

# Valeant Pharmaceuticals Increases Proposed Price for Acquisition of ISTA Pharmaceuticals Inc. to \$7.50 Per Share in Cash

January 17, 2012

## **REVISED PROPOSAL REMAINS OPEN UNTIL JANUARY 31, 2012**

### **Potential to further increase price up to \$8.50 per share based on selected due diligence**

MISSISSAUGA, Ontario, Canada, Jan. 17, 2012 /PRNewswire/ -- Valeant Pharmaceuticals International, Inc. (NYSE: VRX and TSX: VRX) today announced that it has increased from \$6.50 to \$7.50 per share in cash the proposed price of its previously announced offer to acquire ISTA Pharmaceuticals Inc. (Nasdaq: ISTA). Valeant also communicated to ISTA that Valeant believed that it could achieve a price of up to \$8.50 per share, assuming that ISTA provides it selected confirmatory due diligence related to the company that is consistent with what Valeant expects to see. Valeant reaffirmed that its proposal would only remain open until January 31, 2012. A copy of a letter from Valeant to the Board of Directors of ISTA is attached to this press release.

Since December 16, 2011, the date on which Valeant publicly announced its proposal to acquire ISTA at \$6.50 per share in cash, ISTA's stock has traded in a range significantly higher than in the months prior to that announcement. The proposed price of \$7.50 per share represents a premium of approximately 94% over ISTA's 60-day volume weighted trading average of \$3.87 on December 15, 2011, the last trading day before Valeant's public announcement of its offer. An \$8.50 per share price would constitute a premium of approximately 120%.

After repeated attempts to enter into acquisition negotiations, in December 2011 Valeant announced that it had made a proposal to the Board of Directors of ISTA to acquire the company for \$6.50 per share in cash. At that time, Valeant made clear that its proposal would remain in effect only until January 31, 2012. Valeant again reiterated its January 31 deadline.

Valeant expressed its disappointment that the Board of Directors and management of ISTA have not been willing to meaningfully engage with Valeant on a timely basis to obtain the benefits of its proposal. "We do not understand why ISTA would not have already pursued discussions with us and provided due diligence access," stated Mr. Pearson. "Our proposal represents an attractive premium to ISTA's trading performance, and we believe it offers a compelling opportunity for shareholders in light of ISTA's ongoing operational challenges."

Valeant calls on the Board of Directors of ISTA to engage in discussion with Valeant and to provide it with access to selected due diligence in order to enter into a transaction no later than January 31, 2012.

### **About Valeant Pharmaceuticals International, Inc.**

Valeant Pharmaceuticals International, Inc. (NYSE/TSX: VRX) is a multinational specialty pharmaceutical company that develops, manufactures and markets a broad range of pharmaceutical products primarily in the areas of neurology, dermatology and branded generics. More information about Valeant Pharmaceuticals International, Inc. can be found at [www.valeant.com](http://www.valeant.com)

## Forward-looking Statements

This press release may contain forward-looking statements, including, but not limited to, statements regarding Valeant's offer to acquire ISTA. Forward-looking statements may be identified by the use of the words "anticipates," "expects," "intends," "plans," "should," "could," "would," "may," "will," "believes," "estimates," "potential," or "continue" and variations or similar expressions. These statements are based upon the current expectations and beliefs of management and are subject to certain risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, but are not limited to, risks and uncertainties discussed in the company's most recent annual or quarterly report filed with the Securities and Exchange Commission ("SEC") as detailed from time to time in Valeant's filings with the SEC and the Canadian Securities Administrators ("CSA"), which factors are incorporated herein by reference, as well as and risks and uncertainties relating to the proposed merger, including the negotiation and completion of a formal transaction agreement and regulatory approval processes. Readers are cautioned not to place undue reliance on any of these forward-looking statements. Valeant undertakes no obligation to update any of these forward-looking statements to reflect events or circumstances after the date of this press release or to reflect actual outcomes.

**J. Michael  
Pearson**

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Chairman and Chief Executive Officer

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### ***Strictly Confidential***

January 17, 2012

The Board of Directors of ISTA Pharmaceuticals Inc.  
c/o Dr. Vicente Anido Jr., Director, President and Chief Executive Officer  
ISTA Pharmaceuticals Inc.  
50 Technology Drive  
Irvine, CA 92618

Gentlemen:

I am writing on behalf of Valeant Pharmaceuticals International, Inc. ("Valeant") to the Board of Directors (the "Board") of ISTA Pharmaceuticals Inc. ("ISTA") to express our disappointment once again in ISTA's failure to fully engage with us on a timely basis to negotiate Valeant's acquisition of ISTA. This failure of ISTA to engage has continued notwithstanding our having shared with you our improved offer on January 11, 2012.

As you know, we began seeking to engage in acquisition discussions with ISTA several months ago. Finally, on December 16, 2011, with no sign that ISTA's management or Board was serious about engaging in acquisition negotiations, we publicly announced the \$6.50 per share proposal

that we had made to the ISTA Board. At that time, we made it clear that our proposal would only remain in effect until January 31. It has now been over a month since that announcement and ISTA still has not provided us access to due diligence information, agreed to hold discussions with us or otherwise meaningfully engaged with us regarding our premium proposal.

Nonetheless, we have continued to use our resources to seek to further analyze ISTA's publicly available information and reassess the potential benefits to us of an ISTA acquisition. Based on our desire to find a clear path to enter into a transaction by January 31, last week we initiated a meeting with ISTA's Chairman, Mr. Williams, and Chief Executive Officer, Dr. Anido, to communicate our willingness to increase our proposed price to \$7.50 in cash per share. We also advised Mr. Williams and Dr. Anido we believed we could achieve a price of up to \$8.50 per share if selected due diligence information was provided to us by ISTA that is consistent with our expectations. Finally, we made it very clear that we were not asking for, nor would we expect, exclusivity in this process.

We were very surprised to hear that ISTA has just very recently began to contact parties whom they believe may have potential interest in an acquisition of the company and that a sale process would continue until March. While we were perplexed by ISTA's failure to follow up with us on our proposal over the past month, we had assumed that ISTA must have been reaching out to third parties in an effort to identify another offer and engaging in whatever other process it felt was legally or practically appropriate. In light of our clear statements regarding our timing, we find it inexplicable that ISTA has not acted more promptly -- to engage with us or to run whatever alternative process it felt it needed to run. ISTA has not even seemed interested in taking the necessary steps to see where we could get to on price if we were provided due diligence access. We remain very frustrated, and question why the ISTA board of directors is not acting to enter into our premium transaction while it is available, rather than chase a theoretical other offer that may not materialize.

If ISTA is interested in pursuing our proposal in order to benefit its shareholders, we are prepared to move very quickly, and believe that with your cooperation we could complete our diligence review within one week of receipt of the materials. When we announced our proposal to acquire ISTA, we were very clear that our offer would only remain open until January 31, and we have continued to be clear on that point. We believe that this timeframe was when made, and remains today, adequate time to perform due diligence and enter into an agreement if ISTA is willing to engage itself and commit the necessary resources. We already have devoted substantial time and resources to evaluating an acquisition of ISTA, and we still intend to move on to other opportunities if we do not have a clear path to a transaction by January 31, 2012.

ISTA's Board must be aware of the risks associated with failing to pursue our proposal. We believe that ISTA's recent stock price rise is attributable to our offer and the possibility of a sale of ISTA, and not to the fundamentals of ISTA's business or projections of future performance. Our increased proposed price of \$7.50 pre-diligence and potential for \$8.50 after diligence represent a 94% and 120% premium, respectively, to ISTA's 60-day volume weighted average price of \$3.87 on December 15, 2011, the last trading day before public announcement of our offer. Our offer continues to represent a compelling opportunity for ISTA's shareholders in light of the continuing challenges facing ISTA.

We intend to make our improved proposal public tomorrow, because we believe ISTA's stockholders have a right to consider this improved offer, learn about the lack of progress we have made together to date and understand that the Board is placing our offer at risk by refusing to meaningfully engage with us on a timely basis.

We continue to stand ready to meet with the Board and its advisors immediately to discuss our proposal and to devote all necessary resources to work to implement this transaction by

January 31, 2012.

Yours truly,

J. Michael Pearson

Chairman and Chief Executive Officer

Valeant Pharmaceuticals International, Inc.

cc: Mr. Richard C. Williams

Chairperson of the Board of Directors

ISTA Pharmaceuticals Inc.

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