Dr. Laurence Paul, Robert N. Power, Norma A. Provencio, Lloyd M. Segal, Katharine B. Stevenson, Fred Hassan, Colleen Goggins, Anders O. Lonner and Jeffrey W. Ubben;

m. “**MD&A**” means Management’s Discussion and Analysis;

n. “**Notes**” means Valeant’s:

i. 6.75% senior notes due 2018;

ii. 7.50% senior notes due 2021;

iii. 5.625% senior notes due 2021;

iv. 5.50% senior unsecured notes due 2023;

v. 5.375% senior unsecured notes due 2020;

vi. 5.875% senior unsecured notes due 2023;

vii. 4.50% senior unsecured notes due 2023; and

viii. 6.125% senior unsecured notes due 2025;

o. (...);

p. “**Offering Memoranda**” means Valeant’s:

- i. Offering Circular dated June 27, 2013, communicated herewith as **Exhibit P-41**;
 - ii. Offering Circular dated November 15, 2013, communicated herewith as **Exhibit P-42**;
 - iii. Offering Memorandum dated January 15, 2015, communicated herewith as **Exhibit P-43**; and
 - iv. Offering Memorandum dated March 13, 2015, communicated herewith as **Exhibit P-44**;
- q. “**Offerings**” (each being an “**Offering**”) means the (...) offerings of **Valeant’s Securities** during the **Class Period** by way of the **Offering Memoranda** and the **Prospectuses**, as particularized herein;
- r. “**Philidor**” means Philidor Rx Services, LLC a specialty pharmacy based in Pennsylvania and, as the context may require, includes Philidor Rx Services’ subsidiaries and its affiliates as well as the specialty pharmacies included in the extended network of **Specialty Pharmacies** including, but not limited to, the pharmacies in which Philidor Rx Services had, directly or indirectly, equity, ownership or other financial interests including, but not limited to, R&O Pharmacy, a pharmacy located in Camarillo, California;
- s. “**Plaintiffs**” and “**Plaintiff Representatives**” mean (...) Mr. Celso Catucci and Ms. Nicole Aubin;
- t. “**Prospectuses**” means **Valeant’s**:
- i. Short Form Base Shelf Prospectus dated and filed on SEDAR on June 14, 2013, communicated herewith as **Exhibit P-45**;
 - ii. Prospectus Supplement dated and filed on SEDAR on June 18, 2013, communicated herewith as **Exhibit P-46**;
 - iii. Prospectus dated June 10, 2013, filed on EDGAR on June 19, 2013, communicated herewith as **Exhibit P-47**;
 - iv. Prospectus Supplement dated June 18, 2013, filed on EDGAR on June 19, 2013, communicated herewith as **Exhibit P-48**;
 - v. Prospectus dated June 10, 2013, filed on EDGAR on March 18, 2015, communicated herewith as **Exhibit P-49**; and
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- vi. Prospectus Supplement dated March 17, 2015, filed on EDGAR on March 18, 2015, communicated herewith as **Exhibit P-50**;
 - u. **"PWC"** means PricewaterhouseCoopers LLP;
 - v. **"QSA"** means the *Quebec Securities Act*, CQLR C V-1.1, as amended;
 - w. **"Securities"** means **Valeant's** common shares and **Notes**;
 - x. **"Securities Legislation"** means, collectively, the **QSA**; the *Securities Act*, RSO 1990, c S.5, as amended; the *Securities Act*, RSA 2000, c S-4, as amended; the *Securities Act*, RSBC 1996, c 418, as amended; the *Securities Act*, CCSM c S50, as amended; the *Securities Act*, SNB 2004, c S-5.5, as amended; the *Securities Act*, RSNL 1990, c S-13, as amended; the *Securities Act*, SNWT 2008, c 10, as amended; the *Securities Act*, RSNS 1989, c 418, as amended; the *Securities Act*, S Nu 2008, c 12, as amended; the *Securities Act*, RSPEI 1988, c S-3.1, as amended; the *Securities Act*, 1988, SS 1988-89, c S-42.2, as amended; and the *Securities Act*, SY 2007, c 16, as amended;
 - y. **"SEDAR"** means the system for electronic document analysis and retrieval of the Canadian Securities Administrators;
 - z. **"Specialty Pharmacies"** means **Valeant's** network of mail-order or other specialty pharmacies including, but not limited to, **Philidor**, with which **Valeant** had undisclosed relationships during the **Class Period** and through which it implemented its **Alternative Fulfillment Program**;
 - aa. **"Underwriters"** (each being an **"Underwriter"**) means, collectively, Goldman, Sachs & Co, Goldman, Sachs Canada Inc., Deutsche Bank Securities Inc., Barclays Capital Inc., HSBC Securities (USA) Inc., Mitsubishi UFJ Securities (USA) Inc., DNB Markets Inc., RBC Capital Markets LLC, Morgan Stanley & Co. LLC, SunTrust Robinson Humphrey Inc., Citigroup Global Markets Inc., CIBC World Markets Corp, SMBC Nikko Securities America Inc., TD Securities (USA) LLC, J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and BMO Capital Markets Corp, which acted as underwriters, bookrunners, dealers or initial (...) purchasers in connection with one or more of the **Offerings**;
 - bb. **"Valeant"** means the defendant, Valeant Pharmaceuticals International, Inc. and, as the context may require, includes its subsidiaries and affiliates; and
 - cc. **"Valeant Defendants"** means **Valeant** and the **Individual Defendants**, collectively;
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II. INTRODUCTION

1) Overview of Proposed Action

2. This securities class proceeding arises from the circumstances surrounding Valeant's previously undisclosed relationships with Specialty Pharmacies;
 3. Valeant's story begins in 2010, when two struggling pharmaceutical companies, the Canadian Biovail Corporation and California-based Valeant Pharmaceuticals, amalgamated in a reverse take-over transaction. The result of the amalgamation was the Defendant Valeant. Under the management of its CEO, the defendant Pearson, Valeant was determined to become one of the largest pharmaceutical companies in the world;
 4. In the few years that followed, Valeant aggressively pursued a growth-oriented business strategy that was predicated upon leveraged acquisitions of existing pharmaceutical portfolios. As a result of a flurry of about 100 small and large acquisitions, Valeant became the largest company trading on the TSX. By 2015, Valeant's claimed revenues had grown by more than 700%; its stock price (...) increased by 1700% reaching, at its peak, \$346; and its market capitalization, for a brief period, was the largest in Canada, exceeding \$110 billion;
 5. As Valeant's growth has been mainly driven by acquisitions, it was imperative for the Defendants to demonstrate to investors that Valeant was not simply a conglomerate of several pharmaceutical companies; rather, that its business units were growing organically under Valeant's management as an integrated company. To tout Valeant's growth, the Valeant Defendants devised and consistently reported "organic growth" rates—a crucial financial metric that purports to represent the year-over-year growth of Valeant's business units under Valeant's management;
 6. In the past few years, Valeant has consistently reported "robust" and "sustainable" organic growth rates, with those rates significantly increasing to over 15% in 2015, creating the illusion that Valeant was a success story;
 7. In October 2015, however, investors began to learn that Valeant's success story was far from what the Defendants had claimed. Unbeknownst to the Class Members, the growth rates Valeant reported over the recent past and its stated growth prospects were, in a significant part, predicated on Valeant's relationships with and its conduct of business through Specialty Pharmacies;
 8. Specialty Pharmacies represented a network of mail-order or other pharmacies that was first established in early-2013 with Valeant's participation and under its control. Over the course of the Class Period, the Specialty Pharmacies would rapidly
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expand to include tens of pharmacies operating across the United States and purportedly generating hundreds of millions of dollars in revenues for Valeant;

9. Specialty Pharmacies provided for a non-transparent, alternative sales channel for Valeant's products that helped improve Valeant's sales in the key United States market by appearing to: (a) maintain and improve the volumes of Valeant's sales; and (b) maintain and improve the profitability of those sales;
 10. In the past several years, Valeant has aggressively increased the prices of its products. In the face of Valeant's aggressive pricing practices and competition from significantly cheaper generic or other similar products, Specialty Pharmacies helped artificially improve Valeant's financial and operational results by facilitating distribution and sales of those products. Specialty Pharmacies' activities were aimed to ensure that Valeant's expensive products were dispensed to patients, despite the availability of generic and other competitive drugs at significantly lower costs and that, when medications were dispensed to patients, the payers—generally, insurers—would pay for the drugs. In order to achieve these results, Specialty Pharmacies engaged in a host of improper business practices that, at a minimum, were in violation of their contracts with the insurers;
 11. Based on Specialty Pharmacies' improper activities, and taking advantage of the opportunities that this alternative sales channel provided, Valeant appeared to improve the distribution and sales figures for its over-priced products, thereby artificially (...) improving its financial and operational results over the course of the Class Period. To wit, revenues generated by Specialty Pharmacies contributed to as much as 50% of Valeant's organic growth rates in 2015;
 - 11.1 Additionally, during the Class Period, Valeant engaged in improper revenue generating activities, improper revenue recognition, recognition of improper or uncollectible accounts receivable, and/or channel stuffing, within and beyond the Specialty Pharmacies network. These improper activities were carried out by way of transactions which Valeant refers to as "non-standard revenue transactions" in its recent, post-Class Period disclosures. These activities included transactions that were not executed in the normal course of business under applicable accounting standards and included fulfillment of unusually large orders with extended payment terms and increased pricing, an emphasis on delivering products prior to the execution of related contracts, and/or delivering products beyond inventory target levels, particularly at or near the end of financial reporting periods. These improper revenue generating activities violated GAAP;
 12. During the Class Period, the Defendants provided no disclosure regarding Specialty Pharmacies, Valeant's relationships with and its conduct of business through them, or the impact of these relationships on Valeant's business, including the significant adverse risks to which these relationships exposed Valeant and its business and
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operations. It was only after the Class Period that investors began to learn of these issues;

- 12.1 In October 2015, information began to emerge regarding Valeant's improper pricing and distribution practices, particularly within the context of its previously undisclosed relationships with Specialty Pharmacies, as well as Valeant's improper financial reporting practices;
 - 12.2 Subsequently, Valeant admitted to its previously undisclosed relationships with Specialty Pharmacies including Philidor, provided certain details regarding those relationships, terminated its relationships with Specialty Pharmacies and formed an *ad hoc* committee of its Board of Directors to investigate Valeant's relationships with Specialty Pharmacies and related matters. As a result of these investigations, in April 2016, *inter alia*, Valeant disclosed that it had improperly recognized certain revenues within its relationships with Specialty Pharmacies and restated those revenues and related financial statement accounts. Furthermore, Valeant disclosed that its internal controls suffered from material weaknesses relating to "tone at the top" of Valeant's enterprise as well as "non-standard revenue transactions" resulting, in part, in financial statement misstatements;
 - 12.3 Valeant's significant and material internal controls weaknesses existed at all material times during the Class Period and contributed to Valeant's improper financial reporting and the Defendants' other misrepresentations in the Impugned Documents, as particularized herein;
 13. In the aftermath of these revelations, many questions and uncertainties have arisen in respect of Valeant's past, current and future operations. Several investigations have commenced into Valeant's business practices, including investigations by the United States authorities and Senate, (...) as well as inquiries by the Autorité des Marchés Financiers. The full extent of Valeant's relationships with Specialty Pharmacies, its other improper revenue generating activities and the impact of those relationships on Valeant's business and financial results have not yet been (...) disclosed to investors, although this information is known to the Defendants;
 14. The Defendants were required at law to disclose all material information about Valeant, but they failed to do so. They withheld material information regarding Valeant's relationships with Specialty Pharmacies and made other misrepresentations in the Impugned Documents arising therefrom, as particularized herein;
 15. As a result of the Defendants' misrepresentations, the public price or value of Valeant's Securities was artificially inflated at all material times during the Class Period, with the result that the Class Members acquired Valeant's Securities at artificially inflated prices;
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16. As the Defendants' misrepresentations began to be publicly corrected, the public price or value of Valeant's Securities plummeted by as much as 80%, Valeant's market capitalization declined by tens of billions of dollars and the Class Members suffered significant damages. In this action, the Plaintiffs seek(...) to recover those damages and losses on (...) their own behalf and on behalf of the other Class Members from those who are responsible for their damages—the Defendants;

2) The Parties

a. The Plaintiff Representatives and the Class They Seek to Represent

17. The proposed Class and the proposed sub-classes are as defined at paragraph 1(e);
18. Plaintiff Celso Catucci purchased (...) two hundred (200) Valeant securities on October 19, 2015 and one hundred thirty (130) Valeant securities on October 20, 2015, for a total of three hundred thirty (330) Valeant securities. Mr. Catucci continued to hold those securities until October 21, 2015. Mr. Catucci resides in Ontario;
19. Plaintiff Nicole Aubin purchased, for her benefit and for the benefit of the Aubin Family Trust, five hundred (500) Valeant securities on August 28, 2015 and continued to hold these securities until (...) October 21, 2015. She is a resident of Quebec;
20. Plaintiff Representatives each seek the status of representative for the Class and the two sub-classes;
21. Plaintiff Representatives also seek authorisation pursuant to article 225.4 of the QSA and, if necessary, the concordant provisions of any other Securities Legislation;

b. Valeant

22. During the Class Period, Valeant was a multinational pharmaceutical company with a focus on branded pharmaceuticals, branded generics and over-the-counter products;
 23. Valeant is incorporated under the laws of British Columbia; its elected domicile is Quebec; its international headquarters are in Laval, Quebec; its principle executive offices are in Laval, Quebec; its principle establishment is in Laval, Quebec and it holds its annual shareholders' meetings in Laval, Quebec;
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24. Valeant is a reporting issuer and a responsible issuer in Quebec and all other provinces of Canada. Valeant's principal regulator is the Autorité des Marchés Financiers (the "AMF"). During the Class Period, Valeant regularly reported to the AMF in accordance with the requirements of the QSA and its subsidiary instruments and regulations, including in respect of the conduct of the Offerings;
 25. Valeant's common shares are listed for trading on the Toronto Stock Exchange ("TSX") and the New York Stock Exchange ("NYSE"). During the Class Period, Valeant's common shares traded under ticker symbol "VRX" on the TSX, the NYSE and other secondary market trading venues in Canada, United States and elsewhere, and its (...) Notes also traded in the secondary market;
 26. As a reporting issuer in Quebec, Valeant was required during the Class Period to issue and file with the AMF and SEDAR:
 - (i) within 45 days of the end of each quarter, quarterly interim financial statements prepared in accordance with GAAP that must include a comparative statement to the end of each of the corresponding periods in the previous financial year;
 - (ii) within 90 days of the end of the fiscal year, annual financial statements prepared in accordance with GAAP, including comparative financial statements relating to the period covered by the preceding financial year;
 - (iii) contemporaneously with each of the above, an MD&A of each of the above financial statements; and
 - (iv) within 90 days of the end of the fiscal year, an AIF, including material information about the company and its business at a point in time in the context of its historical and possible future development. Pursuant to National Instrument 51-102, during the Class Period, Valeant's AIFs were filed as Annual Reports on Form 10-K. Valeant's Annual Reports on Form 10-K are the equivalent of AIFs for Canadian securities law purposes;
 27. MD&As are a narrative explanation of how the company performed during the period covered by the financial statements, and of the company's financial condition and future prospects. The MD&A must discuss important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in future;
 28. AIFs are an annual disclosure document intended to provide material information about the company and its business at a point in time in the context of its historical
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and future development. The AIF must describe the company, its operations and prospects, risks and other external factors that impact the company specifically;

29. Valeant is also a registrant with the United States Securities and Exchange Commission, and files its disclosure documents on EDGAR;

c. The Individual Defendants

30. The Individual Defendants were at the relevant times Valeant's directors and/or officers within the meaning of the QSA and the other Securities Legislation, and were involved in Valeant's business, operations, financial reporting and the making of its disclosures;
31. At all material times during the Class Period, J. Michael Pearson ("Pearson") was Valeant's Director, Chairman of the Board and Chief Executive Officer ("CEO"). In his capacity as Valeant's CEO, Pearson: (a) certified each of the Impugned Documents that are quarterly and annual disclosures of Valeant; (b) signed each of the Impugned Documents that are Valeant's AIFs; and (c) signed and certified Valeant's Short Form Base Shelf Prospectus dated June 14, 2013, which was supplemented by the Prospectus Supplement dated June 18, 2013 (each an Impugned Document). Pearson ceased to be CEO and a Director of Valeant in April 2016. At all relevant times, Pearson was a director and an officer of Valeant within the meaning of the Securities Legislation;
32. At all material times during the Class Period, Howard B. Schiller ("Schiller") was Valeant's Director, Executive Vice President and Chief Financial Officer ("CFO"). In his capacity as Valeant's CFO, Schiller: (a) certified each Impugned Document that was issued until June 2015, when he ceased to be Valeant's CFO; (b) signed each of the Impugned Documents that are Valeant's AIFs; and (c) signed and certified Valeant's Short Form Base Shelf Prospectus dated June 14, 2013, which was supplemented by the Prospectus Supplement dated June 18, 2013 (each an Impugned Document). In January and February 2016, Schiller served as Valeant's interim-CEO while, according to Valeant, Pearson was on medical leave. At all relevant times, Schiller was a director and/or an officer of Valeant within the meaning of the Securities Legislation;
- 32.1 In March 2016, in connection with Valeant's *ad hoc* committee investigations, Valeant stated that Schiller had engaged in improper conduct and provided incorrect information to Valeant's Audit and Risk Committee and auditors, which contributed to Valeant's financial statement misstatements. Additionally, Valeant stated that it had requested that Schiller resign from the Board of Directors, but that Schiller had declined that request. In April 2016, Valeant announced that Schiller would not stand for re-election at the Annual General Meeting of Shareholders on June 14, 2016;
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33. Robert L. Rosiello (“Rosiello”) became the CFO of Valeant in June 2015. In his capacity as Valeant’s CFO, he certified Valeant’s quarterly disclosures that were issued after July 2015. At all relevant times, Rosiello was an officer of Valeant within the meaning of the Securities Legislation;
 34. At all material times during the Class Period, Robert A. Ingram (“Ingram”) was a member of Valeant’s Board of Directors. Ingram was a director of Valeant within the meaning of the Securities Legislation. Ingram signed each of the Impugned Documents that are Valeant’s AIFs;
 35. At all material times during the Class Period, Ingram was the Lead Independent Director of Valeant. In his capacity as such, Ingram had specific and stated responsibilities, including: (a) fostering processes that allow the Board to function independently of management and encouraging open and effective communication between the Board and management of the Company; and (b) in the case of a conflict of interest involving a Director, if appropriate, asking the conflicted Director to leave the room during discussion concerning such matter and, if appropriate, asking such Director to recuse him or herself from voting on the relevant matter. Ingram failed to comply with his duties and responsibilities as Valeant’s Lead Independent Director;
 36. At all material times during the Class Period, (...) Ronald H. Farmer (“Farmer”) was a member of Valeant’s Board of Directors. At all relevant times, Farmer was a director of Valeant within the meaning of the Securities Legislation. On behalf of Valeant’s Board of Directors, Farmer signed and certified Valeant’s Short Form Base Shelf Prospectus dated June 14, 2013, which was supplemented by the Prospectus Supplement dated June 18, 2013 (each an Impugned Document). Farmer also signed each of the Impugned Documents that are Valeant’s AIFs. In April 2016, Valeant announced that Farmer would not stand for re-election at the Annual General Meeting of Shareholders on June 14, 2016;
 37. At all material times during the Class Period, Theo Melas-Kyriazi (“Melas-Kyriazi”) was a member of Valeant’s Board of Directors. At all relevant times, Melas-Kyriazi was a director of Valeant within the meaning of the Securities Legislation. Melas-Kyriazi signed each of the Impugned Documents that are Valeant’s AIFs. In April 2016, Valeant announced that Melas-Kyriazi would not stand for re-election at the Annual General Meeting of Shareholders on June 14, 2016;
 38. During the Class Period, Mason G. Morfit (“Morfit”) was a member of Valeant’s Board of Directors. In May 2014, Morfit ceased to be a director of Valeant, but was re-appointed as of October 25, 2015. Morfit was a director of Valeant within the meaning of the Securities Legislation. On behalf of Valeant’s Board of Directors,
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Morfit signed and certified Valeant's Short Form Base Shelf Prospectus dated June 14, 2013, which was supplemented by the Prospectus Supplement dated June 18, 2013 (each an Impugned Document). Morfit also signed each of Valeant's 2012 and 2013 AIFs. In April 2016, Valeant announced that Morfit would not stand for re-election at the Annual General Meeting of Shareholders on June 14, 2016;

39. Dr. Laurence E. Paul ("Paul") was a member of Valeant's Board of Directors until May 2013, when he ceased to have that position. Paul was a director of Valeant within the meaning of the Securities Legislation. Paul signed Valeant's 2012 AIF;
 40. At all material times during the Class Period, Robert N. Power ("Power") was a member of Valeant's Board of Directors. Power was a director of Valeant within the meaning of the Securities Legislation. Power signed each of the Impugned Documents that are Valeant's AIFs;
 41. At all material times during the Class Period, Norma A. Provencio ("Provencio") was a member of Valeant's Board of Directors. Provencio was a director of Valeant within the meaning of the Securities Legislation. Provencio signed each of the Impugned Documents that are Valeant's AIFs. In April 2016, Valeant announced that Provencio would not stand for re-election at the Annual General Meeting of Shareholders on June 14, 2016;
 42. Lloyd M. Segal ("Segal") was a member of Valeant's Board of Directors until May 2014, when he ceased to have that position. Segal was a director of Valeant within the meaning of the Securities Legislation. Segal signed Valeant's 2012 and 2013 AIFs;
 43. At all material times during the Class Period, Katharine B. Stevenson ("Stevenson") was a member of Valeant's Board of Directors. Stevenson was a director of Valeant within the meaning of the Securities Legislation. Stevenson signed each of the Impugned Documents that are Valeant's AIFs. In March 2016, Valeant announced that Stevenson had voluntarily resigned from the Board of Directors;
 44. Fred Hassan ("Hassan") was a member of Valeant's Board of Directors until May 2014, when he ceased to have that position. Hassan was a director of Valeant within the meaning of the Securities Legislation;
 45. Colleen Goggins ("Goggins") was appointed a member of Valeant's Board of Directors in May 2014, and continues to hold that position until June 2016. Goggins was a director of Valeant within the meaning of the Securities Legislation. Goggins signed Valeant's 2014 AIF. In April 2016, Valeant announced that Goggins would not stand for re-election at the Annual General Meeting of Shareholders on June 14, 2016;
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46. Anders O. Lonner (“Lonner”) was appointed a member of Valeant’s Board of Directors in May 2014, and (...) held that position until March 8, 2016, when, according to Valeant,he resigned as a director due to “other priorities and personal commitments”. Lonner was a director of Valeant within the meaning of the Securities Legislation. Lonner signed Valeant’s 2014 AIF;
 47. Jeffrey W. Ubben (“Ubben”) was appointed a member of Valeant’s Board of Directors in October 2014, and held that position until August 2015. Ubben was a director of Valeant within the meaning of the Securities Legislation. Ubben signed Valeant’s 2014 AIF;
 48. At all material times during the Class Period, Provencio (Chairperson), Melas-Kyriazi and Stevenson were members of Valeant’s Board of Directors’ Audit and Risk Committee. In their capacities as such, these defendants had specific responsibilities to oversee: (a) the quality and conduct of audits of Valeant; (b) the quality and reporting of Valeant’s audited and interim financial statements and accompanying press releases; (c) the quality and function of Valeant’s internal controls; (d) Valeant’s risk management system, policies and practices, including with respect to material risks to Valeant’s business; (e) ethical compliance, including with respect to Valeant’s Standards of Business Conduct; (f) compliance with laws, regulations and guidelines; and (g) conflicts of interests, including to conduct reviews of transactions or proposed transactions in which an executive officer of Valeant or a senior financial officer of Valeant has a conflicting interest; all as set out in Valeant’s stated Charter of the Audit and Risk Committee. At all material times during the Class Period, Provencio, Melas-Kyriazi and Stevenson failed to comply with their stated duties and responsibilities as members of Valeant’s Board’s Audit and Risk Committee;
 49. During the Class Period, Power (Chairperson; 2014-2015), Segal (Chairperson; 2013), Paul, Farmer, Ingram, Melas-Kyriazi and Goggins were members of Valeant’s Board of Directors’ Nominating and Corporate Governance Committee. In their capacities as such, these defendants had specific responsibilities to (a) oversee Valeant’s corporate governance practices, policies and procedures; (b) ensure the proper flow of information to the Valeant Board; and (c) foster a healthy corporate governance culture within Valeant; all as set out in Valeant’s stated Charter of the Nominating and Corporate Governance Committee. At all material times during the Class Period, Power, Segal, Paul, Farmer, Ingram, Melas-Kyriazi and Goggins failed to comply with their stated duties and responsibilities as members of Valeant’s Board’s Nominating and Corporate Governance Committee;
 50. The defendants, Ingram (Chairperson), Provencio, Goggins and Morfit (...) were members of the *ad hoc* committee of Valeant’s Board of Directors established on or
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about October 26, 2015 to investigate Valeant's relationships with Philidor—the events out of which this action arises;

- 50.1 In April 2016, the *ad hoc* committee was dissolved by the resolution of the Board of Directors following, according to Valeant, the completion of its review. Valeant has not disclosed details regarding the *ad hoc* committee's mandate, the scope of its reviews, the information it gathered and reviewed, or its findings, although certain of the *ad hoc* committees' findings and recommendations were disclosed by Valeant in its subsequent disclosure filings in April 2016. On July 14, 2016, Valeant declined a request made by the Plaintiffs to disclose certain information regarding the mandate of the *ad hoc* committee and its investigations;
 51. Valeant and the Individual Defendants applied for, subscribed to and received the delivery of insurance contracts in Quebec covering their liability for acts, errors and omission relating to Valeant's operations in Quebec and throughout the world;
 52. PWC is a registered public accountant firm with operations in Canada, United States and across with world. PWC performed engagements for Valeant from its offices in Toronto, Ontario and Florham Park, New Jersey. There is reason to believe that PWC performed audit and related work at Valeant's executive and international headquarters in Quebec and at PWC's own offices in Quebec;
 53. PWC was appointed Valeant's auditor effective March 10, 2011, and it continues to hold that position. PWC was engaged by Valeant's shareholders, including the Class Members, as the outside auditor of Valeant. Valeant's shareholders voted to appoint PWC as Valeant's outside auditor at annual general meetings of Valeant's shareholders. PWC earned significant fees for the services it rendered as Valeant's auditor;
 54. During the Class Period, PWC was an expert (...) within the meaning of the Securities Legislation;
 55. In performing its engagements with Valeant, PWC purported to comply with the Auditors' Professional Standards. PWC failed to comply with those standards;
 56. Among other services, during the Class Period, PWC (...): (a) performed assurance engagements in connection with Valeant's as well as its subsidiaries' quarterly and annual financial statements; (b) audited Valeant's internal controls over financial reporting in conjunction with its annual audits; and (c) performed services in connection with some or all of the Offerings, which are identified herein;
 57. During the Class Period, PWC delivered unqualified audit reports to Valeant's shareholders, including the Class Members, on Valeant's and its subsidiaries'
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financial statements for the years 2012, 2013 and 2014. PWC's audit reports are dated February 25, 2013, February 28, 2014 and February 25, 2015. PWC's audit reports on Valeant's consolidated financial statements were included or incorporated by reference in some or all of the Offering Memoranda and Prospectuses (...) with PWC's consent;

58. As further particularized herein, PWC's audit reports issued during the Class Period were false. Furthermore, PWC failed to comply with the Auditors' Professional Standards in its engagements with Valeant's interim financial statements and offering documents issued in connection with the Offerings;

58.1 PWC received US\$24.30 million, US\$16.25 million and US\$17.68 million, respectively, for its services rendered in connection with fiscal years ended December 31, 2015, 2014 and 2013;

d. Valeant's Offerings and the Involvement of The Underwriters

59. During the Class Period, Valeant completed the Offerings, as follows;

60. On June 24, 2013, in connection with the acquisition of Bausch & Lomb Holdings Incorporated, Valeant completed a brokered Offering of its common shares for gross proceeds of US\$2,300 million. These Securities were distributed pursuant to a Prospectus Supplement dated June 18, 2013 to a Short Form Base Shelf Prospectus dated June 14, 2013, and a Prospectus Supplement dated June 18, 2013 to a Prospectus dated June 10, 2013, which are Impugned Documents;

61. The Prospectus issued in connection with this Offering stated that it incorporated by reference Valeant's Form 10-K for annual 2012, the audited consolidated financial statements for annual 2012 and Form 10-Q for the first quarter 2013. Pearson and Schiller signed a certificate affirming the accuracy of the financial statements, that all the material facts were disclosed and that Valeant has adequate internal controls;

62. The "Plan of Distribution" contained in the prospectus supplement provided that Valeant had applied to list the offered shares on the TSX. Furthermore, the underwriting agreement between Valeant and the underwriters in this Offering dated June 18, 2013 stated that Valeant had obtained and delivered to the underwriters a copy of the letter from the TSX advising Valeant that conditional approval of the listing of the shares offered and distributed in this Offering, subject to the satisfaction of the customary conditions set out therein (...);

62.1 This Offering constituted a distribution of securities in Quebec and/or a distribution of securities from Quebec to persons established outside of Quebec within the meaning and for the purposes of the QSA and its subsidiary instruments and regulations. This Offering was subject to the requirements of Quebec securities

laws, and was carried out by way of a prospectus filed with and received by the AMF and such other proceedings, approvals, permits and consents as required under Quebec securities laws;

63. The defendants, Goldman, Sachs & Co and Goldman, Sachs Canada Inc. acted as Underwriters, and received substantial commission fees, in connection with this Offering;
 64. On July 12, 2013, in connection with the acquisition of Bausch & Lomb Holdings Incorporated, Valeant issued: (i) US\$1,600 million aggregate principal amount of the 6.75% senior notes due 2018; and (ii) US\$1,625 million aggregate principal amount of the 7.50% senior notes due 2021. These Securities were distributed via brokered Offerings that were undertaken pursuant to an Offering Circular dated June 27, 2013, which is an Impugned Document;
 - 64.1 This Offering constituted a distribution of securities in Quebec and/or a distribution of securities from Quebec to persons established outside of Quebec within the meaning and for the purposes of the QSA and its subsidiary instruments and regulations. This Offering was subject to the requirements of Quebec securities laws, and was carried out pursuant to such proceedings, approvals, permits and consents as required under Quebec securities laws;
 65. The defendants, Goldman, Sachs & Co, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and RBC Capital Markets LLC acted as Underwriters, and received substantial commission fees, in connection with this Offering;
 66. On December 2, 2013, Valeant issued US\$900 million aggregate principal amount of the 5.625% senior notes due 2021. These Securities were distributed via a brokered Offering that was undertaken pursuant to an Offering Circular dated November 15, 2013, which is an Impugned Document;
 - 66.1 This Offering constituted a distribution of securities in Quebec and/or a distribution of securities from Quebec to persons established outside of Quebec within the meaning and for the purposes of the QSA and its subsidiary instruments and regulations. This Offering was subject to the requirements of Quebec securities laws, and was carried out pursuant to such proceedings, approvals, permits and consents as required under Quebec securities laws;
 67. The defendants, Goldman, Sachs & Co, Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, Barclays Capital Inc., Citigroup Global Markets Inc., DNB Markets Inc., Morgan Stanley & Co. LLC, RBC Capital Markets LLC, SunTrust Robinson Humphrey Inc., CIBC World Markets Corp, HSBC
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Securities (USA) Inc., Mitsubishi UFJ Securities (USA) Inc. and TD Securities (USA) LLC acted as Underwriters, and received substantial commission fees, in connection with this Offering;

68. On January 30, 2015, Valeant issued US\$1,000 million aggregate principal amount of the 5.50% Senior Unsecured Notes due 2023. These Securities were distributed via a brokered Offering that was undertaken pursuant to an Offering Memorandum dated January 15, 2015, which is an Impugned Document;

68.1 This Offering constituted a distribution of securities in Quebec and/or a distribution of securities from Quebec to persons established outside of Quebec within the meaning and for the purposes of the QSA and its subsidiary instruments and regulations. This Offering was subject to the requirements of Quebec securities laws, and was carried out pursuant to such proceedings, approvals, permits and consents as required under Quebec securities laws;

69. The defendants, Barclays Capital Inc., RBC Capital Markets LLC, Deutsche Bank Securities Inc., DNB Markets Inc., HSBC Securities (USA) Inc., Mitsubishi UFJ Securities (USA) Inc., Morgan Stanley & Co. LLC, Citigroup Global Markets Inc., J.P. Morgan Securities LLC and SunTrust Robinson Humphrey Inc. acted as Underwriters, and received substantial commission fees, in connection with this Offering;

70. On March 27, 2015, in connection with the acquisition of Salix Pharmaceuticals, Ltd, Valeant issued: (i) US\$2,000 million aggregate principal amount of the 5.375% senior unsecured notes due 2020; (ii) US\$3,250 million aggregate principal amount of the 5.875% senior unsecured notes due 2023; (iii) €1,500 million aggregate principal amount of the 4.50% senior unsecured notes due 2023; and (iv) US\$3,250 million aggregate principal amount of the 6.125% senior unsecured notes due 2025. These Securities were distributed via brokered Offerings that were undertaken pursuant to an Offering Memorandum dated March 13, 2015, which is an Impugned Document;

70.1 This Offering constituted a distribution of securities in Quebec and/or a distribution of securities from Quebec to persons established outside of Quebec within the meaning and for the purposes of the QSA and its subsidiary instruments and regulations. This Offering was subject to the requirements of Quebec securities laws, and was carried out pursuant to such proceedings, approvals, permits and consents as required under Quebec securities laws;

71. The defendants, Deutsche Bank Securities Inc., HSBC Securities (USA) Inc., Mitsubishi UFJ Securities (USA) Inc., DNB Markets Inc., SunTrust Robinson Humphrey Inc., Barclays Capital Inc., Morgan Stanley & Co. LLC, RBC Capital

Markets LLC, Citigroup Global Markets Inc., BMO Capital Markets Corp, CIBC World Markets Corp, SMBC Nikko Securities America Inc. and TD Securities (USA) LLC acted as Underwriters, and received substantial commission fees, in connection with this Offering;

72. On March 27, 2015, in connection with the acquisition of Salix Pharmaceuticals, Ltd, Valeant completed a brokered Offering of its common shares for gross proceeds of US\$1,450 million. These Securities were distributed pursuant to a Prospectus Supplement dated March 17, 2015 to a Prospectus dated June 10, 2013, which are Impugned Documents;

72.1 The underwriting agreement between Valeant and the underwriters in this Offering dated March 17, 2015 stated that Valeant had obtained and delivered to the underwriters a copy of the letter from the TSX advising Valeant that conditional approval of the listing of the shares offered and distributed in this Offering, subject to the satisfaction of the customary conditions set out therein;

72.2 This Offering constituted a distribution of securities in Quebec and/or a distribution of securities from Quebec to persons established outside of Quebec within the meaning and for the purposes of the QSA and its subsidiary instruments and regulations. This Offering was subject to the requirements of Quebec securities laws, and was carried out pursuant to such proceedings, approvals, permits and consents as required under Quebec securities laws;

73. The defendants, Deutsche Bank Securities Inc., HSBC Securities (USA) Inc., Mitsubishi UFJ Securities (USA) Inc., DNB Markets Inc., Barclays Capital Inc., Morgan Stanley & Co. LLC, RBC Capital Markets LLC and SunTrust Robinson Humphrey Inc. acted as Underwriters, and received substantial commission fees, in connection with this Offering;

74. Valeant's 6.75% senior notes due 2018, 7.50% senior notes due 2021, 5.375% senior unsecured notes due 2020, 5.875% senior unsecured notes due 2023, 4.50% senior unsecured notes due 2023 and 6.125% senior unsecured notes due 2025 were initially issued by certain special purpose vehicle, wholly-owned Canadian subsidiaries of Valeant ("SPVs"). Upon the completion of these Offerings and the related transactions, in each case, the SPVs were voluntarily liquidated, all their obligations were assumed by Valeant, and all their assets including the proceeds of these Offerings were distributed to Valeant. Herein, the term "Valeant" includes the SPVs (and all other Valeant subsidiaries). Valeant is liable for the claims particularized against it herein respecting these Offerings by virtue, among other things, of its being the assignee of all of the SPVs' obligations and liabilities;

III. THE EVENTS OUT OF WHICH THIS ACTION ARISES

1) The Dynamics of Valeant's Business and Its Purported Growth

75. Valeant acquires, develops, manufactures and markets branded, generic and branded generic pharmaceuticals, over-the-counter products and medical devices. Valeant operates in two geographical segments: (a) the Developed Markets; and (b) the Emerging Markets. Valeant's Developed Markets segment represents 75% of its consolidated revenue, with revenues from the United States representing the majority of Valeant's consolidated revenues. Revenues from Valeant's United States operations are material to Valeant and its business and operations;
 76. Valeant's primary focus is on drugs in areas such as dermatology, eye health, aesthetics, oral health, neurology and consumer healthcare;
 77. In the past recent years, Valeant's business has grown significantly, with its reported consolidated revenues increasing from US\$1.2 billion in 2010 to US\$8.3 billion in 2014 (representing a 700% growth);
 78. Valeant's growth over the past recent years is driven by its aggressive pursuit of leveraged acquisitions. The two main drivers of Valeant's business strategies are: (a) purportedly accretive acquisitions of pharmaceutical product portfolios (through the acquisition of other pharmaceutical companies) that, in Valeant's words, purport to "have the potential for strong operating margins and solid growth"; and (b) significant costs reductions including, most notably, in relation to research and development programs, where pharmaceutical companies ordinarily make significant investments for long-term growth and profitability. In carrying on its business, Valeant also takes advantage of a favourable tax structure that it acquired as a result of the reverse merger with Biovail Corporation in 2010;
 79. Since Valeant carries out acquisitions in the normal course of its business, in any given fiscal year its consolidated financial statements include financial statement accounts that are derived from acquisitions and, according to Valeant, do not represent the quality of earnings and the overall financial performance of the assets under Valeant's management. However, Valeant and its management have consistently declined to provide meaningful information regarding the operational and financial results of its distinct business units, making it extremely difficult for the market participants to analyze Valeant's performance;
 80. While Valeant and its management have consistently refused to provide sufficient details regarding the results of Valeant's business units, they have used non-GAAP financial metrics to present the financial results of its operations for use of the Class Members, among others. Most notable amongst these financial metrics is Valeant's
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“organic growth” (also known as “same store sales”)—this non-GAAP measure purports to represent growth rates for businesses that have been owned by Valeant for one year or more. According to Valeant’s management: “Perhaps the most important growth metric is the overall organic growth rate for the company. These rates represent our management team’s proven ability to take declining products and to reverse the trend.” Valeant’s stated organic growth rates are one of the main indicia used by the Class Members, among others, to ascertain the purported success of Valeant’s operations as an integrated pharmaceutical company. Valeant claims that its organic growth financial measure “is useful to [Valeant] investors as it allows for a more consistent period-to-period comparison of [Valeant’s] revenue”;

81. Since 2012, and throughout of the Class Period, Valeant has reported significantly-increasing organic growth rates, utilizing this financial metric to tout its purported success. Valeant’s ever increasing organic growth rates are derived mainly from its sales in the key United States market and are predicated, in significant part, on two main factors described below;
 82. *First, increasing product prices.* Valeant has historically increased the prices of its products year-over-year, purportedly contributing to greater revenues. By way of example, in the first nine months of 2015, the weighted average price of Valeant’s top 10 dermatology branded products was increased by 14% (individual branded drugs’ price increases were as much as 61%); revenues from these products represent 62% of Valeant’s U.S. dermatology business. Similarly, in the first nine months of 2015, the weighted average price of Valeant’s top 10 ophthalmology branded products was increased by 10%; revenues from these products represent 86% of Valeant’s U.S. ophthalmology business;
 83. *Second, increasing sale volumes.* Valeant’s financial results directly derive from revenues that it generates through sales of its products. Two main factors affect Valeant’s revenues from its products’ sales: (a) the volume of the sales (i.e. the quantity of products sold); and (b) the amount of money that Valeant is able to actually collect on those sales from payers—generally, insurers; in other words, the revenue collected from the sales;
 84. Accordingly, Valeant’s revenues are a function of (a) the volume of sales and (b) the revenue that Valeant is able to actually collect on its sales;
 85. The two factors are interrelated: an increase in the price of Valeant product can only translate into greater revenues if Valeant actually (a) sells its products and (b) collects revenue from its sales. In other words, Valeant would realize value from its products only if the products are sold and paid for;
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86. To achieve increases in both product prices and the volume of its sales, during the Class Period, Valeant distributed and sold many of its products through a previously undisclosed network of Specialty Pharmacies, some of which are related companies or subsidiaries, and which were directly and/or indirectly controlled by Valeant and in which Valeant had direct and/or indirect ownership, equity or other financial interests;
87. The purpose of using Specialty Pharmacies was to maintain and improve Valeant's financial results by sustaining both the apparent volume and apparent profitability of Valeant's apparent sales;

2) Specialty Pharmacies

88. (...);
 89. For many of Valeant's branded products, there are less expensive generic or other competitive products, posing a significant risk to Valeant's sales in terms of both volume and profitability. If faced with competition, Valeant's products would see either or both of their sales volume and profitability decline, particularly given Valeant's historical price increase practices. As the defendant Pearson stated on a business update call held on November 10, 2015, "when you, we increased price and the free markets are working ... we've seen volume declines";
 90. There are generally two broad methods through which pharmaceutical products can be sold: through 'conventional' retail pharmacies, or through specialty pharmacies. In the former method, a doctor will write a prescription for a patient, who then attends at a pharmacy to have the prescription filled. This is undesirable from Valeant's perspective for at least two reasons. For example:
 - a. the pharmacist may issue a generic equivalent of the Valeant branded drug (usually at a far lower price), in which case the Valeant product will not be sold;
 - b. even if the pharmacist does issue the Valeant branded drug, when he or she attempts to have the insurer adjudicate the claim and is denied, the pharmacist has no incentive to continue to attempt to have the prescription reimbursed;
 91. To combat this, during the Class Period, Valeant utilized its Specialty Pharmacies network to move its key branded products from, in Pearson's words, "the free markets" to an alternative market in order to sustain sales volumes and profitability of its products;
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92. Specialty Pharmacies typically provide services to doctors and patients not provided by conventional retail pharmacies, such as:
- (i) routinely waiving or reducing the co-payment;
 - (ii) taking responsibility for reimbursement of the drug from the insurers; and
 - (iii) assisting doctors in completing required paperwork;
93. During the Class Period, Valeant used Specialty Pharmacies to induce doctors to prescribe, patients to buy and insurers to pay for Valeant branded drugs instead of alternative or generic drugs which are usually far less expensive;
94. Thus, to maintain and improve the profitability of Valeant's sales, Valeant's Specialty Pharmacies network provided for "backdoors" to circumvent the insurers' claim adjudication and reimbursement processes;
95. As particularized further below, Valeant, directly and/or indirectly, directed the Specialty Pharmacies it had dealings with to engage in improper and illegal practices with the goal of ensuring that when Valeant brand medications were sold to patients, the insurers would pay for them;

3) Philidor and R&O

96. Valeant's business model is illustrated by its dealings with a Specialty Pharmacy named Philidor RX Services, LLC and with R&O Pharmacy Inc.;
97. Philidor is a Specialty Pharmacy incorporated directly or indirectly by Valeant and/or persons or entities affiliated Valeant, in Delaware on January 2, 2013 for the purpose of expanding Valeant's network of Specialty Pharmacies and as part of an undisclosed scheme to inflate Valeant's revenues through improper and illegal conduct;
98. At all material times, Valeant was effectively Philidor's only client;
99. R&O is a pharmacy licensed in California to sell pharmaceutical products through an agreement with a Valeant controlled subsidiary, Isolani LLC ("Isolani"), which was created by Philidor for the sole purpose of acquiring ownership of R&O in order to provide a channel for the sale of Valeant products;
100. R&O obtained a retail pharmacy license in 2013 and is owned and operated by Russel Reitz;
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101. Valeant, directly and/or indirectly through Philidor, purchased the right to acquire R&O and thus, a right to use its license;
 102. Meanwhile, Philidor had been denied a California pharmacy license on the basis of false statements in its application, (...) relating to to Philidor's owners and other financial matters;
 103. Although the full extent of Valeant's involvement with Specialty Pharmacies has yet to be fully disclosed, Valeant's own limited disclosures and public information shows that:
 - (i) Valeant employees were involved in and significantly contributed to setting up and expanding Philidor and the network of the other Specialty Pharmacies (...) during the Class Period; and/or
 - (ii) Valeant and/or persons or entities affiliated with Valeant directly or indirectly funded or contributed to the funding required for the set-up or expansion of Philidor and/or the network of Specialty Pharmacies(...);
 104. While the full extent of Valeant's relationships with its Specialty Pharmacies has yet to be disclosed, it is clear that at all material times during the Class Period, Valeant had a very close and material relationship with Philidor, including *de facto* and legal control;
 105. In December 2014, Valeant entered into an option purchase agreement which granted Valeant an option to acquire Philidor for a \$100 million upfront payment and milestone payments of up to \$133 million, of which, as of the end of the Class Period, \$33 million was paid. Under this transaction, according to the Defendants, Valeant had an option to acquire Philidor for \$0;
 106. Pursuant to this transaction, Valeant effectively acquired Philidor;
 107. Philidor is the tip of the iceberg as Valeant also had material relationships and direct or indirect control over the other Specialty Pharmacies in Valeant's network;
 108. Under Valeant's management and control, over the course of the (...) Class Period, Philidor and its network of Specialty Pharmacies grew significantly to include a variety of Valeant's key dermatology and ophthalmology drugs in the United States;
 109. According to Valeant, in the first nine months of 2015, Philidor generated approximately US\$450 million in net sales;
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4) Improper Practices through Specialty Pharmacies

110. There is little transparency regarding the activities within this sales channel, and Valeant has disclosed little details regarding those activities. However, based on information that was disclosed after the Class Period, Specialty Pharmacies engaged in two kinds of improper activities to maintain and improve Valeant's United States sales;
111. First, in order to maintain and improve sales volume and, accordingly, Valeant's overall financial and operational results, Specialty Pharmacies engaged in a host of practices in order to attract sales traffic for Valeant's products including, among other things: (a) manipulating prescriptions; (b) aggressive marketing practices (some patients have reported receiving unsolicited calls from Specialty Pharmacies to sell medications); (c) providing co-pay waivers to insured patients, whereby they would effectively pay little to nothing for the medications; (d) providing attractive cash-pay options for uninsured patients; (...) (e) improperly re-filling prescriptions; and, (f) improperly using the identification numbers of the pharmacies within the extended network of Specialty Pharmacies to dispense drugs in states in which Philidor was not licensed to sell drugs including California, where Valeant had been denied a license;
112. Second, in order to maintain and improve the profitability of Valeant's sales, the Specialty Pharmacies network provided for "backdoors" to circumvent the insurers' claim adjudication and reimbursement processes. Specialty Pharmacies engaged in improper practices to ensure when medications are sold the insurers would pay for them. For example:
- a. Philidor's employees were directed to manipulate the prescriptions and to improperly add to them "dispense as written," a term that would indicate that the physician required or the patient desired that Valeant's branded products (not the less expensive competitive products) be sold to the patient. Without such a term having been indicated on the prescription, typically a pharmacy is required to sell the competitive generic version of the drug, and the insurer would not pay for Valeant's drugs;
 - b. Philidor's employees were directed to improperly use the identification numbers of the pharmacies in its extended network to resubmit claims after they had been denied by the insurers; and
 - c. when a patient was covered by an insurer with which Philidor did not have a contract, Philidor's employees were directed to submit the adjudication claim through certain of Philidor's partners that had such
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contracts. The partners would then receive payments from the insurers and reimburse Philidor;

113. Specialty Pharmacies' activities in making market for Valeant's products and in collecting revenues from insurers were improper business practices and, at a minimum, in violation of the terms of their contracts with the insurers;

113.1 At all material times during the Class Period, Specialty Pharmacies' activities were undertaken under direct or indirect control, supervision or direction of Valeant, its subsidiaries and affiliates, partners, management or employees and the Individual Defendants;

5) Valeant's Undisclosed Relationships with Specialty Pharmacies

114. During the Class Period, Valeant provided no disclosure regarding its relationships with and its conduct of business through Specialty Pharmacies. It was only after the Class Period that information began to emerge revealing Valeant's close and improper relationships with Specialty Pharmacies;

115. Valeant's relationships with Specialty Pharmacies were built through Philidor;

116. Valeant established its relationships with Philidor as a result of its acquisition of Medicis Pharmaceutical Corporation ("Medicis"), a pharmaceutical company specializing in dermatology products (...). In December 2012, after prolonged negotiations, Valeant eventually acquired Medicis in an all-cash acquisition for \$2.6 billion, representing a 39% premium. Pursuant to this transaction, Medicis (...) became a subsidiary of Valeant;

117. A main consideration in Valeant's acquisition of Medicis was the Alternative Fulfillment Program. In early-2012, Medicis established an earlier version of the Alternative Fulfillment Program in order to reduce losses on, and to improve the profitability of, its prescriptions. Medicis' version of the Alternative Fulfillment Program had a limited scope and was initially unsuccessful;

118. The Valeant Defendants, however, had plans to expand the Alternative Fulfillment Program and to make it successful under Valeant's management. On a business update call held on January 3, 2013, the defendant Pearson explained this program's growth potentials for Valeant as follows:

And again, Medicis is still learning and we're just still learning about what we can do with these AF[*] scripts. So when someone actually makes the call or sends the script to the alternate channel, what can be done with that. And a number of things can be done. One is you can

continue to try to adjudicate the claim just because the claim was or just because the script was rejected at retail pharmacy, does not mean that eventually you can't get the payer to actually pay for it. If you think about the retail pharmacist, the retail pharmacist doesn't have a huge incentive to work hard to get that script reimbursed. In fact you might argue they have the opposite incentive, because they get paid more if they convert it to a generic.

So, all of a sudden if it goes to a different channel where the incentives are in place to actually try to get that claim adjudicated, then -- so there's a significant amount of that volume that gets rejected by retail that you can then adjudicate, and actually get fully paid. And in fact, since it's going through a channel that doesn't include the distributor or the retailer at a higher margin. So, there's that piece that is not insubstantial;

And then the second piece if you think about it, is how much do you actually charge the patient when it turns out they do not have insurance? So the Medicis approach was to say you can get a script of Solodyn for \$20, whether you have insurance or you don't. What we've done with products like Atralin, is we actually charge different prices. If you have insurance, we'll guarantee you get it for \$20. But if you don't, it costs \$75. So we can begin to implement some of those programs;

So, I think through as we continue to learn about this AF program, there are some things that we can do that might actually change the direction in terms of so rather than see a decline in Solodyn, if we're really successful we can begin starting to grow that product again. So it's things like that that sort of start giving us some real optimism in terms of what you can do, and how this program can sort of turn out to a much better case than assuming you didn't have the AF program;

[* Alternative Fulfillment];

119. At a Goldman Sachs event held on June 11, 2013, the defendant, Schiller stated:

Well, alternative fulfillment – I'd say a couple of things. One is, to me, the alternative fulfillment was an example of what the whole pharmaceutical industry, and it's certainly what Mike and I believe, is the trend and that is the focus on a profitable scripts. There was a day when you could call on anybody and almost any script was profitable, those days are gone. So segmenting your customer base and really focusing on profitability has got to be the future. And that alternative fulfillment was the beginning of that journey, but not the endpoint. So I probably think under Medicis, alternative fulfillment was held out a little bit too much as the holy grail. I really think it's actually the starting point, and in some ways, it was quite a clumsy starting point. It wasn't that different, but it's a process where we have generation 2 and generation 3. But it's all trying to focus on profitable scripts, and stay away from

those scripts that are unprofitable, and more judicious use of co-pay cards and the rest. And making sure when a customer, a patient's covered, you get reimbursed for it;

120. At all material times, Valeant's relationships with and its conduct of business through Specialty Pharmacies were material to Valeant and its stakeholders, including the Class Members. As such, the Defendants ought to have disclosed the material facts and information concerning these relationships and related matters, but they failed to do so;
 121. First, from a business model perspective, Valeant's current and future business prospects significantly depended on these relationships, which were designed to maintain and improve Valeant's financial results in the key United States market. Without those relationships, Valeant would experience a decline in its sales volumes and/or profitability and, as a result, it would be unable to maintain its claimed growth rates;
 122. Notably, on December 15, 2015, Valeant disclosed that it had entered into an agreement with Walgreens, a United States retail pharmacy, to replace its Specialty Pharmacies network. As part of the agreement with Walgreens, Valeant stated that the selling price of its prescription-based dermatology and ophthalmological products would be reduced by 10 percent. Additionally, Valeant stated that the price of its branded dermatology and ophthalmological products where generics were available would be reduced by 5 to 95 percent, representing "a weighted average price decrease of more than 50 percent," according to Valeant;
 123. On December 16, 2015, Valeant provided a business update regarding, among other things, the impact of the termination of its relationships with Philidor and the other Specialty Pharmacies on its business. With respect to Q4 2015, Valeant downgraded its revenue from \$3.25 to \$3.45 billion to \$2.7 to \$2.8 billion; although Valeant has not disclosed details regarding these charges and adjustments, Valeant has specifically estimated a negative adjustment of \$250 million due to "Philidor separation," and negative "pricing and volume-related changes" of \$200 million, among other charges;
 124. These recent Valeant disclosures further show that without the Specialty Pharmacies network Valeant's sales would have been negatively impacted in terms of both sales volumes and profitability;
 125. Second, from a business practices perspective, Specialty Pharmacies engaged in improper activities that, at a minimum, were in violation of the terms of their contracts with the insurers. As the revenues generated through the Specialty Pharmacies network were based on improper activities, these revenues were at all
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times material to Valeant's business and operations regardless of the size such revenues;

126. Additionally, Specialty Pharmacies' improper activities exposed the overall business of Valeant to significant and adverse business risks, as particularized herein;

127. Third, Valeant's sales through Specialty Pharmacies materially contributed to Valeant's financial results. For example, these sales were a major contributor to Valeant's increasing (according to the defendant Pearson, "robust") "organic growth" rates—a non-GAAP measure that the Valeant Defendants have used to tout Valeant's purported success in operating its business units as an integrated pharmaceutical company. Based in significant part on the revenues generated through Specialty Pharmacies, Valeant reported organic growth rates that suddenly increased from an average of about 4% in 2013 and the first half of 2014 to 19% in Q3 2014, 16% in Q4 2014, 15% in Q1 2015, 19% in Q2 2015 and 13% in Q3 2015. As of 2015, it is expected that Specialty Pharmacies contributed more than 50% of Valeant's reported organic growth rates;

128. That the Specialty Pharmacies were material to Valeant is further evident from, among other things:

- a. the significant decline in the market price of Valeant's Securities resulting in a damage to Valeant's market capitalization of tens of billions of dollars upon the disclosure of these relationships;
 - b. Valeant's management's deliberate choice to not disclose these relationships due, in their words, to "competitive advantages";
 - c. Valeant's management's taking steps to secure a replacement for Specialty Pharmacies immediately after Valeant terminated its relationships with them; (...)
 - d. the market's negative reaction to the disclosure of previously undisclosed information regarding Valeant's relationships with Specialty Pharmacies, and the many questions that have arisen regarding Valeant's past, current and future operations in light of the recent revelations; and
 - e. the significant decline in Valeant's reported organic growth rates after the Class Period;
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6) Valeant's Other Improper Business Practices and Revenue Generating Activities Within and Beyond Its Relationships with Specialty Pharmacies

128.1 Throughout the Class Period, Valeant engaged in improper business practices and revenue generating activities, including improper revenue recognition, recognition of improper or uncollectible accounts receivable and channel stuffing, including by way of transactions to which Valeant refers as "non-standard revenue transactions" in its post-Class Period disclosures. These improper revenue generating activities included transactions that were not executed in the normal course of business under applicable accounting standards and included fulfillment of unusually large orders with extended payment terms and increased pricing, an emphasis on delivering products prior to the execution of related contracts, and/or delivering products beyond inventory target levels, particularly at or near the end of financial quarters. These improper revenue generating activities were in violation of GAAP, as further particularized below at paragraphs 147-157;

IV. THE DEFENDANTS' MISREPRESENTATIONS

1) Failure to Disclose Material Facts

129.(...) During the Class Period, Valeant had close and extensive relationships with and conducted business through, Specialty Pharmacies such as Philidor;

130.The circumstances of these relationships involved material facts and information that Valeant was required by law to disclose to the Class Members, yet failed to do so;

131.Because there is an efficient market for Valeant's securities, Valeant's share price incorporates and reflects the material facts which Valeant discloses or fails to disclose publicly;

132.Throughout the Class Period the perceived value and corresponding price of Valeant's securities increased well over one hundred and fifty percent (150%);

133.However, during the Class Period, the Valeant Defendants' failure to disclose material facts and their other misrepresentations particularized herein had a significant effect on the market price and value of Valeant's securities as reflected by the drop in price and value after the corrective disclosure;

134.In fact, following the revelations regarding Valeant's relationships with Specialty Pharmacies and the manner in which it had used them to purportedly generate revenue, the market price or value of Valeant's common shares declined by approximately 50%;

135. The market price or value of Valeant's (...) Notes was also negatively affected as a result of these revelations. As a result, the Class Members suffered billions of dollars in damages;

136. When the dust settled, the Defendants' misrepresentations, omissions, want of due diligence, failure to disclose material facts and failure to comply with accounting standards and practices saw billions in Valeant's market capitalization wiped out;

2) Insufficient and Defective Risk Disclosures

137. The Valeant Defendants had a legal obligation to disclose all risk factors relating to (...) Valeant's business, including any matter that would be most likely to influence an investor's decision to purchase Valeant's securities;

138. The Valeant Defendants purported to disclose such risk factors in the its primary and secondary market public disclosures during the Class Period yet failed to do so;

139. Valeant's relationships with Specialty Pharmacies and its conduct of business through this network exposed Valeant's business and operations to the following specific and identifiable risks that Valeant was required, but failed to, disclose during the Class Period:

- (i) actual or alleged breaches of contracts with the insurers covering the cost of medication with whom Valeant and/or its network of Specialty Pharmacies had contractual or other business relationships;
 - (ii) litigation arising from such breaches of contract or other improper business practices;
 - (iii) the termination of Valeant's and/or Specialty Pharmacies' relationships with insurers covering the cost of medication as a result of actual or alleged improper business practices and/or breaches of contract;
 - (iv) compliance requirements, investigations and/or enforcement, civil or criminal proceedings arising from actual or alleged violations of the laws and regulations applicable to Valeant, including health and securities laws;
 - (v) that laws and regulations governing Valeant's business may change adversely as a result of the disclosure of these improper activities; and
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- (vi) the risks that Valeant reported revenue generation and revenue increases both were overstated and unsustainable;

140. Notably, although these risks arose principally from Valeant's relationships with and its conduct of business through, Specialty Pharmacies, they were reasonably expected to affect Valeant's current and future outlook generally;

3) Misrepresentations Regarding Valeant's Organic Growth and Sustainability of Its Business

141. At all material times during the Class Period, the Valeant Defendants falsely represented that Valeant's business (...) was growing sustainably and organically and had strong growth prospects;

142. All Impugned Documents that are MD&As, AIFs and Offering Documents contained statements similar to the below (reproduced from Valeant's MD&A for Q2 2015):

Our strategy is to focus our business on core geographies and therapeutic classes that offer attractive growth opportunities while maintaining our lower selling, general and administrative cost model and decentralized operating structure. Within our chosen therapeutic classes and geographies, we primarily focus on durable products which have the potential for strong operating margins and sustainable organic growth. . . . We believe this strategy will allow us to maximize both the growth rate and profitability of the Company and to enhance shareholder value;

143. Additionally, Valeant's press releases issued in conjunction with Valeant's quarterly and annual financial results during the Class Period contained statements regarding:

- a. Valeant's organic growth rates and its expected organic growth rates for future reporting periods;
- b. the sustainability of Valeant's business and its organic growth rates: for example:
 - i. in a Valeant press release dated February 28, 2013, which accompanied Valeant's fiscal 2012 disclosures, the defendant Pearson was quoted as saying: "The continued overall robust organic growth of our business, coupled with our strong cash flow generation, puts us in a solid position for another outstanding year in 2013";

- ii. in a Valeant press release dated February 27, 2014, which accompanied Valeant's fiscal 2013 disclosures, the defendant Pearson was quoted as saying: "We are particularly pleased with the outperformance of the Bausch + Lomb businesses, coupled with the fact that the Company returned to positive organic growth. Valeant's focus on cash pay businesses, diversification, durable assets, key geographies, and lower risk R&D will continue to benefit our shareholders as we look forward to continuing our track record of outperformance in 2014"; and
 - iii. in a Valeant press release dated February 22, 2015, which accompanied Valeant's fiscal 2014 disclosures, the defendant Pearson was quoted as saying: "Valeant's relentless focus on building diversified, durable businesses with strong organic growth platforms, coupled with disciplined business development, is paying off for all of our stakeholders"; "Outstanding growth in the U.S., most notably dermatology, offset the negative impact from foreign exchange. In addition, we continued to see strong organic growth in several emerging markets such as China, the Middle East and Russia. With our strong finish to the year, we are well positioned for another year of outperformance in 2015";
- c. guidance and/or outlook information with respect to Valeant's future reporting periods;

144. All such statements were false and/or misleading when made;

145. Unbeknownst to the Class Members, Valeant's claimed financial performance and its stated "robust" and "sustainable" organic growth rates during the Class Period were derived, in a significant part, from Valeant's relationships with and its conduct of business through Specialty Pharmacies. Specialty Pharmacies, in turn, engaged in improper activities in order to enhance Valeant's products' sales and their profitability levels, including conduct in violation of their contracts with (...) insurers. Without those improper activities, Valeant would have been unable to "achieve" the financial results that the Valeant Defendants claimed during the Class Period;

145.1 Additionally, Valeant's reported financial results and organic growth rates were predicated, in part, on its improper revenue generating activities, including the transactions to which Valeant refers in its recent, post-Class Period disclosures as "non-standard revenue transactions," which were carried out particularly at or near quarter ends in order to boost Valeant's sales and financial results. Valeant's financial and operational results that were predicated on the "non-standard revenue transactions" were not sustainable;

146. As the Valeant Defendants knew or ought to have known, it would have been unsustainable for Valeant to conduct its business through Specialty Pharmacies, and its stated “robust” growth rates based on those relationships and Specialty Pharmacies’ improper activities would never been sustainable. Furthermore, the Valeant Defendants knew or ought to have known that Valeant reported organic growth rates were predicated, in part, upon improper revenue generating activities that were carried out in violation of GAAP and were unsustainable;

146.1 Valeant’s business has been negatively affected as a result of the revelations regarding its unsustainable pricing and distribution practices during the Class Period resulting, *inter alia*, in significant declines in Valeant’s reported organic growth rates, as seen below;

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016
Total U.S.	26%	32%	22%	-10.7%	-21.5%
ROW Developed	-1%	5%	-1%	-2.5%	-2.2%
Developed Markets	18%	24%	16%	-8.7%	-17.6%
Emerging Markets	7%	4%	3%	4.9%	2.1%
Total Product Sales	15%	19%	13%	-5.5%	-13.8%

146.2 As of calendar year 2016, Valeant has discontinued its practice of providing guidance regarding organic growth rates;

4) GAAP Violations

147. Valeant’s revenue recognition practices and procedures violated GAAP throughout the Class Period both within and beyond the Specialty Pharmacies network;

148. Valeant improperly recognized revenue by using misleading accounting policies and practices that inflated its revenue by improperly recognizing sales to closely related companies, including Philidor, Isolani and R&O;

149. Valeant used revenue recognition practices to inflate revenues through “channel stuffing”, phantom sales and phantom accounts to improperly increase receivables;

149.1 In its AIF for fiscal 2015, Valeant disclosed and admitted to several instances of its improper revenue generating activities by way of transactions to which it refers as “non-standard revenue transactions”;

149.2 Particularly, Valeant admitted that certain sales transactions for deliveries to Philidor in the second half of 2014 leading up to the execution of the purchase option agreement were not executed in the normal course of business under applicable accounting standards and included actions taken by Valeant (including fulfillment of unusually large orders with extended payment terms and increased pricing, an emphasis on delivering product prior to the execution of the purchase option agreement and seeking and filling a substitute order of equivalent value for an unavailable product) in contemplation of the purchase option agreement. Revenues on these shipments were improperly recognized the 2014 fiscal year, including Valeant's audited financial statements for that year, and were recognized again in 2015. As a result, in April 2016, Valeant restated its financial statements dating back to 2014, including the audited financial statements for that year. These restatements were material to Valeant from GAAP perspective, whether qualitatively or quantitatively, or both;

149.3 Additionally, in its AIF for the 2015 fiscal year, Valeant disclosed and admitted to certain "non-standard revenue transactions" in its Central and Eastern Europe market, Russia and Poland, involving sales above inventory target levels "at various quarter ends." Russia and Poland are part of Valeant's Emerging Market business segment. Furthermore, Valeant's AIF for the 2015 fiscal year suggests that currently Valeant's wholesaler inventory levels in Russia and Poland remain significantly above its wholesaler inventory targets;

149.4 Notably, for the 2015 fiscal year, Valeant has reported net revenues from Russia and Poland that are significantly lower than the preceding fiscal years, as follows (in millions of U.S. dollars):

	Fiscal 2015	Fiscal 2014	Fiscal 2013
Poland	213.5	276.2	268.8
Russia	168.9	275.1	202.8
Total	382.4	551.3	471.6

149.5 The circumstances of Valeant's sales in Russia and Poland are examples of Valeant's improper revenue generating activities that are pleaded herein. The full extent of Valeant's improper revenue generating activities during the Class Period is currently unknown to the public;

150. Valeant's improper revenue generating activities, and the resultant accounting irregularities and financial statement misstatements were enabled by Valeant's materially weak and defective internal controls. As further particularized below, at all material times during the Class Period, Valeant also failed to design or (...) operate proper financial and other controls;

151. Further, Valeant failed to properly disclose its related party transactions between Valeant, its subsidiaries and affiliates which is a violation of GAAP and resulted in misrepresentations in Valeant's financial statements;

152. Valeant also used the following revenue recognition practices, which are contrary to GAAP:

- (i) overstated receivables that were known to be uncollectable;
- (ii) use of specialty pharmacies to book phantom revenue;
- (iii) created inflated revenue by storing inventory and recording phantom transactions with related parties as "sales" creating false revenue; and
- (iv) used phantom accounts to fabricate sales;

153. As such, Valeant misrepresented the strength of its internal controls (...) as it should have brought to the surface the material revenue recognition GAAP and disclosure problems;

154. PWC misrepresented to the market that Valeant's financial statements were compliant with GAAP and all applicable internal controls;

155. PWC knew, or should have known, that Valeant's revenue recognition practices were contrary to GAAP and specifically that the receivables were overstated and known to be uncollectable and that, consequently, Valeant's revenue and earnings were overstated;

156. Despite this, PWC issued unqualified audit reports on Valeant's and its subsidiaries' financial statements, falsely representing that those financial statements complied with GAAP;

157. In issuing unqualified audit reports on Valeant's and its subsidiaries' financial statements, PWC failed to comply with the Auditors' Professional Standards. PWC also falsely represented that in performing its audits it had complied with the Auditors' Professional Standards;

5) Other Misrepresentations in Valeant's Financial Statements and Accompanying MD&As

158. Valeant was required to append Valeant's MD&As and to provide therein information regarding trends, risks or events that affect the quality or variability of

Valeant's earnings and cash flow and such other information that was reasonably expected to affect Valeant's financial statements in the future;

159. Valeant's MD&As issued during the Class Period failed to provide material information regarding Valeant's relationships with and its conduct of its business through Specialty Pharmacies, which were reasonably expected to affect Valeant's financial statements, rendering Valeant's financial statements false and/or misleading;
 160. Additionally, Valeant's financial statements failed to disclose material and related party transactions. Philidor was a related party to Valeant in virtue of, *inter alia*, Valeant's *de facto* control over Philidor;
 161. Accordingly, Valeant's financial statements were required under GAAP to disclose all material transactions with Philidor including, *inter alia*: (a) sales to and through Philidor and/or the related intercompany transactions between Valeant and Philidor; and (b) the option purchase agreement;
 162. However, Valeant's financial statements issued during the Class Period failed to disclose these related parties and material related party transactions;
 163. The financial statements also failed to provide requisite disclosure regarding Philidor as a variable interest entity;
 164. A variable interest entity or VIE refers to an entity in which the investor (here, Valeant) has a controlling and/or significant financial interest. A primary beneficiary of a VIE need not be a party with the majority or even any of the voting interests in an entity. Rather, it is sufficient that the primary beneficiary has the power to direct the activities that most significantly impact the VIE's economic performance, or the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE;
 165. Under GAAP when an investor, here Valeant, is the primary beneficiary of the VIE, it must consolidate the VIE's financial statements with its own;
 166. On a conference call held on October 26, 2015, Rosiello stated that, at all material times, Philidor was a VIE in relation to Valeant;
 167. Despite this, Valeant only began consolidating Philidor's financial statements in December 2014 because Valeant purportedly only then determined that it was the primary beneficiary of Philidor;
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168. Valeant's financial statements failed to comply with GAAP for reasons which are set out above in section IV(4), above;

169. Valeant's financial statements also failed to comply with GAAP disclosure requirements regarding Philidor as a VIE, in that:

- (i) Valeant's financial statements for year-end 2014 and thereafter had to disclose the methodology for determining Valeant as the primary beneficiary of Philidor, the significant judgments and assumptions in making that determination and the primary factors underlying the consolidation of Philidor's financial statements;
- (ii) all of Valeant's financial statements issued during the Class Period had to disclose, beyond carrying amounts of the assets and liabilities related to Philidor as a VIE, qualitative and quantitative information about Valeant's involvement with Philidor including, but not limited to, the nature, purpose, size and activities of Philidor, including how Philidor was financed; and
- (iii) all of Valeant's financial statements issued during the Class Period had to disclose whether Valeant had provided financial or other support to Philidor that it was not previously contractually obligated to provide or whether Valeant intended to provide support to Philidor, including the type and amount of support and the primary reasons for providing the support;

170. During the Class Period, Valeant purported to recognize revenue only when the following criteria were satisfied as required by GAAP: (a) revenue was realized or realizable and earned; (b) persuasive evidence of an arrangement existed; (c) delivery had occurred or services had been rendered; and (d) the price to the customer was fixed or determinable and collectability was reasonably assured;

171. However, during the Class Period, revenues recognized on sales made to or through Philidor were based on improper activities that, at a minimum, violated the contracts between Philidor and the insurers covering the cost of medication;

172. Due to such contract breaches, Valeant recognized revenues on sales made to or through Specialty Pharmacies, including Philidor, when: (a) persuasive evidence of an arrangement did not exist; (b) revenue was not measurable; and/or (c) collectability was not reasonably assured. These revenues were false and were

recognized in violation of GAAP and Valeant's stated revenue recognition accounting policies;

172.1 Notably, in its AIF for the 2015 fiscal year, Valeant disclosed, *inter alia*, that: "Philidor is also subject to disputes with third party payers and governmental investigations related to its business practices and relationship with [Valeant] which may result in claims being asserted against [Valeant]." Furthermore, Valeant referenced certain "statements made (and actions threatened to be taken) by third parties with respect to certain of our products," suggesting that it may be forced to provide "pricing reductions (including on a retroactive basis)." These "retroactive" pricing disputes are due to the improper business practices that were carried out by Valeant and/or its network of Specialty Pharmacies, which resulted in improper revenues that Valeant recognized in violation of GAAP. These are revenues for medications that should not have been sold to patients or paid for by the third party payers. As such, there was no basis under GAAP to recognize these revenues as Valeant had not earned them;

172.2 Additionally, in its AIF for the 2015 fiscal year, Valeant disclosed a "misclassification" of gross product sales made through Philidor in the amounts of US\$779 million and US\$77 million for the first three quarters of the 2015 fiscal year and the 2014 fiscal year, respectively. Contrary to Valeant's contention, these amounts do not simply represent misclassifications of financial statement accounts; rather, they constitute significant revenues that Valeant improperly recognized through Philidor's sales. These revenues were recognized in violation of GAAP, and were reported in Valeant's financial statements and accompanying disclosures for the reporting periods in 2014 and 2015;

173. The false revenues that Valeant recognized through Specialty Pharmacies were significant and material to Valeant, whether qualitatively or quantitatively, or both;

174. During the Class Period, Valeant purported to present its financial statements in accordance with GAAP, which required that the financial statements present Valeant's as well as its subsidiaries' financial position, financial performance and cash flows fairly;

175. Valeant's financial statements during the Class Period breached GAAP because of its: a) failure to disclose related parties and material related party transactions with Philidor and other Specialty Pharmacies; (b) (...) failures to comply with GAAP's disclosure requirements in respect of Philidor as a VIE; and (c) false revenue recognition on sales made to or through Philidor; (...);

176. During the Class Period, the Defendants falsely represented that Valeant's financial statements fairly presented, in accordance with GAAP, the financial position, results of operation and cash flows of Valeant and its subsidiaries;

6) Misrepresentations Regarding Valeant's Internal Controls

177. During the Class Period, the Valeant Defendants represented that Valeant's internal controls, including disclosure controls and procedures and internal controls that related to Valeant's subsidiaries, were effective;

178. During the Class Period, Valeant and PWC also represented that Valeant's internal controls over financial reporting, including such internal controls that related to Valeant's subsidiaries, were effective;

179. Such statements, included in Valeant's public disclosures, were false and/or misleading;

180. At all material times, Valeant's internal controls were ineffective or defective at least in respect of Valeant's relationships with Philidor and the other Specialty Pharmacies;

181. In addition, Valeant's internal controls in relation to Philidor and the other Specialty Pharmacies were overridden by the Individual Defendants and Valeant's management generally, rendering them ineffective or defective;

182. Furthermore, that Valeant's internal controls were overridden by the Individual Defendant and Valeant's management generally, constituted a material fact that the defendants ought to have but failed to disclose;

182.1 In its AIF for fiscal 2015, Valeant disclosed that its internal controls suffered from two material weaknesses, as a result of which Valeant did not maintain effective internal controls over financial reporting in prior reporting periods;

182.2 First, Valeant determined that the 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, was not effective in supporting Valeant's control environment. The "tone at the top" issue contributed to several issues relating to Valeant's improper revenue generating activities as well as financial reporting resulting, in part, in misstatements of financial statement accounts;

182.3 Second, Valeant determined that it did not design and maintain effective controls over the review, approval and documentation of the accounting and disclosure for

non-standard revenue transactions particularly at or near the end of fiscal quarters resulting in part, in restatements, other revenue transactions involving non-standard terms or amendments to arrangements;

182.4 Furthermore, Valeant disclosed that certain of its officers and employees, including the defendant, Schiller, had engaged in improper conduct in relation to Valeant's relationships with and financial reporting in connection with Philidor;

182.5 These material internal controls weaknesses and Valeant's management's override of Valeant's internal controls existed at all material times within and beyond Valeant's relationships with Specialty Pharmacies, rendering Valeant's internal controls defective and deficient throughout the Class Period;

7) Misrepresentations Regarding Ethical Business Conduct

183. During the Class Period, Valeant maintained written Standards of Business Conduct applicable to Valeant's directors, officers and employees and a Code of Ethics for CEO and senior financial executives;

184. Valeant's public disclosure documents represented that Valeant and Valeant's directors, officers and employees complied with these policies;

185. For example, Valeant's management information circular dated April 9, 2015, stated:

Ethical Business Conduct

Standards of Business Conduct (including the Code of Ethics for CEO and Senior Financial Executives)

The Board has adopted a written code of business conduct and ethics entitled the Standards of Business Conduct (the "Standards") for our Directors, officers and employees that sets out the Board's expectations for the conduct of such persons in their dealings on behalf of the Company. Employees, officers and Directors are required to maintain an understanding of and ensure that they comply with, the Standards. Supervisors are responsible for maintaining awareness of the Standards and for reporting any deviations to management. In addition, the Standards require the Company to conduct regular audits to test compliance with the Standards. Subject to Board approval, responsibility for the establishment and periodic update and review of the Standards falls within the mandate of the Audit and Risk Committee;

Employees, officers and Directors are required to immediately report violations of the Standards to their supervisors, our human resources department, our Chief Compliance Officer or our General Counsel. The Board has established reporting procedures in order to encourage employees, officers and Directors to raise concerns regarding matters addressed by the Standards on a confidential basis free from discrimination, retaliation or harassment. Employees and officers who violate the Standards may face disciplinary actions, including dismissal. The Board is not aware of any breach of the Standards by any Director or officer during the period from January 1, 2014 through the date hereof;

Code of Ethics

We also have a Code of Ethics for the CEO and Senior Finance Executives (the "Code"), which is designed to deter wrongdoing and promote (i) honest and ethical conduct in the practice of financial management, (ii) full, fair, accurate, timely and understandable disclosure and (iii) compliance with all applicable laws and regulations. Violations of the Code are reported to the Chief Compliance Officer. Failure to observe the terms of the Code may result in disciplinary action, including dismissal. The Board is not aware of any breach of the Code by the CEO or any Senior Finance Executive during the period from January 1, 2014 through the date hereof;

186. The foregoing representations were false and/or misleading;

187. *Inter alia*, Valeant's Standards of Business Conduct required as follows:

- (i) "We will engage only in fair and open competition in compliance with applicable laws, rules and regulations";
 - (ii) "We will record and report all data and information accurately, honestly and in sufficient detail";
 - (iii) "We will ensure that we comply fully with all applicable securities laws, rules and regulations, including with respect to press releases, disclosure and trading in the Company's shares"; and
 - (iv) "While recognizing the need to be commercially effective in the marketplace, we will maintain our commitment to be ethically and medically responsible and to comply with the laws that apply to our business.";
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188. *Inter alia*, Valeant's Code of Ethics required CEO and senior financial executives of Valeant to:

- (i) "Act with honesty and integrity";
- (ii) "Observe both the form and spirit of technical and ethical accounting standards";
- (iii) "Ensure that Valeant's disclosure is full, fair, accurate, complete, objective, relevant, timely and understandable, including in Valeant's disclosures and filings with and other submissions to, the U.S. Securities and Exchange Commission, the Canadian securities regulatory authorities and any exchange on which Valeant's securities are listed";
- (iv) "Comply with all applicable laws, rules and regulations of federal, state, provincial and local governments and other appropriate private and public regulatory agencies";
- (v) "Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting facts or allowing your independent judgment to be subordinated"; and
- (vi) "Promptly report violations of this Code of Ethics.";

189. Valeant's directors, officers and employees violated the above policies in their dealings with and in conducting Valeant's business through, Specialty Pharmacies, including Philidor;

190. Valeant's directors, officers and employees further violated these policies by failing to disclose material information regarding the circumstances of Valeant's relationships with Specialty Pharmacies as required by the *Quebec Securities Act* and other securities law;

8) Individual Defendants

191. Pursuant to NI 52-109, Pearson, Schiller and Rosiello certified the 10-Qs and 10-Ks signed during the Class Period, attesting to the accuracy of the financial statements, that all material facts were disclosed and that Valeant had adequate internal financial controls;

192. *Inter alia*, Pearson, Schiller and Rosiello certified, at the relevant times, that:

- (i) such documents did not contain any untrue statement of a material fact or omit to state a material fact required to be
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stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made;

- (ii) they were responsible for establishing and maintaining Valeant's disclosure controls and procedures as well as Valeant's internal controls over financial reporting;
- (iii) they had designed the disclosure controls and procedures, or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to Valeant was made known to them by others, particularly during the period in which the documents were being prepared and information required to be disclosed by Valeant in its annual filings, interim filings or other reports filed or submitted under securities legislation was recorded, processed, summarized and reported within the time periods specified in securities legislation;
- (iv) they had designed the internal controls over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP or the international financial reporting standards ("IFRS"), as applicable; and
- (v) in respect of Valeant's annual filings, the Individual Defendants had evaluated, or caused to be evaluated under their supervision, the effectiveness of Valeant's internal controls over financial reporting and Valeant's disclosure controls and procedures, at the financial year end and Valeant had disclosed in its annual filings their conclusions about the effectiveness of Valeant's controls;

193. The Individual Defendants oversaw the preparation and reporting of Valeant's disclosures to the market and knew or should have known of the foregoing misrepresentations;

194. The Individual Defendants authorized, permitted or acquiesced to the release of the (...) Impugned Documents, which contained the foregoing misrepresentations;

9) PWC

195. PWC purportedly audited Valeant's and its subsidiaries' annual financial statements for the years 2012, 2013 and 2014, and issued unqualified audit reports to Valeant's shareholders, including the Class Members, dated February 25, 2013, February 28, 2014 and February 25, 2015;

196. In its audit reports, PWC falsely represented that:

- d. the financial statements of Valeant and its subsidiaries presented fairly, in all material respects, the financial position of Valeant and of its subsidiaries and the results of their operations and their cash flows in accordance with GAAP;
- e. Valeant maintained, in all material respects, effective internal control over financial reporting; and
- f. PWC conducted its audits in accordance with the Auditors' Professional Standards;

197. Furthermore, by stating that (...) Valeant and its subsidiaries' financial statements (...) were compliant with GAAP, PWC's audit reports:

- (i) misrepresented that Valeant's revenue recognition practices were in accordance with GAAP, which resulted in an overstatement of revenue, income and earnings throughout the Class Period;
 - (ii) misrepresented that Valeant's internal controls were effective when they were in fact materially deficient and yielded inaccurate and materially misleading financial statements and misrepresented that Valeant's financial statements had been prepared based on Valeant's maintenance and application of appropriate internal financial controls;
 - (iii) misrepresented Valeant's relationship with Specialty Pharmacies, specifically Philidor and Isolani by failing to make proper disclosure and failed to appropriately recognize the related party transactions; and
 - (iv) misrepresented that Valeant's financial statements accurately described, fairly presented and disclosed the true financial condition of Valeant;
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198. PWC had the responsibility according to the Auditors' Professional Standards to review Valeant's revenue recognition practices, its related party transactions including those with Philidor, Isolani and other related parties, to determine that they complied with GAAP and were consistent with the appropriate internal financial controls. PWC knew, or ought to have known, throughout the Class Period that Valeant's revenue recognition practices did not comply with GAAP and it failed to conduct its audits in a manner consistent with the Auditors' Professional Standards and misrepresented that Valeant's financial statements and quarterly financial reports prepared during the Class Period were GAAP-compliant and not misleading;
 199. In performing its audits and other engagements, the Auditors' Professional Standards required PWC to: (a) ensure disclosure in accordance with GAAP of all material information regarding Valeant's revenue generation and revenue recognition practices including information regarding Valeant's dealings with Philidor as a VIE and/or a related party; (b) identify, assess and address the risks of material misstatements due to fraud or error arising from Valeant's relationships with and its conduct of business through Specialty Pharmacies; and (c) evaluate the overall presentation of Valeant's financial statements in light of the material facts relating to Valeant's revenue generation and revenue recognition practices including relationships with Specialty Pharmacies. PWC failed to comply each and every one of these standards;
 200. Throughout the Class Period, PWC had the obligation as auditors to carefully review and analyze Valeant's reported revenue including its revenue generation and revenue recognition practices to ensure that the reported revenue was legitimate, complied with appropriate and effective internal controls, was collectible and receivable and that all material risks arising from such revenue recognition practices and the sustainability of such revenue was properly and accurately disclosed;
 201. PWC failed to fulfill this obligation reasonably throughout the Class Period, resulting in misleading financial reports released throughout the Class Period;
 202. Material information regarding Valeant's relationships with and its conduct of business through, Specialty Pharmacies was at all material times available to PWC;
 203. PWC knew, or ought to have known, of the facts relating to these relationships. Notably, as of year-end 2014, pursuant to the option purchase agreement, Valeant acquired the right to audit Philidor's accounting books and records, among other rights and such an audit would have been carried out by PWC;
 204. PWC's audit reports, and its representations made therein, were included or incorporated by reference with PWC's consent in Valeant's Offering Memoranda and Prospectuses;
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10) Goldman Sachs Canada Inc. and the other Underwriters

205. Goldman Sachs Canada Inc. certified the Short Form Base Shelf Prospectus dated June 14, 2013, and a Prospectus Supplement dated June 18, 2013, falsely stating that it, together with the documents incorporated by reference therein, constituted full, true and plain disclosure of all material facts relating to the Securities offered by way of that prospectus;
206. Each Underwriter had obligations under the law to conduct all required due diligence in connection with each of their offerings (see section II(4), above). However, the Underwriters failed in their obligations and allowed, acquiesced and approved offerings made on the basis of disclosure documents which misstate material facts, do not follow applicable accounting standards and do not respect the QSA or other applicable Securities Legislation;

V. Period of Corrective Disclosures

- 206.1 The Defendants' Class-Period misrepresentations were corrected by way of corrective disclosures made by Valeant and others, as particularized below, on October 19, 2015, October 21, 2015, October 22, 2015, October 26, 2015, October 29, 2015, October 30, 2015, November 4, 2015, November 10, 2015, December 16, 2015, February 22, 2016 and March 15, 2016;
207. On **October 19, 2015**, Southern Investigation Report published an article questioning Valeant's relationship to Philidor Rx Services, a specialty pharmacy and Valeant's relationship to R&O Pharmacy;
208. On the same day, October 19, 2015, Valeant hosted its investor conference call to discuss its third-quarter results and its relationship with Philidor, which Individual Defendant Pearson identifies as a "specialty pharmacy." He admitted that Valeant:
- (i) did not previously disclose its relationship with specialty pharmacies because of an alleged competitive advantage;
 - (ii) Valeant has partnerships with other non-identified specialty pharmacies;
 - (iii) Valeant purchased the option to acquire Philidor;
 - (iv) inventory shipped to Philidor remains on Valeant's financial statements as inventory and not included in the specialty pharmacy channel inventory; and
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- (v) Valeant brand prescriptions sold by specialty pharmacies are identified as organic growth;

208.1 On **October 19, 2015**, Valeant's stock price dropped from \$227.40 to 213.05;

209. On **October 20, 2015**, Valeant's stock price dropped from \$213.05 to \$190.38;

210. On **October 21, 2015**, *inter alia*, 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;

211. Shortly after the release of the Citron Research report, Valeant's stock price dropped from \$190.85 to \$154.04;

212. On **October 22, 2015**, *inter alia*, Bronte Capital published a report addressing Valeant's response to Citron Research's report highlighting the following issues:

- (i) BMO Capital Markets questions Valeant's revenues relating to the sale of Xifaxan and sales and growth from \$300M to \$460M;
- (ii) 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
- (iii) Philidor's disclosures to the State of California are inaccurate and contain material fact discrepancies;

213. On **October 23, 2015**, Valeant shares opened at \$153.85 and closed at \$152.69;

214. On **October 26, 2015**, *inter alia*, Valeant hosted another investor conference call to address the new allegations of accounting irregularities from Citron Research and Bronte Capital. At this call, Valeant and the Individual Defendants discussed the history of Valeant's relationship with Philidor. Also on October 26, 2015, Valeant disclosed that it had formed an *ad hoc* committee of its Board of Directors to investigate the allegations regarding Valeant's relationships with Philidor;

215. On **October 29, 2015**, *inter alia*, CVS, Express Scripts and UnitedHealth Group announced that they had terminated their contractual relationships with Philidor citing breaches of contract, and that they were reviewing Philidor's practices;

216. On **October 30, 2015**, *inter alia*, Valeant announced that it was ending its relationship with Philidor. In a statement, Pearson said: "We have lost confidence in

Philidor's ability to continue to operate in a manner that is acceptable to Valeant and the patients and doctors we serve." In the same statement, Pearson took "complete responsibility" for investors questioning Valeant and its integrity as a result of the recent allegations;

217. On **November 4, 2015**, *inter alia*, U.S. Senators Claire McCaskill and Susan Collins announced the launch of a bipartisan investigation into Valeant and other pharmaceutical firms for price gouging. On this day, Valeant's share price dropped to \$121.20;

218. On **November 10, 2015**, *inter alia*, Valeant hosted another investor conference call to address various issues, including Valeant's decision to end its relationship with Philidor and also disclosed that they had asked Philidor to stop adjudicating claims altogether and that it was reaching out to the payers to address the situation. Pearson said Valeant was pursuing relationships with other Specialty Pharmacies and hopes to establish a new access program in the next 90 days. On this day, Valeant's share price closed at \$110.76;

219. On **December (...) 16, 2015**, *inter alia*, Valeant provided a financial guidance update and hosted another investor conference call to address its business operations, among other things, revising its previous guidance as follows:

a. with respect to the fourth quarter of fiscal 2015, Valeant:

- i. significantly reduced prior revenue guidance from \$3.25 - \$3.45 billion to \$2.7 - \$2.8 billion;
- ii. significantly reduced prior Adjusted earnings per share (EPS) guidance from \$4.00 - \$4.20 to \$2.55 - \$2.65; and
- iii. significantly reduced prior Adjusted Cash Flow from Operations guidance from greater than \$1.0 billion to greater than \$600 million;

b. with respect to full fiscal year, Valeant:

- i. significantly reduced prior revenue guidance from \$11.0 - \$11.2 billion to \$10.4 - \$10.5 billion;
 - ii. significantly reduced prior Adjusted earnings per share (EPS) guidance from \$11.67 - \$11.87 to \$10.23 - \$10.33; and
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- iii. significantly reduced prior Adjusted Cash Flow from Operations guidance from greater than \$3.35 billion to greater than \$2.95 billion;

219.1 On December 17, 2015, Valeant's stock price declined from \$163.57 to \$156.03;

219.2 On **February 22, 2016**, the Wall Street Journal reported that Valeant was likely to restate some of its previous financial results based on the findings of its *ad hoc* committee, citing to unidentified sources familiar with the matter. On the same day, Valeant provided certain updates regarding the investigations of its *ad hoc* committee. These disclosures were further corrective of the Defendants' Class Period misrepresentations, as particularized herein;

219.3 On **February 22 and 23, 2016**, Valeant's stock price closed at \$104.16 and \$109.40, respectively, down from \$117.00 as of the close of trading on February 19, 2016;

219.4 On **March 15, 2016**, Valeant issues a press release, a Form 8-K, and a Form 8-K/A (Amendment No. 1) announcing preliminary unaudited financial information for the fourth quarter of 2015 and related matters. On the same day Valeant also hosted a conference call to discuss its disclosures. These disclosures were subsequently filed as a material change report on March 24, 2016;

219.5 By way of its disclosures made on March 15, 2016, Valeant, *inter alia*:

- a. announced:
 - i. unaudited Q4 2015 revenue of US\$2.8 billion (down from the initial guidance on October 19, 2015 of US\$3.25-US\$3.45 billion, but in line with revised guidance on December 16, 2015 of US\$2.7 – US\$2.8 billion);
 - ii. unaudited Q4 2015 Adjusted earnings per share ("EPS") (non-GAAP) of US\$2.50 (down from the initial guidance on October 19, 2015 of US\$4.00-US\$4.25, and lower than the revised guidance on December 16, 2015 of US\$2.55 – US\$2.65);
 - iii. unaudited Q4 2015 Adjusted Cash Flow from Operations of US\$838 million (down from the initial guidance of greater than US\$1 billion, but in line with the revised guidance on December 16, 2015 of greater than US\$600 million);
 - b. significantly downgraded its guidance in respect of the first quarter of 2016 as follows:
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- i. total Revenue expected to be US\$2.3 - US\$2.4 billion from previous guidance of US\$2.8 - US\$3.1 billion; and
 - ii. adjusted EPS (non-GAAP) expected to be US\$1.30 - US\$1.55 from previous guidance of US\$2.35 - US\$2.55;
- c. significantly downgraded its guidance in respect of full fiscal year 2016, as follows:
- i. total Revenue expected to be US\$11.0 - US\$11.2 billion from previous guidance of US\$12.5 - US\$12.7 billion;
 - ii. adjusted EPS (non-GAAP) expected to be US\$9.50 - US\$10.50 from previous guidance of US\$13.25 - US\$13.75; and
 - iii. adjusted EBITDA (non-GAAP) expected to be US\$5.6 - US\$5.8 billion from previous guidance of US\$6.9 - US\$7.1 billion; and
- d. stated:

As a result of the ongoing work of the Company's *Ad Hoc* Committee of the Board of Directors appointed to review the Company's relationship with Philidor and related matters, and the Company's ongoing assessment of the impact of the committee's findings on financial reporting and internal controls, the unaudited fourth quarter 2015 results are preliminary and, as previously announced, the Company has delayed the filing of its Annual Report on Form 10-K for the year ended December 31, 2015. The Company is working diligently and intends to file the Form 10-K as promptly as reasonably practicable;

219.6 Valeant's disclosures on March 15, 2016 were further corrective of the Defendants' Class Period misrepresentations, as particularized herein. On March 15, 2016, Valeant's stock price plummeted to \$45.14 from \$91.58 as of the close of trading on March 14, 2016;

220. During this period of corrective disclosures, material, previously undisclosed information became publicly available, including that:

- a. Valeant had extensive and close relationships with Philidor, and assisted in setting up its business and operations with Valeant employees working at Philidor under fake names. Certain key Valeant executives and employees worked closely with Philidor and its employees to establish and expand the Specialty Pharmacies network;
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- b. Philidor had ownership and/or other financial interests in numerous pharmacies operating within its complex network, through which it would dispense medication across all United States, including where Philidor was not licensed to sell medication (including in California where Philidor had been denied a license due to unprofessional conduct and false statements made in the licensing application, including with respect to Philidor's owners and other financial matters);
- c. Philidor took advantage of its extensive and complex network of undisclosed Specialty Pharmacies and used improper practices to claim payments from payers (e.g., insurers) for the prescriptions that it and/or the Specialty Pharmacies filled; (...)
- d. Philidor's activities in relation to claim adjudication and its dealings with the payers breached Valeant's and/or Philidor's contracts with the insurers. For example, in 2014, OptumRx, a leading U.S. pharmacy benefit manager began to stop payments to Philidor and sent Philidor a cease-and-desist letter citing a breach of its contract with Philidor. In response, Philidor used identification numbers of other Specialty Pharmacies in its network to submit claims to OptumRx. In the months that followed, OptumRx recognized that drug reimbursement claims filed with it could be traced to Philidor and, starting in January 2015, sent cease-and-desist letters to these other Specialty Pharmacies associated with Philidor; and
- e. Valeant's relationships with, and its conduct of business with and through, Specialty Pharmacies were a significant contributor to Valeant's past financial and operational results and also its future performance. As such, the revelation of those relationships and the events that followed had significant, negative impact on Valeant's business and operations;

221. In the aftermath of the recent revelations, significant concerns have arisen regarding Valeant's relationships with Specialty Pharmacies and the impact of these relationships on Valeant's business and operations;

222. The entire truth about Valeant's relationships with Specialty Pharmacies, its impact on revenue generation and revenue recognition practices, the activities of Valeant or Philidor within this network and the impact of these relationships and activities on Valeant's past, current or future operations and results has not as yet been fully revealed to investors;

VI. THE RIGHTS OF ACTION

1) Statutory right of action for misrepresentation in secondary market disclosures

223. On behalf of themselves and all other members of the Secondary Market Sub-Class, the Plaintiffs assert as against all Defendants other than the Underwrites, the right of action found in section 225.8 (...) of the QSA and, if necessary, the concordant provisions of the other Securities Legislation;

224. As against the Valeant Defendants, this claim is being asserted in respect of all Impugned Documents, which contained misrepresentations within the meaning of the QSA, as particularized herein;

225. Valeant is a reporting issuer in Quebec and is closely and significantly connected to Quebec for the purposes of Title VIII, Chapter II, Division II of the QSA;

226. The Individual Defendants were directors of Valeant at the time of the release of the Impugned Documents and/or were officers of Valeant at those times and they authorized, permitted or acquiesced in the release of the Impugned Documents;

226.1 In respect of the Impugned Documents that are Valeant's press releases, the Valeant Defendants: (a) knew, at the time that each of such documents was released, that the document contained a misrepresentation or deliberately avoided acquiring such knowledge at or before that time; or (b) were guilty of a gross fault in connection with the release of each of such documents;

227. As against PWC, this claim is being asserted in respect of the Impugned Documents that were annual disclosure documents of Valeant, a Prospectus or an Offering Memorandum;

228. PWC is an expert of Valeant, and its reports, statements or opinions containing misrepresentations were included, summarized or quoted from in the Impugned Documents that were annual disclosure documents of Valeant, a Prospectus or an Offering Memorandum. PWC consented in writing to the use of its reports, statements or opinions in the Impugned Documents;

2) Statutory right of action for misrepresentation in primary market disclosures

229. On behalf of all members of the Primary Market Sub-Class, the Plaintiffs assert as against all Defendants the right of action found in sections 218 and 221 of the QSA and, if necessary, the concordant provisions of the other Securities Legislation;

230. This claim is being asserted in respect of all Offering Memoranda and Prospectuses, which contained misrepresentations within the meaning of the QSA, as particularized herein;

230.1 Each of the Offerings to which the Offering Memoranda and Prospectuses related constituted a distribution of Valeant's Securities in Quebec and/or a distribution of Valeant's Securities from Quebec to persons established outside of Quebec. Each of the Offerings was governed by the QSA and its subsidiary instruments and regulations, and was carried out under the Quebec securities laws;

230.2 The statutory right of action under the QSA for misrepresentations in the Prospectuses and Offering Memoranda is available to each member of the Primary Market Sub-Class;

231. Valeant issued the Securities offered by way of the Offering Memoranda and the Prospectuses;

232. The Individual Defendants were directors and/or officers of Valeant at the time of some or all of the Offerings;

233. PWC is an expert of Valeant, and it consented in writing to the inclusion of its reports, which contained misrepresentations, in the Offering Memoranda and the Prospectuses;

233.1 The Underwriters acted as dealers under contract to Valeant to distribute its Securities issued and distributed in the Offerings;

3) Article 1457 of the *Civil Code of Quebec*

234. On behalf of themselves and all other members of the Secondary Market Sub-Class, as against all Defendants other than the Underwriters, the Plaintiffs plead a fault in violation of the general private law duty of diligence they owed the members of the Secondary Market Sub-Class, as particularized herein;

235. On behalf of all members of the Primary Market Sub-Class, as against all Defendants, the Plaintiffs plead a fault in violation of the general private law of duty of diligence they owed the members of the Primary Market Sub-Class, as particularized herein;

236. The Defendants failed to abide by the rules of conduct incumbent on them in the circumstances of their relationships with the members of the Class as well as the transactions in which they acted, at law and as reasonably required from them;

236.1 The Defendants' duties, which they breached, are particularized at paragraphs 238-252, below;

237. As a result, the Defendants committed a fault and therefore caused injuries to the members of the Class in terms of causing their significant monetary damages and losses, and are bound to compensate the Class Members for those losses;

237.1 The negligence, want of due diligence, faults and breaches occurred in or emanated from Quebec;

VII. THE CRITERIA OF ARTICLE 575 C.C.P.;

1) the claims of the members raise identical, similar or related questions of law or fact

238. During the Class Period, the Valeant Defendants had legal obligations of periodic and timely disclosure of material facts and changes, under the QSA and the other Securities Legislation. They violated those legal obligations;

239. During the Class Period, the Valeant Defendants had legal obligations to disclose and correctly state its financial situation in a manner which complies with the GAAP accounting standards. They violated those legal obligations;

240. Additionally, the Valeant Defendants owed Valeant's securities holders duties under article 1457 CCQ. These duties were informed by the Securities Legislation, subsidiary instruments including NI 51-102, NI 52-109, NI 41-101, NI 45-106, NI 52-110 and their related rules and policies, U.S. securities laws, section 142 of the British Columbia Business Corporations Act, SBC 2002, c 57, as amended ("BCBCA") and Valeant's own stated policies, including the charters of its Board's Audit and Risk Committee and Nominating and Corporate Governance Committee;

241. During the Class Period, the Valeant Defendants committed a fault in respect of the Class by failing to comply with their duties and responsibilities and by making the misrepresentations pleaded herein;

242. The Individual Defendants oversaw the preparation and reporting of Valeant's disclosures to the market and knew or should have known of the misleading statements and the omissions of material facts they contained;

243. The Individual Defendants authorized, permitted or acquiesced to the release of Valeant's public disclosure documents during the Class Period by Valeant which contained the omissions of material facts and the misrepresentations;

244. In addition to its direct liability, Valeant is liable for the faults committed by the Individual Defendants and its other officers, directors, partners and/or employees;

245. During the Class Period, PWC had specific duties and responsibilities in conducting its engagements as Valeant's outside auditors. Those duties and responsibilities were informed by the Securities Legislation, subsidiary instruments including NI 51-102, NI 52-108, NI 41-101, NI 45-106 and their related rules and policies, U.S. securities laws, sections 212-220 of the *BCBCA*, the Auditors' Professional Standards, PWC's engagement contracts with Valeant as well as PWC's internal policies;

246. PWC violated its duties and responsibilities and committed a fault in respect of the Class in relation to:

- a. its audits of Valeant's and subsidiaries' annual financial statements;
- b. its engagements with Valeant's and its subsidiaries' interim financial statements, with which PWC was associated within the meaning of the Auditors' Professional Standards; and
- c. its engagements with the Offering Memoranda and Prospectuses of Valeant issued during the Class Period;

247. PWC committed a fault in respect of the Class by making the misrepresentations pleaded herein, and by failing to respect the Auditors' Professional Standards, which were applicable to it in performing its assurance and other engagements with Valeant, namely, its audits of Valeant's and its subsidiaries' financial statements, its reviews of Valeant's and its subsidiaries' interim financial statements and its engagements with Valeant's Prospectuses and Offering Memoranda, by:

- (i) failing to ensure disclosure in accordance with GAAP of all material information regarding Valeant's revenue generation and revenue recognition practices including information regarding Valeant's dealings with Philidor as a variable interest entity and/or a related party;
 - (ii) failing to identify, assess and address the risks of material misstatements due to fraud or error arising from Valeant's relationships with and its conduct of business through Specialty Pharmacies;
 - (iii) failing to ensure that Valeant's and its subsidiaries' financial statements were free of material misstatements whether due to fraud or error; (...)
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- (iv) failing to evaluate the overall presentation of Valeant's and its subsidiaries' financial statements in light of the material facts relating to Valeant's revenue generation and revenue recognition practices, including its relationships with and its conduct of business through Specialty Pharmacies; and
- (v) failing to properly audit Valeant's internal controls, failing to detect the material weaknesses in those internal controls rendering them ineffective, and failing to properly consider the implications of those material internal control weaknesses in respect of PWC's audits of Valeant's and its subsidiaries' financial statements;

248. In addition to its direct liability, PWC is liable for the faults committed by its partners and/or employees;

249. As particularized herein, the Underwriters acted in connection with the Offerings as dealers under contract to distribute Valeant's Securities. In the context of each of the Offerings, the Underwriters had obligations to conduct due diligence on Valeant and its business and operations, and to ensure that the relevant offering documents provided full, plain and truthful disclosure of all material information underlying Valeant and the Securities offered in those Offerings;

250. The Underwriters' duties and responsibilities were informed by the Securities Legislation, subsidiary instruments including NI 51-102, NI 41-101, NI 45-106 and their related rules and policies, U.S. securities laws, the professional rules and standards applicable to underwriters in public offerings, including the rules and guidelines established by the Investment Industry Regulatory Organization of Canada, the Underwriters' engagement contracts with Valeant, and the Underwriters' internal policies;

251. The Underwriters failed to respect these standards, and failed to comply with the duties and responsibilities applicable to them in the circumstances of the Offerings;

252. In addition to their direct liability, each Underwriter is liable for the faults committed by its partners and/or employees;

253. As a result of the Defendants' conduct and their misrepresentations in Valeant's disclosure documents, Valeant's securities traded at artificially inflated prices during the Class Period and the Class acquired those securities at prices that were inflated and did not reflect their true value. When the truth began to emerge, the market price or value of Valeant's plummeted, causing significant losses and damages to the Plaintiffs and the Class;

254. In this context, the principle questions of fact and law to be dealt with collectively are the following:

- a. Did the Impugned Documents contain one or more misrepresentations within the meaning of the QSA or, as applicable, within the meaning of the other Securities Legislation or the laws of another jurisdiction? If so, what documents contained what misrepresentations?
- b. Are any of the Defendants, other than the Underwriters, liable to the Secondary Market Sub-Class, or any of the members of the Secondary Market Sub-Class, under Title VIII, Chapter II, Division II of the QSA or, as applicable, under the concordant provisions of the other Securities Legislation or the laws of another jurisdiction? If so, what Defendant is liable and to whom?
- c. Are any of the Defendants liable to the Primary Market Sub-Class, or any of the members of the Primary Market Sub-Class, under Title VIII, Chapter II, Division I of the QSA or, as applicable, under the concordant provisions of the other Securities Legislation or the laws of another jurisdiction? If so, what Defendant is liable and to whom?
- d. Did any of the Defendants owe a duty of diligence or care to the Class, or any of the members of the Class, under the general private law of Quebec or, as applicable, under the general private law of another jurisdiction? If so, what Defendant owed a duty of diligence or care and to whom?
- e. If some or all of the Defendants owed a duty of diligence or care to the Class, or any of the members of the Class, did any of the Defendants violate such duty of diligence or care and commit a fault under article 1457 of the CCQ or, as applicable, a tort or other wrong under the law of another jurisdiction? If so, what Defendant committed a fault, a tort or other wrong and with respect to whom?
- f. What damages are sustained by the Plaintiffs and the other members of the Class?
- g. Are any of the Defendants liable to the Plaintiffs and the Class, or any of them, for damages? If so, what Defendant is liable, to whom and in what amount?

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

GRANT this class action on behalf of the Class;

GRANT the Plaintiffs' action against the Defendants in respect of the rights of action asserted against Defendants under Title VIII, Chapter II, Divisions I and II of the QSA and, if necessary, the concordant provisions of the other Securities Legislation, and article 1457 of the *Civil Code of Quebec*;

CONDEMN the Defendants to pay to the Plaintiffs and the Class compensatory damages for all monetary losses;

ORDER collective recovery in accordance with articles 595 to 598 of the *Code of Civil Procedure*;

THE WHOLE with interest and additional indemnity provided for in the *Civil Code of Quebec* and with full costs and expenses, including expert fees, notice fees and fees relating to administering the plan of distribution of the recovery in this action;

2) the facts alleged appear to justify the conclusions sought

256. As particularized herein, the Defendants violated their legal obligations and their duties and responsibilities to the Class, and made misrepresentations to the Class in the Impugned Documents within the meaning of the QSA and the other Securities Legislation, supporting the Plaintiff Representative and the Class's claims;

3) the composition of the group makes it difficult or impracticable to apply the rules for mandates to take part in judicial proceedings on behalf of others or for consolidation of proceedings

257. Valeant is a multinational company having issued approximately 334,000,000 shares which are publicly traded on worldwide stock exchanges, alternative electronic stock exchanges, over-the-counter exchanges and dark-pools;

258. There are thousands of investors that could be members of the putative Class and the sub-classes and are likely located throughout the world;

259. In this context, it would be impracticable for each member of the class to bring a separate action;

4) the class members appointed as representative plaintiffs are in a position to properly represent the class members

260. Plaintiff Representatives understand 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;

261. Plaintiff Representatives purchased Valeant's securities during the Class Period and endured a financial loss;
262. Plaintiff Representatives have no conflict of interest with other members of the Class and are represented by counsel that are experienced at litigating shareholders' claims in class actions against multinational corporations that list their securities on multiple stock exchanges;

FOR THESE REASONS, MAY IT PLEASE THE COURT TO:

AUTHORIZE the Class and its sub-classes as described herein;

Class and the **Class Members** are comprised of:

- i. **Primary Market Sub-Class:** All persons and entities, wherever they may reside or may be domiciled who, during the **Class Period**, acquired **Valeant's Securities** in an **Offering**, and held some or all of such **Securities** as of at least October 19, 2015, excluding any claims in respect of **Valeant's Securities** acquired in the United States (but not excluding any claims in respect of Valeant's 4.50% Senior Notes due 2023 offered in March 2015); and
- ii. **Secondary Market Sub-Class:** All persons and entities, wherever they may reside or may be domiciled who, during the **Class Period**, acquired **Valeant's Securities** in the secondary market and held some or all of such **Securities** as of at least October 19, 2015, (...) excluding any claims in respect of Valeant's Securities acquired in the United States;

Excluded from the **Class** are the Defendants, the Individual Defendants, members of the immediate families of the Individual Defendants, and the directors, officers, subsidiaries, and affiliates of Valeant and its subsidiaries;

NAME Mr. Catucci and Mme Aubin as the Class and sub-class representatives;

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

- a. Did the Impugned Documents contain one or more misrepresentations within the meaning of the QSA or, as applicable, within the meaning of the other Securities Legislation or the laws of another jurisdiction? If so, what documents contained what misrepresentations?
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- b. Are any of the Defendants, other than the Underwriters, liable to the Secondary Market Sub-Class, or any of the members of the Secondary Market Sub-Class, under Title VIII, Chapter II, Division II of the QSA or, as applicable, under the concordant provisions of the other Securities Legislation or the laws of another jurisdiction? If so, what Defendant is liable and to whom?
- c. Are any of the Defendants liable to the Primary Market Sub-Class, or any of the members of the Primary Market Sub-Class, under Title VIII, Chapter II, Division I of the QSA or, as applicable, under the concordant provisions of the other Securities Legislation or the laws of another jurisdiction? If so, what Defendant is liable and to whom?
- d. Did any of the Defendants owe a duty of diligence or care to the Class, or any of the members of the Class, under the general private law of Quebec or, as applicable, under the general private law of another jurisdiction? If so, what Defendant owed a duty of diligence or care and to whom?
- e. If some or all of the Defendants owed a duty of diligence or care to the Class, or any of the members of the Class, did any of the Defendants violate such duty of diligence or care and commit a fault under article 1457 of the CCQ or, as applicable, a tort or other wrong under the law of another jurisdiction? If so, what Defendant committed a fault, a tort or other wrong and with respect to whom?
- f. What damages are sustained by the Plaintiffs and the other members of the Class?
- g. Are any of the Defendants liable to the Plaintiffs and the Class, or any of them, for damages? If so, what Defendant is liable, to whom and in what amount?

AUTHORIZE the class action proceedings to seek the following conclusions:

GRANT this class action on behalf of the Class;

GRANT the Plaintiffs' action against the Defendants in respect of the rights of action asserted against Defendants under Title VIII, Chapter II, Divisions I and II of the QSA and, if necessary, the concordant provisions of the other Securities Legislation, and article 1457 of the CCQ;

CONDEMN the Defendants to pay to the Plaintiffs and the Class compensatory damages for all monetary losses;

ORDER collective recovery in accordance with articles 595 to 598 of the *Code of Civil Procedure*;

THE WHOLE with interest and additional indemnity provided for in the *Civil Code of Quebec* and with full costs and expenses, including expert fees, notice fees and fees relating to administering the plan of distribution of the recovery in this action;

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 to be 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 judgment authorizing 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 including experts' fees.

MONTREAL, this 5th day of April, 2017

(S) *Faguy & Co.*

FAGUY & CO. BARRISTERS & SOLICITORS INC.
Attorneys ad litem for Representative Plaintiffs