



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

VALEANT PHARMACEUTICALS)	
INTERNATIONAL,)	
)	
Plaintiff,)	
)	
v.)	
)	C. A. No. 19947
MILAN PANIC and ADAM JERNEY,)	
)	
Defendants.)	
)	
)	
)	
)	

AMENDED ANSWER TO SECOND AMENDED COMPLAINT

Defendants Milan Panic (“Panic”) and Adam Jerney (“Jerney”, and collectively with Panic, “Defendants”), by and through their undersigned attorneys, hereby answer Plaintiff’s Second Amended Complaint (the “Complaint”) as follows:

1. The allegations of paragraph 1 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations of the first and second sentences of paragraph 1 of the Complaint and admit the allegations of the third and fourth sentences of paragraph 1 of the Complaint.

2. The allegations of paragraph 2 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations of paragraph 2 of the Complaint.

3. The allegations of paragraph 3 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations of paragraph 3 of the Complaint.

4. Defendants admit the allegations contained in paragraph 4 of the Complaint.

5. Defendants deny the allegations of paragraph 5 of the Complaint except admit that Milan Panic is the founder of ICN Pharmaceuticals, Inc. ("ICN") served as Chairman of the ICN Board of Directors and Chief Executive Officer of ICN from 1960 until June 2002, received \$1,911,058 from ICN in 2001 for his services as Chairman of the Board and Chief Executive Officer, received a cash bonus from ICN in the amount of \$33,050,000 as a result of the spin-off of Ribapharm, received 300,000 options to purchase ICN common stock; and received in 2001 a loan of \$2,731,519 to exercise stock options.

6. Defendants deny the allegations of paragraph 6 of the Complaint except admit that Adam Jerney served as a director of ICN from 1962 to May 2002, served as Chief Operating Officer of ICN and President of ICN, received an amount in excess of \$700,000 from ICN for his services as Chief Operating Officer of ICN, President of ICN and a director of ICN in both 2000 and 2001, and received a cash bonus in the amount of \$3,000,0000 from the spin-off of Ribapharm.

7. Defendants admit the allegations contained in paragraph 7 of the Complaint.

8. Defendants admit the allegations contained in the first and second sentences of paragraph 8 of the Complaint. Defendants deny the allegations contained in the third sentence of paragraph 8 of the Complaint. Defendants admit the allegations contained in the fourth sentence of paragraph 8 of the Complaint. Defendants deny the allegations contained in the fifth sentence of paragraph 8 of the Complaint as stated.

9. Defendants deny the allegations contained in the first sentence of paragraph 9 of the Complaint, except admit that the March 21, 2002 amendment to the Ribapharm Registration Statement indicated that Ribapharm intended to grant options to acquire up to an aggregate amount of 7,900,000 shares of Ribapharm common stock to officers and employees of ICN who were not one of Ribapharm's directors, officers, employees or consultants. Defendants admit the remaining allegations contained in paragraph 9 of the Complaint.

10. Defendants deny the allegations contained in paragraph 10 of the Complaint as stated, except admit that Iridian Asset Management, LLC and Franklin Mutual Advisors filed an Amended Schedule 13D with the SEC. Defendants admit that the Amended Schedule 13D contained the text quoted in paragraph 10 of the Complaint.

11. Defendants lack knowledge sufficient to form a belief as to the truth of the allegations contained in paragraph 11 of the Complaint.

12. Defendants deny the allegations contained in paragraph 12 of the Complaint as stated, except admit that UBS Warburg LLC was the lead underwriter of the IPO, and that at a March 28, 2002 Board meeting, the Board of Directors referred consideration of the Ribapharm option bonuses to the Compensation Committee --

consisting of three directors -- and directed the Compensation Committee to engage Towers Perrin to advise on the Ribapharm options.

13. Defendants deny the allegations contained in paragraph 13 of the Complaint as stated, except admit that at an April 10, 2002 ICN Board of Directors meeting, the ICN Board of Directors unanimously voted to approve bonuses to the ICN Board of Directors and certain ICN officers.

14. Defendants admit that the minutes from the April 10, 2002 ICN Board meeting read as stated in paragraph 14 of the Complaint.

15. Defendants deny the allegations contained in paragraph 15 of the Complaint, except admit that the Compensation Committee met on April 10, 2002 and the Compensation Committee report reads as stated in paragraph 15 of the Complaint.

16. Defendants deny the allegations contained in paragraph 16 of the Complaint as stated, except admit that the Compensation Committee report contained the bullet points contained in paragraph 16 of the Complaint.

17. Defendants deny the allegations contained in paragraph 17 of the Complaint as stated, except admit that the Compensation Committee report contained the text quoted in paragraph 17 of the Complaint.

18. Defendants admit that the Compensation Committee report contained the text quoted in paragraph 18 of the Complaint.

19. Defendants admit that the April 9, 2002 Towers Perrin letter was distributed to the ICN Board of Directors at the April 10, 2002 meeting and contained the text quoted in paragraph 19 of the Complaint.

20. Defendants admit that the April 9, 2002 Towers Perrin letter contained the text quoted in paragraph 20 of the Complaint.

21. Defendants admit that the April 9, 2002 Towers Perrin letter contained the text quoted in paragraph 21 of the Complaint.

22. Defendants admit that the April 9, 2002 Towers Perrin letter contained the text quoted in paragraph 22 of the Complaint.

23. Defendants admit that an April 10, 2002 ICN press release contained the text quoted in paragraph 23 of the Complaint.

24. Defendants deny the allegations contained in paragraph 24 of the Complaint.

25. Defendants deny the allegations contained in paragraph 25 of the Complaint as stated, except admit that Ribapharm completed its IPO on April 17, 2002; ICN paid approximately \$47.8 million in bonuses that same day; and that ICN realized net cash proceeds of approximately \$276,611,000 from the IPO, which resulted in a gain to ICN of \$262,949,000 on the sale of the Ribapharm stock in the IPO.

26. Defendants admit that on April 29, 2002 ICN filed with the SEC an Amended Form 10-K for FY2001 which contained the text quoted in paragraph 26 of the Complaint.

27. The allegations of paragraph 27 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 27 of the Complaint.

28. The allegations of paragraph 28 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 28 of the Complaint, except admit that Ribapharm's counsel wrote a January 3, 2002 letter to the SEC containing the text quoted in paragraph 28 of the Complaint; the Prospectus for the Ribapharm IPO noted that ICN would continue to control Ribapharm after the IPO and the spin-off might not occur; and ICN's Form 10-Q filed with the SEC on August 14, 2002 contained the text quoted in paragraph 28 of the Complaint.

29. The allegations of paragraph 29 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 29 of the Complaint, except admit that Towers Perrin's May 9, 2002 letter agreement contains the text quoted in paragraph 29 of the Complaint.

30. The allegations of paragraph 30 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 30 of the Complaint, except admit that the ICN Board met approximately nine times in 2001 and Tomich served on the Board from February 2001 through May 2002.

31. The allegations of paragraph 31 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 31 of the Complaint.

32. The allegations of paragraph 32 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 32 of the Complaint.

33. The allegations of paragraph 33 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 33 of the Complaint, except admit that ICN had retained Towers Perrin to perform certain tasks and the Compensation Committee members would participate in the proposed bonus.

34. The allegations of paragraph 34 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 34 of the Complaint, except admit that the Towers Perrin letter was distributed at the April 10, 2002 ICN Board meeting.

35. The allegations of paragraph 35 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 35 of the Complaint, except admit that the Compensation Committee report, Towers Perrin's letter, and the final amended S-1 for the Ribapharm IPO were available to ICN's directors.

36. The allegations of paragraph 36 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 36 of the

Complaint, except admit that certain amendments to the S-1 reflected that the offering price in the IPO was expected to be \$13-\$15 per share.

37. The allegations of paragraph 37 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations of paragraph 37 of the Complaint.

38. The allegations of paragraph 38 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations of paragraph 38 of the Complaint.

39. The allegations of paragraph 39 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 39 as stated, except admit that the April 30, 2002 *Los Angeles Times* article contained the text quoted in paragraph 39 of the Complaint.

40. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 40 of the Complaint.

41. Defendants lack knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 41 of the Complaint.

42. Defendants incorporate by reference their responses to paragraphs 1 through 41 of the Complaint as if fully set forth herein.

43. The allegations of paragraph 43 of the Complaint state legal conclusions as to which no responsive pleading is required.

44. The allegations of paragraph 44 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 44 of the Complaint.

45. Defendants incorporate by reference their responses to paragraphs 1 through 44 of the Complaint as if fully set forth herein.

46. The allegations of paragraph 46 of the Complaint state legal conclusions as to which no responsive pleading is required.

47. The allegations of paragraph 47 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 47 of the Complaint.

48. The allegations of paragraph 48 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 48 of the Complaint.

49. The allegations of paragraph 49 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 49 of the Complaint.

50. The allegations of paragraph 50 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 50 of the Complaint.

51. Defendants incorporate by reference their responses to paragraphs 1 through 50 of the Complaint as if fully set forth herein.

52. The allegations of paragraph 52 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 52 of the Complaint.

53. The allegations of paragraph 53 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 53 of the Complaint.

54. The allegations of paragraph 54 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 54 of the Complaint.

55. Defendants incorporate by reference their responses to paragraphs 1 through 54 of the Complaint as if fully set forth herein.

56. The allegations of paragraph 56 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is

deemed to be required, Defendants deny the allegations contained in paragraph 56 of the Complaint.

57. The allegations of paragraph 57 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 57 of the Complaint.

58. The allegations of paragraph 58 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 58 of the Complaint.

59. The allegations of paragraph 59 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 59 of the Complaint.

60. The allegations of paragraph 60 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 60 of the Complaint.

61. The allegations of paragraph 61 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 61 of the Complaint.

62. The allegations of paragraph 62 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 62 of the Complaint.

63. The allegations of paragraph 63 of the Complaint state legal conclusions as to which no responsive pleading is required. To the extent that a responsive pleading is deemed to be required, Defendants deny the allegations contained in paragraph 63 of the Complaint.

64. The allegations of paragraph 64 of the Complaint state legal conclusions as to which no responsive pleading is required.

FIRST AFFIRMATIVE DEFENSE

Plaintiff's claims should be dismissed because the Complaint fails to state a claim upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

Plaintiff's claims should be dismissed because Defendants' acts, as alleged in the Complaint, are protected by the business judgment rule.

THIRD AFFIRMATIVE DEFENSE

The claims asserted in the Complaint are barred because Defendants, at all times alleged therein, exercised due and reasonable care.

FOURTH AFFIRMATIVE DEFENSE

The claims asserted in the Complaint are barred by the applicable statutes of limitations and/or the equitable doctrine of laches.

FIFTH AFFIRMATIVE DEFENSE

The claims asserted in the Complaint are barred, in whole or in part, by the doctrine of unclean hands.

SIXTH AFFIRMATIVE DEFENSE

Plaintiff's claim for attorneys' fees and costs should be stricken because it is not based on either contract or statute and, therefore, the fees and costs are not recoverable as a matter of law.

SEVENTH AFFIRMATIVE DEFENSE

Defendants reserve the right to rely upon other affirmative defenses that may become apparent during the course of the litigation.

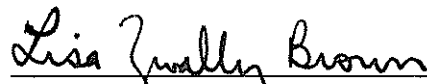
EIGHTH AFFIRMATIVE DEFENSE

Any damages that may be awarded to the Plaintiff must be reduced to conform to the Order entered by the Court on or about May 19, 2005 and the joint tortfeasor releases contained in the settlement agreements between Plaintiff and certain former defendants in this action that were approved in the Court's May 19 Order.

WHEREFORE, Defendants respectfully request that the Court:

- (a) dismiss the Complaint with prejudice;
- (b) enter judgment in favor of Defendants against Plaintiff;
- (c) award to Defendants their attorneys' fees and costs incurred in the defense of this action;
- (d) grant such other further relief as the Court deems just and proper.

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