MDC HOLDINGS INC
Form 10-Q
July 31, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File No. 1-8951

M.D.C. HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**84-0622967**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification no.)**

4350 South Monaco Street, Suite 500 **80237**

Denver, Colorado **(Zip code)**
(Address of principal executive offices)

(303) 773-1100

(Registrant s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer x **Accelerated Filer ¨**
Non-Accelerated Filer ¨ (Do not check if a smaller reporting company) **Smaller Reporting Company ¨**
Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of June 30, 2009, 46,964,000 shares of M.D.C. Holdings, Inc. common stock were outstanding.

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M.D.C. HOLDINGS, INC. AND SUBSIDIARIES

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2009

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ITEM 1. Unaudited Consolidated Financial Statements

M.D.C. HOLDINGS, INC.

Consolidated Balance Sheets

(In thousands, except share and per share amounts)

(Unaudited)

	June 30, 2009	December 31, 2008
Assets		
Cash and cash equivalents	$ 1,559,825	$ 1,304,728
Marketable securities	71,926	54,864
Unsettled trades, net	2,133	57,687
Restricted cash	619	670
Receivables		
Home sales receivables	13,073	17,104
Income taxes receivable	-	170,753
Other receivables	13,108	16,697
Mortgage loans held-for-sale, net	51,029	68,604
Inventories, net		
Housing completed or under construction	297,092	415,500
Land and land under development	195,778	221,822
Property and equipment, net	37,146	38,343
Deferred tax asset, net of valuation allowance	-	-
Related party assets	28,627	28,627
Prepaid expenses and other assets, net	78,338	79,539
Total Assets	$ 2,348,694	$ 2,474,938
Liabilities		
Accounts payable	$ 28,582	$ 28,793
Accrued liabilities	301,228	332,825
Income taxes payable, net	2,764	-
Mortgage repurchase facility	24,175	34,873
Senior notes, net	997,756	997,527
Total Liabilities	1,354,505	1,394,018
Commitments and Contingencies	-	-
Stockholders Equity		
Preferred stock, $0.01 par value; 25,000,000 shares authorized; none issued or outstanding	-	-
Common stock, $0.01 par value; 250,000,000 shares authorized; 47,017,000 and 46,964,000 issued and outstanding, respectively, at June 30, 2009 and 46,715,000 and 46,666,000 issued and outstanding, respectively, at December 31, 2008	470	467
Additional paid-in-capital	795,345	788,207
Retained earnings	199,033	292,905
Treasury stock, at cost; 53,000 and 49,000 shares at June 30, 2009 and December 31, 2008, respectively	(659)	(659)
Total Stockholders Equity	994,189	1,080,920

Total Liabilities and Stockholders Equity	$ 2,348,694	$ 2,474,938

The accompanying Notes are an integral part of the Unaudited Consolidated Financial Statements.

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M.D.C. HOLDINGS, INC.

Consolidated Statements of Operations

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenue				
Home sales revenue	$ 185,554	$ 382,093	$ 352,536	$ 737,885
Land sales revenue	1,954	12,281	4,572	40,849
Other revenue	7,758	9,048	14,090	20,466
Total Revenue	195,266	403,422	371,198	799,200
Costs and Expenses				
Home cost of sales	152,118	337,543	293,443	652,580
Land cost of sales	1,500	6,835	2,841	34,784
Asset impairments, net	1,243	88,278	15,812	143,110
Marketing expenses	7,930	20,350	16,762	39,553
Commission expenses	6,953	14,659	13,311	28,092
General and administrative expenses	37,800	43,922	76,181	95,110
Other operating expenses	292	1,846	557	3,570
Related party expenses	4	5	9	10
Total Operating Costs and Expenses	207,840	513,438	418,916	996,809
Loss from Operations	(12,574)	(110,016)	(47,718)	(197,609)
Other income (expense)				
Interest income	2,968	8,547	7,039	19,023
Interest expense	(9,838)	(80)	(19,578)	(210)
Other income	381	9	121	30
Loss before income taxes	(19,063)	(101,540)	(60,136)	(178,766)
(Provision for) benefit from income taxes, net	(10,519)	814	(10,299)	5,220
NET LOSS	$ (29,582)	$ (100,726)	$ (70,435)	$ (173,546)
LOSS PER SHARE				
Basic	$ (0.64)	$ (2.18)	$ (1.52)	$ (3.77)
Diluted	$ (0.64)	$ (2.18)	$ (1.52)	$ (3.77)
WEIGHTED-AVERAGE SHARES OUTSTANDING				
Basic	46,548	46,110	46,474	46,033
Diluted	46,548	46,110	46,474	46,033
DIVIDENDS DECLARED PER SHARE	$ 0.25	$ 0.25	$ 0.50	$ 0.50

The accompanying Notes are an integral part of the Unaudited Consolidated Financial Statements.

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M.D.C. HOLDINGS, INC.

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Six Months Ended June 30, 2009	2008
Operating Activities		
Net loss	$ (70,435)	$ (173,546)
Adjustments to reconcile net loss to net cash provided by operating activities		
Asset impairments, net	15,812	143,110
Deferred tax asset, net of valuation allowance	-	84,710
Amortization of deferred marketing costs	3,804	13,172
Write-offs of land option deposits and pre-acquisition costs	557	3,668
Depreciation and amortization of long-lived assets	2,920	4,786
Stock-based compensation expense	7,325	5,357
Excess tax benefits from stock-based compensation	-	(367)
Gain on sale of assets, net	(1,531)	(6,095)
Other non-cash expenses	1,223	272
Net changes in assets and liabilities:		
Restricted cash	51	312
Home sales and other receivables	7,620	3,820
Income taxes receivable/payable	169,862	218
Mortgage loans held-for-sale, net	17,575	21,007
Housing completed or under construction	114,079	209,290
Land and land under development	16,506	99,980
Prepaid expenses and other assets, net	(4,235)	(6,036)
Accounts payable	(211)	(27,088)
Accrued liabilities	(29,104)	(54,267)
Net cash provided by operating activities	251,818	322,303
Investing Activities		
Purchase of marketable securities	(81,926)	-
Maturity of marketable securities	64,864	-
Proceeds from redemption requests on unsettled trades	55,554	-
Purchase of property and equipment	(4,549)	(116)
Net cash provided by (used in) investing activities	33,943	(116)
Financing Activities		
Lines of credit - advances	-	93,493
Lines of credit - payments	-	(108,210)
Payment on mortgage repurchase facility	(34,873)	-
Advances on mortgage repurchase facility	24,175	-
Dividend payments	(23,437)	(23,104)
Proceeds from exercise of stock options	3,471	7,321
Excess tax benefits from stock-based compensation	-	367
Net cash used in financing activities	(30,664)	(30,133)

Net increase in cash and cash equivalents	255,097	292,054
Cash and cash equivalents		
Beginning of period	1,304,728	1,004,763
End of period	$ 1,559,825	$ 1,296,817

The accompanying Notes are an integral part of the Unaudited Consolidated Financial Statements.

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements

1. Basis of Presentation

The Unaudited Consolidated Financial Statements of M.D.C. Holdings, Inc. (MDC or the Company, which refers to M.D.C. Holdings, Inc. and its subsidiaries) have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). Accordingly, they do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. These statements reflect all normal and recurring adjustments which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of MDC at June 30, 2009 and for all periods presented. These statements should be read in conjunction with MDC s Consolidated Financial Statements and Notes thereto included in MDC s Annual Report on Form 10-K for the year ended December 31, 2008, filed with the SEC on February 10, 2009.

The Consolidated Statements of Operations for the three and six months ended June 30, 2009 and Consolidated Statement of Cash Flows for the six months ended June 30, 2009 are not necessarily indicative of the results to be expected for the full year. Refer to the economic conditions described under the caption Risk Factors in Part II, Item 1A of this Quarterly Report on Form 10-Q and Risk Factors Relating to our Business in Item 1A of the Company s December 31, 2008 Annual Report on Form 10-K.

During 2009 first quarter, the Company reclassified certain costs, primarily write-offs of pre-acquisition costs and deposits on lot option contracts that we elected not to exercise, from general and administrative expenses to other operating expenses on the Consolidated Statements of Operations. Accordingly, the Company has reclassified $1.8 million and $3.6 million of write-offs of pre-acquisition costs and deposits during the three and six months ended June 30, 2008, respectively, in order to conform to the current year s presentation.

During the 2009 first quarter, the Company changed the composition of its reportable segments by reclassifying the Delaware Valley market from the Other Homebuilding segment to the East segment. This resulted primarily from a change in the internal reporting structure of the Company. As a result, the Company has restated all prior period financial and operating measures of the Delaware Valley market to the East segment in order to conform to the current year s presentation. Certain other prior period balances have been reclassified to conform to the current year s presentation.

2. Unsettled Trades

On September 16, 2008, the Company delivered a timely redemption request to The Reserve Funds to redeem its investment in The Reserve s Primary money market fund. The Reserve announced on September 16, 2008 that all Primary Fund redemption requests received before 3:00 p.m. that day would be redeemed at $1.00 per share. Despite representations by The Reserve that the redemptions would be paid the same day as the redemption request, the amounts due to the Company were not distributed to the Company upon request of redemption. Accordingly, at June 30, 2009 and December 31, 2008, the Company has presented the amounts due from The Reserve as unsettled trades on the Consolidated Balance Sheets and has presented the settlement of its redemption request as a source of cash from investing activities in the Company s Consolidated Statements of Cash Flows. At June 30, 2009, the Company had $2.1 million of unsettled trades, net with The Reserve Primary Fund. While the Company believes that it made a timely redemption request to settle its investment in The Reserve Primary Fund on September 16, 2008, there are no assurances that the Company will

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

ultimately receive this amount and, as such, the Company had a valuation allowance of $374,000 against the unsettled trade associated with its redemption request of The Reserve Primary Fund as of June 30, 2009 and December 31, 2008.

3. Asset Impairment

The Company s held-for-development and held-for-sale inventories are included as a component of housing completed or under construction and land and land under development in the Consolidated Balance Sheets. The Company s held-for-sale inventories include inventory associated with subdivisions for which the Company intends to sell the assets in their current condition. At June 30, 2009 and December 31, 2008, the Company s inventories on the Consolidated Balance Sheets included $10.0 million and $12.1 million, respectively, of held-for-sale inventory.

On a quarterly basis, the Company evaluates its held-for-development and held-for-sale inventory for impairment in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144).

The following table sets forth, by reportable segment, the asset impairments recorded during the three and six months ended June 30, 2009 and 2008 (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Land and Land Under Development (Held-for-Development)				
West	$ -	$ 18,321	$ 9,791	$ 38,764
Mountain	-	23,973	254	26,687
East	1,450	6,091	1,600	6,698
Other Homebuilding	-	1,851	17	1,865
Subtotal	1,450	50,236	11,662	74,014
Housing Completed or Under Construction (Held-for-Development)				
West	-	11,838	3,276	33,173
Mountain	-	5,977	-	7,217
East	275	2,167	875	3,093
Other Homebuilding	-	1,806	267	2,097
Subtotal	275	21,788	4,418	45,580
Land and Land Under Development (Held-for-Sale)				
West	(557)	9,360	(557)	14,726
Mountain	-	150	-	150
East	-	750	-	750
Other Homebuilding	-	2,938	-	3,668
Subtotal	(557)	13,198	(557)	19,294
Other Assets	75	3,056	289	4,222
Consolidated Asset Impairments	$ 1,243	$ 88,278	$ 15,812	$ 143,110

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

During the 2009 second quarter, the Company s impairments were concentrated in two subdivisions in the East segment and primarily resulted from continued decline in the demand for homes in these subdivisions.

The 2009 first quarter impairments of the Company s held-for-development inventories were concentrated in the Nevada market of the West segment. These impairments resulted from a significant decrease in the average selling prices of closed homes during the 2009 first quarter, compared with the 2008 fourth quarter, in response to increased levels of competition in this market and continued high levels of home foreclosures. The impairments in the Mountain, East and Other Homebuilding segments primarily resulted from lower forecasted average selling prices for communities that are in the close out phase.

The impairments of the Company s held-for-development inventories incurred during the 2008 second quarter and first six months primarily resulted from decreases in home sales prices and/or increases in home sales incentives offered to homebuyers in an effort to: (1) remain competitive with home sales prices then being offered by the Company s competitors; (2) maintain homes in Backlog (defined as homes under contract but not yet delivered) during the 2008 periods until they closed; (3) address affordability issues for new homes as homebuyers were experiencing difficulty in qualifying for mortgage loans; and (4) stimulate new home orders in an effort to sell and close the remaining homes in subdivisions that were in the close-out phase.

The impairments of held-for-development inventories in the West and Mountain segments during the 2008 periods were significantly higher than impairments recorded in the Company s other homebuilding segments, primarily resulting from: (1) competition within the sub-markets of these segments being more pronounced than in the other homebuilding segments and, as a result, the Company generally experienced more significant reductions in its average selling prices of homes within these segments; and (2) the total homebuilding inventories for the West and Mountain segments comprised 41% and 34%, respectively, of the Company s consolidated homebuilding inventories at June 30, 2008. The Company believes that buyers of the Company s homes in the West segment were largely comprised of entry level homebuyers, compared with a wider range of homebuyers in the other homebuilding segments and, as such, their ability to obtain suitable mortgage loan financing was impacted more adversely by the decreased availability of mortgage loan products, which contributed to the relatively higher impairments in this segment during the 2008 periods. Also contributing to the impairments in the Mountain segment was a more pronounced decline in demand for new homes during 2008, particularly in the Company s Utah market, where the demand for new homes decreased from its peak during 2006.

During the three and six months ended June 30, 2008, the Company recorded impairments of $13.2 million and $19.3 million, respectively, on its held-for-sale inventory, primarily in the West segment. The 2008 second quarter impairments, which related to approximately 850 lots in 15 subdivisions, primarily resulted from significant decreases in the fair market values of new homes that were being sold, as this caused declines in the fair market values of land available for sale. Also contributing to these impairments were the Company s decision that the best use of these assets was to sell them in their current condition at fair values that were significantly below their then carrying value.

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

4. Recent Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162, (SFAS 168). SFAS 168 establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. SFAS 168 is effective for the Company s September 30, 2009 consolidated financial statements. SFAS 168 does not change GAAP and will not have a material impact on the Company s consolidated financial statements. However, SFAS 168 will impact the Company s consolidated financial statements as the Company s references to authoritative accounting literature will be revised to cite the FASB s Accounting Standards Codification.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R), (SFAS 167). SFAS 167 amends the consolidation guidance applicable to variable interest entities and the definition of a variable interest entity, and requires enhanced disclosures to provide more information about an enterprise s involvement in a variable interest entity. This statement also requires ongoing assessments of whether an enterprise is the primary beneficiary of a variable interest entity. SFAS 167 is effective for the Company s fiscal year beginning January 1, 2010. The Company is currently reviewing the effect of SFAS 167 on its consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 (SFAS 166). SFAS 166 removes the concept of a qualifying special-purpose entity from SFAS 140 and removes the exception from applying FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities, to qualifying special-purpose entities. SFAS 166 clarifies that the objective of paragraph 9 of SFAS 140 is to determine whether a transferor and all of the entities included in the transferor s financial statements being presented have surrendered control over transferred financial assets. That determination must consider the transferor s continuing involvement in the transferred financial asset, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer, even if they were not entered into at the time of the transfer. SFAS 166 modifies the financial-components approach used in SFAS 140 and limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire original financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset.

SFAS 166 defines the term *participating interest* to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale. If the transfer does not meet those conditions, a transferor should account for the transfer as a sale only if it transfers an entire financial asset or a group of entire financial assets and surrenders control over the entire transferred asset(s) in accordance with the conditions in paragraph 9 of SFAS 140, as amended by SFAS 166.

The special provisions in SFAS 140 and FASB Statement No. 65, Accounting for Certain Mortgage Banking Activities, for guaranteed mortgage securitizations are removed thereby requiring

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

those securitizations to be treated the same as other transfers of financial assets within the scope of SFAS 140, as amended by SFAS 166. If such a transfer does not meet the requirements for sale accounting, the securitized mortgage loans should continue to be classified as loans in the transferor s statement of financial position. SFAS 166 requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor s beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale.

SFAS 166 shall be effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The recognition and measurement provisions of SFAS 166 shall be applied to transfers that occur on or after the effective date. The Company is currently evaluating the impact that SFAS 166 may have on its financial position, results of operations and cash flows.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events, (SFAS 165). SFAS 165 establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Among other things, SFAS 165 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. SFAS 165 was effective for the Company s quarter ending June 30, 2009. The Company has evaluated subsequent events through the date of this filing, July 31, 2009 and determined there were no subsequent events required to be reported.

In February 2008, the FASB issued FASB Staff Position (FSP) FAS 140-3, Accounting for Transfers of Financial Assets and Repurchase Financing Transactions (FSP 140-3). The objective of FSP 140-3 is to provide implementation guidance on whether the security transfer and contemporaneous repurchase financing involving the transferred financial asset must be evaluated as one linked transaction or two separate de-linked transactions.

FSP 140-3 requires the recognition of the transfer and the repurchase agreement as one linked transaction, unless all of the following criteria are met: (1) the initial transfer and the repurchase financing are not contractually contingent on one another; (2) the initial transferor has full recourse upon default, and the repurchase agreement s price is fixed and not at fair value; (3) the financial asset is readily obtainable in the marketplace and the transfer and repurchase financing are executed at market rates; and (4) the maturity of the repurchase financing precedes the maturity of the financial asset. The scope of FSP 140-3 is limited to transfers and subsequent repurchase financings that are entered into contemporaneously or in contemplation of one another. FSP 140-3 became effective for the Company on January 1, 2009. The adoption of FSP 140-3 did not have a material impact on the Company s financial position, results of operations or cash flows.

In March 2008, the FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 expands the disclosure requirements in SFAS 133, Accounting for Derivative Instruments and Hedging Activities, (SFAS 133) regarding an entity s derivative instruments and hedging activities. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. In accordance with SFAS 161, the Company has provided expanded disclosures as set forth in Note 6 to the Unaudited Consolidated Financial Statements.

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

In June 2008, the FASB issued FSP Emerging Issues Task Force (EITF) 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP 03-6-1). FSP 03-6-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years, and requires retrospective application. Under FSP 03-6-1, unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities under SFAS No. 128, Earnings per Share (SFAS 128) and, as such, should be included in the computation of basic earnings per share using the two-class method under SFAS 128. However, since the Company incurred a net loss for the three and six months ended June 30, 2009 and 2008, the Company has excluded unvested restricted stock from basic earnings per share in accordance with EITF 03-6 Participating Securities and the Two-Class Method under FASB Statement No. 128 (EITF 03-6) as described in Note 8 to the Unaudited Consolidated Financial Statements.

In December 2008, the FASB issued FSP FAS 140-4 and FIN 46(R)-8, Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities (FSP 140-4). FSP 140-4 amends SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SFAS 140), to require public entities to provide additional disclosures about transfers of financial assets. It also amends FASB Interpretation No. 46(R) to require public enterprises, including sponsors that have a variable interest in a VIE, to provide additional disclosures about their involvement with VIEs. FSP 140-4 is related to disclosure only and will not have an impact on the Company s consolidated financial position or results of operations.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1 Interim Disclosures about Fair Value of Financial Instruments (FSP 107-1). FSP 107-1 relates to fair value disclosures for financial instruments that are within the scope of SFAS No. 107, Disclosures about Fair Value of Financial Instruments (SFAS 107). The guidance in FSP 107-1 increases the frequency of disclosures under SFAS 107 to a quarterly rather than an annual basis. Additionally, FSP 107-1 requires the following disclosures in interim financial statements: (1) the fair value of all financial instruments for which it is practicable to estimate that value; (2) the method(s) and significant assumptions used to estimate the fair value of those financial instruments; and (3) a discussion of changes in method(s) and significant assumptions, if any, during the reporting period. FSP 107-1 is effective for interim and annual periods ending after June 15, 2009. The adoption of FSP 107-1 required additional disclosures in this report on Form 10-Q and did not have an impact on the Company s financial position, results of operations or cash flows.

In April 2009, the FASB issued FSP FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4). FSP 157-4 provides additional guidance on determining fair value under SFAS 157, which is the price that would be received to sell an asset or transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants. FSP 157-4 indicates that if an entity determines that either the volume and/or level of activity for the sale of an asset or transfer of a liability has significantly decreased (from normal conditions for that asset or liability) or price quotations or observable inputs are not associated with orderly transactions, increased analysis and management judgment will be required to estimate fair

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

value. Specifically, FSP 157-4 provides additional guidance to clarify the factors that should be considered in estimating fair value when there has been a significant decrease in market activity for an asset or liability. FSP 157-4 is effective for interim and annual periods ending after June 15, 2009. The adoption of FSP 157-4 did not have a material impact on the Company s financial position, results of operations or cash flows.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP 115-2). FSP 115-2 establishes a new method of recognizing and reporting other-than-temporary impairments of debt securities. Prior to the issuance of FSP 115-2, impairments of investments in debt and equity securities classified as available-for-sale and held-to-maturity were evaluated on the basis of whether an entity could assert the ability and intent to hold the investment until a recovery of fair value. FSP 115-2 changes existing impairment guidance under SFAS 115, Accounting for Certain Investments in Debt and Equity Securities to indicate that an impairment is other-than-temporary if any of the following conditions exist: (1) an entity intends to sell a security; (2) it is more likely than not that an entity will be required to sell the security before recovery of its amortized cost basis; or (3) an entity does not expect to recover the security s entire amortized cost basis (even if the entity does not intend to sell). FSP 115-2 also requires additional disclosures for debt and equity securities for both annual and interim reporting periods. FSP 115-2 is effective for interim and annual periods ending after June 15, 2009. The adoption of FSP 115-2 did not have a material impact on the Company s financial position, results of operations or cash flows.

5. Fair Value Measurements

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157), which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in certain preceding accounting pronouncements. The Company adopted SFAS 157 for financial and non-financial instruments during the 2008 and 2009 first quarters, respectively. Although the adoption of SFAS 157 did not materially impact its financial condition, results of operations, or cash flow, the Company now is required to provide additional disclosures as part of its financial statements as set forth below.

SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

Cash and Cash Equivalents. For cash and cash equivalents, the fair value approximates carrying value.

Marketable securities. The Company classifies its marketable securities as held-to-maturity as it has both the ability and intent to hold these investments until their maturity date. Accordingly, the Company s marketable securities are reported at amortized cost in the Consolidated Balance Sheets. At

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June 30, 2009, the Company s marketable securities consisted primarily of: (1) debt securities, which may include, among others, United States government and government agency debt, corporate debt and bankers acceptances; and (2) deposit securities which may include, among others, certificates of deposit and time deposits. The following table shows the Company s carrying value of its marketable securities at June 30, 2009, by security type and maturity date as well the estimated fair value for each security type. The fair value of the Company s marketable securities are based upon Level 1 fair value inputs.

	June 30, 2009	
	Recorded Amount	Estimated Fair Value
Debt securities - maturity less than 1 year	$ 41,527	$ 41,618
Debt securities - maturity 1 to 5 years	12,756	13,032
Deposit securities - maturity less than 1 year	15,065	15,001
Deposit securities - maturity 1 to 5 years	2,578	2,592
Total marketable securities	$ 71,926	$ 72,243

Mortgage Loans Held-for-Sale, Net. As of June 30, 2009, the primary components of the Company s mortgage loans held-for-sale that are measured at fair value on a recurring basis are: (1) mortgage loans held-for-sale under commitments to sell; and (2) those mortgage loans held-for-sale not under commitments to sell. At June 30, 2009 and December 31, 2008, the Company had $33.0 million and $47.0 million, respectively, in mortgage loans held-for-sale under commitments to sell for which fair value was based upon a Level 2 input being the quoted market prices for those mortgage loans. At June 30, 2009 and December 31, 2008, the Company had $19.3 million and $21.6 million, respectively, of mortgage loans held-for-sale that were not under commitments to sell and, as such, their fair value was based upon Level 2 inputs, primarily estimated market prices received from an outside party.

Inventories. The Company s assets measured at fair value on a nonrecurring basis are those assets for which the Company has recorded impairments during the current period and primarily relate to the Company s housing completed or under construction and land and land under development. The following table sets forth the current carrying value (in thousands) of the Company s inventory that was impaired at June 30, 2009. Accordingly, these carrying values represent the fair value of such inventory at June 30, 2009 and were based upon Level 3 fair value inputs.

	Land and Land Under Development (Held-for-Development)	Housing Completed or Under Construction (Held-for-Development)	Total Fair Value of Impaired Inventory
West	$ -	$ -	$ -
Mountain	-	-	-
East	807	2,171	2,978
Other Homebuilding	-	-	-
Consolidated	$ 807	$ 2,171	$ 2,978

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Lines of Credit. The Company s lines of credit are at floating rates or at fixed rates that approximate current market rates and have relatively short-term maturities. The fair value approximates carrying value.

Senior Notes. The estimated fair values of the senior notes in the following table are considered to be Level 2 fair value inputs pursuant to SFAS 157 and are an estimated fair value of the bonds when compared with bonds in the homebuilding sector (in thousands).

	June 30, 2009	
	Recorded Amount	Estimated Fair Value
7% Senior Notes due 2012	$ 149,369	$ 155,625
5 1/2% Senior Notes due 2013	$ 349,592	$ 342,715
5 3/8% Medium Term Senior Notes due 2014	$ 249,024	$ 225,241
5 3/8% Medium Term Senior Notes due 2015	$ 249,771	$ 221,359

6. Derivative Financial Instruments

The Company utilizes certain derivative instruments in the normal course of business, which primarily include commitments to originate mortgage loans (interest rate lock commitments or locked pipeline) and forward sales of mortgage-backed securities commitments, both of which typically are short-term in nature. Forward sales securities commitments and private investor sales commitments are utilized to hedge changes in fair value of mortgage loan inventory and commitments to originate mortgage loans. At June 30, 2009, the Company had $63.6 million in interest rate lock commitments and $58.0 million in forward sales of mortgage-backed securities.

SFAS 133 requires companies to recognize all of their derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value (i.e. gains or losses) of a derivative instrument depends on whether it has been designated by a company as a hedging relationship and is determined to qualify for hedge accounting. To qualify for hedge accounting under SFAS 133, at the inception of a hedge, a company must formally document the relationship between the derivative instrument and the hedged item, as well as the risk management objective, the strategy for undertaking the hedge transactions, and the method a company will use to assess the hedge s effectiveness in achieving offsetting changes in fair value. In addition, a company must document the results of the method used to assess hedge effectiveness on an on-going basis.

The Company has elected to apply the fair value option under SFAS 159 for its mortgage loans held-for-sale to achieve matching of the changes in the fair value of its derivative instruments with the changes in fair values of the loans it is hedging, without having to designate its derivatives as hedging instruments in accordance with SFAS 133. For forward sales commitments, as well as commitments to originate mortgage loans that are still outstanding at the end of a reporting period, the Company records the fair value of the derivatives in other revenue in the Consolidated Statements of Operations with an offset to either prepaid and other assets or accrued liabilities in the Consolidated Balance Sheets, depending on the nature of the change. The changes in fair value of the Company s derivatives were not material during the three and six months ended June 30, 2009 and 2008.

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7. Balance Sheet Components

The following table sets forth information relating to accrued liabilities (in thousands).

	June 30, 2009	December 31, 2008
Accrued liabilities		
Warranty reserves	$ 73,552	$ 89,318
FIN 48 income tax liability	64,361	63,404
Insurance reserves	59,395	59,171
Land development and home construction accruals	18,687	22,941
Accrued compensation and related expenses	16,365	22,245
Accrued executive deferred compensation	16,479	15,254
Accrued interest payable	11,954	12,822
Legal reserves	9,210	7,575
Customer and escrow deposits	6,031	4,820
Other accrued liabilities	25,194	35,275
Total accrued liabilities	$ 301,228	$ 332,825

8. Loss Per Share

The Company calculates loss per share (EPS) in accordance with SFAS 128, EITF No. 03-6 and FSP-EITF 03-6-1. Pursuant to SFAS 128, a company that has multiple classes of securities (for example, unvested restricted stock that has nonforfeitable dividend rights and outstanding shares of common stock) is required to utilize the two-class method for calculating earnings per share. The two-class method is an allocation of earnings between the multiple classes of securities that effectively treats each class of security as having rights to earnings that would otherwise have been available to common shareholders. Under the two-class method, earnings for the reporting period are allocated between common shareholders and other security holders, based on their respective rights to receive dividends. Currently, the Company has two classes of securities, which consist of shareholders of common stock and shareholders of unvested restricted stock. However, since the Company incurred a net loss for the three and six months ended June 30, 2009 and 2008, in accordance with SFAS 128 and EITF 03-6, the Company has excluded unvested restricted stock from its calculation of basic earnings per share because inclusion of this class of stock would be anti-dilutive and would decrease basic loss per share. Similarly, since the Company incurred a net loss for the three and six months ended June 30, 2009 and 2008, the Company has not presented distributed and undistributed losses per share in accordance with the two-class method since that information would not be meaningful.

Diluted EPS includes the dilutive effect of common stock equivalents and is computed using the weighted-average number of common stock and common stock equivalents outstanding during the reporting period. Common stock equivalents include stock options. Diluted EPS for the three and six months ended June 30, 2009 and 2008 excluded common stock equivalents because the effect of their inclusion would be anti-dilutive, or would decrease the reported loss per share. Using the treasury stock method pursuant to SFAS 128, the weighted-average common stock equivalents excluded from diluted EPS were 0.4 million shares during the three and six months ended June 30, 2009, respectively, and 0.6 million shares during the three and six months ended June 30, 2008, respectively.

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The basic and diluted loss per share calculation is shown below (in thousands, except per share amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Basic and Diluted Loss Per Share				
Net loss	$ (29,582)	$ (100,726)	$ (70,435)	$ (173,546)
Weighted-average shares outstanding	46,548	46,110	46,474	46,033
Per share amounts	$ (0.64)	$ (2.18)	$ (1.52)	$ (3.77)

9. Interest Activity

The Company capitalizes interest on its senior notes and Homebuilding Line (as defined below) in accordance with SFAS 34 Capitalization of Interest Costs (SFAS 34). Accordingly, interest is capitalized on the Company s qualifying assets , as defined in SFAS 34, which consist primarily of inventory. The Company has determined that inventory is a qualifying asset during the period of active development and through the completion of construction of a home. When construction of a home is complete, such home is no longer considered to be a qualifying asset and interest is no longer capitalized on that home. The Company s qualifying assets have decreased significantly during 2008 and 2009 as a result of the significant decrease in inventory levels. As a result, the Company expensed $9.8 million and $19.4 million of interest that was incurred during the three and six months ended June 30, 2009 that could not be capitalized in accordance with SFAS 34. Interest incurred on the senior notes or Homebuilding Line that is not capitalized and interest expense on the Mortgage Repurchase Facility (as defined below) are included in other income (expense) in the Consolidated Statements of Operations. Interest activity is shown below (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Total Interest Incurred				
Corporate and homebuilding segments	$ 14,455	$ 14,464	$ 28,948	$ 28,917
Financial Services and Other	83	80	174	210
Total interest incurred	$ 14,538	$ 14,544	$ 29,122	$ 29,127
Total Interest Capitalized				
Interest capitalized, beginning of period	$ 36,050	$ 52,167	$ 39,239	$ 53,487
Interest capitalized, net of interest expense	4,700	14,464	9,544	28,917
Previously capitalized interest included in home cost of sales	(8,661)	(16,957)	(16,694)	(32,730)
Interest capitalized, end of period	$ 32,089	$ 49,674	$ 32,089	$ 49,674

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10. Warranty Reserves

Warranty reserves presented in the table below relate to general and structural reserves, as well as reserves for known, unusual warranty-related expenditures. Warranty payments for an individual house may exceed the related reserve. Payments in excess of the reserve are evaluated in the aggregate to determine if an adjustment to the warranty reserve should be recorded, which could result in a corresponding adjustment to home cost of sales. During 2008 and continuing into the first six months of 2009, the Company experienced significant downward trends in the amount of warranty payments incurred on its previously closed homes. Because the Company s warranty reserve balance at each period end is generally determined based upon historical warranty payment patterns, the foregoing downward trend in warranty payments have impacted significantly the Company s warranty reserves during 2009. As a result of the significant decline in warranty payments incurred on previously closed homes, the Company recorded adjustments to reduce its warranty reserves for previously closed homes totaling $10.9 million and $14.5 million during the three and six months ended June 30, 2009, respectively.

During the 2008 second quarter, the Company recorded a $6.0 million decrease to its warranty reserve as a result of a significant decline in the amount of warranty payments incurred during 2008, which reduced the Company s home cost of sales during the 2008 second quarter and first six months. Also, during the 2008 second quarter, the Company recorded an additional $3.5 million decrease to its warranty reserve for non-warranty related items that had been recorded to the warranty reserve during previous reporting periods. As such, this adjustment did not impact the Company s home cost of sales, but resulted in a reduction to the Company s homebuilding general and administrative expenses during the three and six months ended June 30, 2008.

The following table summarizes the warranty reserve activity for the three and six months ended June 30, 2009 and 2008 (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Warranty reserve balance at beginning of period	$ 84,911	$ 107,896	$ 89,318	$ 109,118
Warranty expense provisions	1,872	3,638	3,346	6,769
Warranty cash payments	(2,327)	(4,721)	(4,565)	(7,545)
Warranty reserve adjustments	(10,904)	(10,382)	(14,547)	(11,911)
Warranty reserve balance at end of period	$ 73,552	$ 96,431	$ 73,552	$ 96,431

11. Insurance Reserves

The Company records expenses and liabilities for losses and loss adjustment expenses for claims associated with: (1) insurance policies and re-insurance agreements issued by StarAmerican Insurance Ltd. (StarAmerican) and Allegiant Insurance Company, Inc., A Risk Retention Group (Allegiant); (2) self-insurance, including workers compensation; and (3) deductible amounts under the Company s

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insurance policies. The establishment of the provisions for outstanding losses and loss adjustment expenses is based on actuarial studies that include known facts and interpretations of circumstances, including: (1) the Company s experience with similar cases and historical trends involving claim payment patterns; (2) pending levels of unpaid claims; (3) product mix or concentration; (4) claim severity; (5) frequency patterns such as those caused by natural disasters, fires, or accidents, depending on the business conducted; and (6) changing regulatory and legal environments.

The following table summarizes the insurance reserve activity for the three and six months ended June 30, 2009 and 2008 (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Insurance reserve balance at beginning of period	$ 59,695	$ 58,097	$ 59,171	$ 57,475
Insurance expense provisions	929	1,644	1,827	3,115
Insurance cash payments	(222)	(721)	(596)	(1,636)
Insurance reserve adjustments	(1,007)	629	(1,007)	695
Insurance reserve balance at end of period	$ 59,395	$ 59,649	$ 59,395	$ 59,649

12. Information on Business Segments

SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information (SFAS 131), defines operating segments as a component of an enterprise for which discrete financial information is available and is reviewed regularly by the chief operating decision-maker, or decision-making group, to evaluate performance and make operating decisions. The Company has identified its chief operating decision-makers (CODMs) as three key executives the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

The Company has identified each homebuilding subdivision as an operating segment in accordance with SFAS 131. Each homebuilding subdivision engages in business activities from which it earns revenue primarily from the sale of single-family detached homes, generally to first-time and first-time move-up homebuyers. Subdivisions in the reportable segments noted below have been aggregated because they are similar in the following regards: (1) economic characteristics; (2) housing products; (3) class of homebuyer; (4) regulatory environments; and (5) methods used to construct and sell homes. The Company s homebuilding reportable segments are as follows:

(1) West (Arizona, California and Nevada)
(2) Mountain (Colorado and Utah)
(3) East (Delaware Valley, Maryland and Virginia)
(4) Other Homebuilding (Florida and Illinois)

During the 2009 first quarter, the Company changed the composition of its reportable segments by reclassifying the Delaware Valley market from the Other Homebuilding segment to the East segment. This reclassification resulted primarily from a change in the internal reporting structure of the

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Company. The Company has restated all prior period financial and operating measures of the Delaware Valley market to the East segment as a result of this reclassification in order to conform to the current year s presentation.

The Company s Financial Services and Other reportable segment consists of the operations of the following operating segments: (1) HomeAmerican Mortgage Corporation (HomeAmerican); (2) Allegiant; (3) StarAmerican; (4) American Home Insurance Agency, Inc.; and (5) American Home Title and Escrow Company. These operating segments have been aggregated into one reportable segment because they do not individually exceed 10 percent of: (1) consolidated revenue; (2) the greater of (A) the combined reported profit of all operating segments that did not report a loss or (B) the positive value of the combined reported loss of all operating segments that reported losses; or (3) consolidated assets. The Company s Corporate reportable segment incurs general and administrative expenses that are not identifiable specifically to another operating segment, earns interest income on its cash, cash equivalents and marketable securities, and incurs interest expense on its senior notes.

The following table summarizes revenue for each of the Company s six reportable segments (in thousands). Inter-company adjustments noted in the revenue table below relate to Mortgage Loan Origination fees paid by the Company s homebuilding subsidiaries to HomeAmerican on behalf of homebuyers.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenue				
Homebuilding				
West	$ 81,758	$ 220,937	$ 156,440	$ 444,316
Mountain	57,658	87,405	101,775	157,887
East	39,479	63,501	79,971	130,846
Other Homebuilding	13,117	29,040	26,800	56,089
Total Homebuilding	192,012	400,883	364,986	789,138
Financial Services and Other	7,006	6,664	12,569	16,844
Corporate	-	193	50	377
Intercompany adjustments	(3,752)	(4,318)	(6,407)	(7,159)
Consolidated	$ 195,266	$ 403,422	$ 371,198	$ 799,200

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The following table summarizes (loss) income before income taxes for each of the Company s six reportable segments (in thousands). Inter-company supervisory fees (Supervisory Fees), which are included in (loss) income before income taxes for each reportable segment in the table below, are charged by the Company s Corporate segment to the homebuilding segments and the Financial Services and Other segment. Supervisory Fees represent costs incurred by the Company s Corporate segment associated with certain resources that support the Company s other reportable segments. Transfers, if any, between operating segments are recorded at cost.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(Loss) Income Before Income Taxes				
Homebuilding				
West	$ 10,075	$ (33,591)	$ (228)	$ (94,982)
Mountain	(2,308)	(39,027)	(7,119)	(50,635)
East	(4,626)	(12,700)	(6,997)	(15,079)
Other Homebuilding	(677)	(9,156)	(1,508)	(11,052)
Total Homebuilding	2,464	(94,474)	(15,852)	(171,748)
Financial Services and Other	2,615	557	4,236	4,705
Corporate	(24,142)	(7,623)	(48,520)	(11,723)
Consolidated	$ (19,063)	$ (101,540)	$ (60,136)	$ (178,766)

The following table summarizes total assets for each of the Company s six reportable segments (in thousands). Inter-company adjustments noted in the table below relate to loans from the Company s Financial Services and Other segment to its Corporate segment. The assets in the Company s Corporate segment primarily include cash, cash equivalents and marketable securities.

	June 30, 2009	December 31, 2008
Homebuilding		
West	$ 189,672	$ 255,652
Mountain	253,566	288,221
East	114,105	151,367
Other Homebuilding	24,393	38,179
Total Homebuilding	581,736	733,419
Financial Services and Other	123,142	139,569
Corporate	1,689,773	1,647,907
Intercompany adjustments	(45,957)	(45,957)
Consolidated	$ 2,348,694	$ 2,474,938

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The following table summarizes depreciation and amortization of long-lived assets and amortization of deferred marketing costs for each of the Company s six reportable segments (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Homebuilding				
West	$ 771	$ 6,302	$ 2,517	$ 11,676
Mountain	640	766	1,202	1,683
East	443	728	946	1,509
Other Homebuilding	72	448	180	862
Total Homebuilding	1,926	8,244	4,845	15,730
Financial Services and Other	167	197	386	384
Corporate	738	905	1,493	1,844
Consolidated	$ 2,831	$ 9,346	$ 6,724	$ 17,958

13. Commitments and Contingencies

The Company often is required to obtain bonds and letters of credit in support of its obligations for land development and subdivision improvements, homeowner association dues and start-up expenses, warranty work, contractor license fees and earnest money deposits. At June 30, 2009, the Company had issued and outstanding performance bonds and letters of credit totaling $133.5 million and $30.0 million, respectively, including $5.6 million in letters of credit issued by HomeAmerican. In the event any such bonds or letters of credit issued by third parties are called, MDC could be obligated to reimburse the issuer of the bond or letter of credit.

14. Lines of Credit and Total Debt Obligations

Homebuilding. The Company s homebuilding line of credit (Homebuilding Line) is an unsecured revolving line of credit with a group of lenders for support of its homebuilding segments. The Homebuilding Line has an aggregate commitment amount of $800 million (the Commitment) and a maturity date of March 21, 2011. In accordance with the provisions of the Homebuilding Line, letters of credit are available in the aggregate amount of up to $300 million. The Homebuilding Line permits an increase in the maximum commitment amount to $1.3 billion upon the Company s request, subject to receipt of additional commitments from existing or additional participant lenders. Interest rates for borrowings on the Homebuilding Line, if any, are determined by reference to an applicable London Interbank Offered Rate (LIBOR) or to an alternate base rate, each with a margin that is determined based on changes in the Company s credit rating and leverage ratio. At June 30, 2009 and December 31, 2008, there were no borrowings under the Homebuilding Line and there were $23.0 million and $26.6 million, respectively, in letters of credit outstanding as of such dates. The outstanding letters of credit reduce the amount that is available to be borrowed under the Commitment. However, the outstanding letters of credit do not impact the calculation of the Company s borrowing capacity under the permitted leverage ratio. Additionally, while the Company s borrowing capacity may be reduced under the permitted leverage ratio, this reduction does not impact its ability to issue letters of credit, up to the limits specified in the Homebuilding Line.

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Mortgage Lending. HomeAmerican has a Master Repurchase Agreement (the Mortgage Repurchase Facility) with U.S. Bank National Association (USBNA) and the other banks that are parties to the Mortgage Repurchase Facility (the Buyers). The Mortgage Repurchase Facility provides liquidity to HomeAmerican by providing for the sale of eligible mortgage loans to USBNA (as agent for the Buyers) with an agreement by HomeAmerican to repurchase the mortgage loans at a future date. Until such mortgage loans are transferred back to HomeAmerican, the basic papers relating to such loans are held by USBNA, as agent for the Buyers and as custodian, pursuant to the Custody Agreement (Custody Agreement), dated as of November 12, 2008, by and between HomeAmerican and USBNA. The Mortgage Repurchase Facility has a maximum aggregate commitment of $100 million and includes an accordion feature that permits the maximum aggregate commitment to be increased to $150 million, subject to the availability of additional commitments. The Mortgage Repurchase Facility expires on November 11, 2009. Advances under the Mortgage Repurchase Facility carry a Pricing Rate based on the LIBOR Rate plus the LIBOR Margin or, at HomeAmerican s option, a Balance Funded Rate (the foregoing terms are defined in the Mortgage Repurchase Facility). At June 30, 2009 and December 31, 2008, the Company had $24.2 million and $34.9 million, respectively, of mortgage loans that it was obligated to repurchase under the Mortgage Repurchase Facility.

The Mortgage Repurchase Facility is accounted for as a debt financing arrangement in accordance with SFAS 140. Accordingly, at June 30, 2009 and December 31, 2008, amounts advanced under the Mortgage Repurchase Facility, which were used to finance mortgage loan originations, have been reported under the mortgage repurchase facility in the Consolidated Balance Sheets.

The Mortgage Repurchase Facility replaced HomeAmerican s Fourth Amended and Restated Warehousing Credit Agreement, dated as of September 5, 2006, as amended on November 2, 2007 and May 23, 2008, with USBNA and the other banks that were parties to that facility.

General. The agreements for the Company s Homebuilding Line and Mortgage Repurchase Facility and the indentures for our senior notes require compliance with certain representations, warranties and covenants. The Company believes that it is in compliance with these requirements, and it is not aware of any covenant violations.

The financial covenants contained in the Homebuilding Line agreement include a leverage test. A failure to satisfy the leverage test would not result in a default, but would initiate a scheduled reduction in the amount of the Commitment. Under the Homebuilding Line, the Company s maximum permitted leverage ratio will vary between 50% and 55% depending on the results of its Interest Coverage Test (as defined in the Homebuilding Line) and our actual leverage ratio is not to exceed the maximum permitted leverage ratio. If the Company s Interest Coverage Ratio (as defined in the Homebuilding Line) is below 2.0 to 1.0, the maximum permitted leverage ratio will decrease. However, in no event will the maximum permitted leverage ratio decrease below 50%. Additionally, if the Interest Coverage Ratio falls below 1.5 to 1.0, then the Company is required to pass the cash flow/liquidity test.

The Homebuilding Line agreement covenants also include a consolidated tangible net worth test. Under this test, the Company s Consolidated Tangible Net Worth (as defined) must not be less than: (1) $850 million; plus (2) 50% of consolidated net income, as defined, earned by the Company and the

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Guarantors (as defined) after September 30, 2008; plus (3) 50% of the net proceeds or other consideration received by the Company for the issuance of capital stock after September 30, 2008; minus (4) the lesser of (A) the aggregate amount paid by the Company after September 30, 2008 to repurchase its common stock and (B) $300 million. Failure to satisfy this covenant test would not result in a default, but would result in a scheduled reduction in the amount of the Commitment.

In addition to the foregoing covenants, the Homebuilding Line agreement specifies that Consolidated Tangible Net Worth must not be less than the sum of: (1) $650 million; (2) 50% of the quarterly consolidated net income of Borrower and the Guarantors earned after September 30, 2008; and (3) 50% of the net proceeds or other consideration received for the issuance of capital stock after September 30, 2008. Failure to satisfy this covenant could result in a termination of the facility.

The Homebuilding line also contains a cash flow/liquidity test. Under this test, if the Company fails to maintain for any fiscal quarter ending on and after December 31, 2008 an Interest Coverage Ratio (as defined) equal to or greater than 1.5 to 1.0 for the period of four consecutive fiscal quarters, then as of the end of such fiscal quarter and as of the end of all fiscal quarters thereafter until the Interest Coverage Ratio is greater than or equal to 1.5 to 1.0, the Company would have to maintain either (1) a ratio of (A) Adjusted Cash Flow From Operations (as defined) to (B) Consolidated Interest Incurred (as defined) of greater than or equal to 1.5 to 1.0 or (2) a sum of (A) Borrowing Base Availability (as defined) plus (B) Unrestricted Cash (as defined which includes, among other things, cash, cash equivalents, marketable securities and unsettled trades), to the extent such Unrestricted Cash is not included in calculating Borrowing Base Availability, less (C) principal payments due on Consolidated Indebtedness (as defined) within the next succeeding four fiscal quarters, equal to or greater than $500 million. The Company s compliance with the cash flow/liquidity test would be measured on a quarterly basis and failure to satisfy this test would not result in a default but would result in a scheduled reduction in the amount of the facility.

Additionally, pursuant to the Homebuilding Line, should there be a defaulting lender, the Company is required to: (i) prepay swing line loans or cash collateralize the defaulting lender s share of the swing line loans and (ii) cash collateralize the defaulting lender s share of the outstanding facility letters of credit.

The Mortgage Repurchase Facility contains various representations, warranties and affirmative and negative covenants customary for agreements of this type. The negative covenants include, among others, (i) an Adjusted Tangible Net Worth (as defined) requirement, (ii) a minimum Adjusted Tangible Net Worth Ratio, (iii) an Adjusted Net Income requirement, and (iv) a minimum Liquidity (as defined) requirement (the foregoing terms are defined in the Mortgage Repurchase Facility). Adjusted Tangible Net Worth means the sum of (a) all assets of HomeAmerican less (b) the sum of (i) all Debt and all Contingent Indebtedness of HomeAmerican, (ii) all assets of HomeAmerican that would be classified as intangible assets under generally accepted accounting principles, and (iii) receivables from Affiliates. HomeAmerican s Adjusted Tangible Net Worth Ratio is the ratio of HomeAmerican s total liabilities (excluding permitted letters of credit) to the Adjusted Tangible Net Worth. HomeAmerican s Adjusted Net Income is a rolling twelve consecutive months of net income for HomeAmerican. HomeAmerican s Liquidity is defined as its unrestricted cash and Cash Equivalents plus the amount by which the aggregate Purchase Price of all Purchased Mortgage Loans at such time exceeds the

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

aggregate Purchase Price outstanding for all Open Transactions at such time (the foregoing terms are defined in the Mortgage Repurchase Facility). Failure to meet the foregoing negative covenants would constitute an event of default.

In the event of default, USBNA may, at its option, declare the Repurchase Date for any or all Transactions to be deemed immediately to occur. Upon such event of default, and if USBNA exercises its right to terminate any Transactions, then (a) HomeAmerican s obligation to repurchase all Purchased Loans in such Transactions will become immediately due and payable; (b) the Repurchase Price shall be increased by the aggregate amount obtained by daily multiplication of (i) the greater of the Pricing Rate for such Transactions and the Default Pricing Rate by (ii) the Purchase Price for the Transactions as of the Repurchase Date, (c) all Income paid after the event of default will be retained by USBNA and applied to the aggregate unpaid Repurchase Price owed by HomeAmerican and (d) HomeAmerican shall deliver any documents relating to Purchased Loans subject to such Transactions to USBNA. Upon the occurrence of default, USBNA may (a) sell any or all Purchased Loans subject to such Transactions on a servicing released or servicing retained basis and apply the proceeds to the unpaid amounts owed by HomeAmerican, (b) give HomeAmerican credit for such Purchased Loans in an amount equal to the Market Value and apply such credit to the unpaid amounts owed by HomeAmerican, (c) replace HomeAmerican as Servicer, (d) exercise its right under the Mortgage Repurchase Facility with respect to the Income Account and Escrow Account, and (e) with notice to HomeAmerican, declare the Termination Date to have occurred. The foregoing terms are defined in the Mortgage Repurchase Facility.

The Company s senior notes are not secured and, while the senior notes indentures contain some restrictions on secured debt and other transactions, they do not contain financial covenants. The Company s senior notes are fully and unconditionally guaranteed on an unsecured basis, jointly and severally, by most of its homebuilding segment subsidiaries. The Company s debt obligations at June 30, 2009 and December 31, 2008 are as follows (in thousands):

	June 30, 2009	December 31, 2008
7% Senior Notes due 2012	$ 149,369	$ 149,282
5 1/2% Senior Notes due 2013	349,592	349,543
5 3/8% Medium-Term Senior Notes due 2014	249,024	248,947
5 3/8% Medium-Term Senior Notes due 2015	249,771	249,755
Total Senior Notes, net	$ 997,756	$ 997,527
Homebuilding line of credit	-	-
Total Corporate and Homebuilding Debt	997,756	997,527
Mortgage repurchase facility	24,175	34,873
Total Debt	$ 1,021,931	$ 1,032,400

15. Income Taxes

In accordance with SFAS No. 109, Accounting for Income Taxes, (SFAS 109) the Company is required, at the end of each interim period, to estimate its annual effective tax rate for the fiscal year

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

and use that rate to provide for income taxes for the current year-to-date reporting period. The Company s overall effective income tax rates were -55.2% and -17.1% during the three and six months ended June 30, 2009, respectively, and 0.8% and 2.9% during the three and six months June 30, 2008, respectively. The change in the effective tax rates during the 2009 second quarter and first six months, compared with the same periods during 2008, resulted primarily from the recording of a $9.7 million income tax expense related to an IRS examination of the Company s 2008 net operating loss carryback to 2006 and the inability to carry back any net operating losses at June 30, 2009. The $9.7 million income tax expense resulted from a 2006 alternative minimum tax liability associated with the Company s 2008 net operating loss carryback, which should have been recorded during 2008.

FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), describes the methodology for recognizing the benefits of income tax return positions as well as guidance regarding the measurement of the resulting tax benefits. FIN 48 requires an enterprise to recognize the financial statement effects of a tax position when it is more likely than not (defined as a likelihood of more than 50%), based on the technical merits, that the position will be sustained upon examination. Any difference between the income tax return position and the benefit recognized in the financial statements results in a liability for unrecognized tax benefits. During the three and six months ended June 30, 2009, there have been no material changes in the Company s liability for unrecognized tax benefits.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The increase in the Company s total deferred tax asset at June 30, 2009 (per the table below) resulted primarily from an increase in the Company s federal net operating loss carry forward.

In accordance with SFAS 109, a valuation allowance is recorded against a deferred tax asset if, based on the weight of available evidence, it is more-likely-than-not (a likelihood of more than 50%) that some portion, or all, of the deferred tax asset will not be realized. The Company had a valuation allowance of $327.3 million and $294.3 million at June 30, 2009 and December 31, 2008, respectively, resulting in a net deferred tax asset of zero. The Company s future realization of its deferred tax assets ultimately depends on the existence of sufficient taxable income in the carryback or carryforward periods under the tax laws (currently 2 and 20 years, respectively). The Company will continue analyzing, in subsequent reporting periods, the positive and negative evidence in determining the expected realization of its deferred tax assets.

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

The tax effects of significant temporary differences that give rise to the net deferred tax asset are as follows (in thousands).

	June 30, 2009	December 31, 2008
Deferred tax assets		
Asset impairment charges	$ 163,834	$ 197,670
Federal net operating loss carryforward	59,708	5,638
Warranty, litigation and other reserves	39,835	45,619
State net operating loss carryforward	27,059	22,426
Stock-based compensation expense	15,602	13,758
Alternative minimum tax credit carryforward	9,679	-
Accrued liabilities	8,851	9,661
Inventory, additional costs capitalized for tax purposes	8,765	5,951
Property, equipment and other assets, net	3,556	3,826
Deferred revenue	504	792
Charitable contribution carryforward	539	542
Total deferred tax assets	337,932	305,883
Valuation allowance	(327,255)	(294,269)
Total deferred tax assets, net of valuation allowance	10,677	11,614
Deferred tax liabilities		
Deferred revenue	5,377	6,024
Inventory, additional costs capitalized for financial statement purposes	711	722
Accrued liabilities	429	709
Other, net	4,160	4,159
Total deferred tax liabilities	10,677	11,614
Net deferred tax asset	$ -	$ -

16. Supplemental Guarantor Information

The Company s senior notes and Homebuilding Line are fully and unconditionally guaranteed on an unsecured basis, jointly and severally, by the following subsidiaries (collectively, the Guarantor Subsidiaries), which are 100%-owned subsidiaries of the Company.

M.D.C. Land Corporation
RAH of Florida, Inc.
Richmond American Construction, Inc.
Richmond American Homes of Arizona, Inc.
Richmond American Homes of Colorado, Inc.
Richmond American Homes of Delaware, Inc.

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

Richmond American Homes of Florida, LP
Richmond American Homes of Illinois, Inc.
Richmond American Homes of Maryland, Inc.
Richmond American Homes of Nevada, Inc.
Richmond American Homes of New Jersey, Inc.
Richmond American Homes of Pennsylvania, Inc.
Richmond American Homes of Utah, Inc.
Richmond American Homes of Virginia, Inc.
Richmond American Homes of West Virginia, Inc.

Subsidiaries that do not guarantee the Company s senior notes and Homebuilding Line (collectively, the Non-Guarantor Subsidiaries) primarily include:

American Home Insurance
American Home Title
HomeAmerican
StarAmerican
Allegiant

The Company has determined that separate, full financial statements of the Guarantor Subsidiaries would not be material to investors and, accordingly, supplemental financial information for the Guarantor Subsidiaries is presented.

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

Supplemental Condensed Combining Balance Sheet

June 30, 2009

(In thousands)

	MDC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated MDC
ASSETS					
Cash and cash equivalents	$ 1,535,402	$ 3,729	$ 20,694	$ -	$ 1,559,825
Marketable securities	71,926	-	-	-	71,926
Unsettled trades, net	2,133	-	-	-	2,133
Restricted cash	-	619	-	-	619
Receivables	2,907	22,562	46,669	(45,957)	26,181
Mortgage loans held-for-sale, net	-	-	51,029	-	51,029
Inventories, net					
Housing completed or under construction	-	297,092	-	-	297,092
Land and land under development	-	195,778	-	-	195,778
Investment in subsidiaries	68,715	-	-	(68,715)	-
Other assets, net	77,406	61,954	4,751	-	144,111
Total Assets	$ 1,758,489	$ 581,734	$ 123,143	$ (114,672)	$ 2,348,694
LIABILITIES					
Accounts payable	$ 46,731	$ 27,190	$ 618	$ (45,957)	$ 28,582
Accrued liabilities	131,808	110,281	59,139	-	301,228
Income tax payable, net	(7,187)	8,444	1,507	-	2,764
Advances and notes payable to parent and subsidiaries	(404,808)	411,251	(6,443)	-	-
Mortgage repurchase facility	-	-	24,175	-	24,175
Senior notes, net	997,756	-	-	-	997,756
Total Liabilities	764,300	557,166	78,996	(45,957)	1,354,505
STOCKHOLDERS EQUITY	994,189	24,568	44,147	(68,715)	994,189
Total Liabilities and Stockholders Equity	$ 1,758,489	$ 581,734	$ 123,143	$ (114,672)	$ 2,348,694

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

Supplemental Condensed Combining Balance Sheet

December 31, 2008

(In thousands)

	MDC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated MDC
ASSETS					
Cash and cash equivalents	$ 1,279,684	$ 3,536	$ 21,508	$ -	$ 1,304,728
Marketable securities	54,864	-	-	-	54,864
Unsettled trades, net	57,687	-	-	-	57,687
Restricted cash	-	670	-	-	670
Receivables	176,522	30,100	43,889	(45,957)	204,554
Mortgage loans held-for-sale, net	-	-	68,604	-	68,604
Inventories, net					
Housing completed or under construction	-	415,500	-	-	415,500
Land and land under development	-	221,822	-	-	221,822
Investment in subsidiaries	77,617	-	-	(77,617)	-
Other assets, net	79,832	63,213	3,464	-	146,509
Total Assets	$ 1,726,206	$ 734,841	$ 137,465	$ (123,574)	$ 2,474,938
LIABILITIES					
Accounts payable	$ 46,794	$ 27,397	$ 559	$ (45,957)	$ 28,793
Accrued liabilities	135,417	136,759	60,649	-	332,825
Advances and notes payable to parent and subsidiaries	(534,452)	540,509	(6,057)	-	-
Mortgage repurchase facility	-	-	34,873	-	34,873
Senior notes, net	997,527	-	-	-	997,527
Total Liabilities	645,286	704,665	90,024	(45,957)	1,394,018
STOCKHOLDERS EQUITY	1,080,920	30,176	47,441	(77,617)	1,080,920
Total Liabilities and Stockholders Equity	$ 1,726,206	$ 734,841	$ 137,465	$ (123,574)	$ 2,474,938

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

Supplemental Condensed Combining Statements of Operations

Three Months Ended June 30, 2009

(In thousands)

	MDC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated MDC
REVENUE					
Home sales revenue	$ -	$ 189,306	$ -	$ (3,752)	$ 185,554
Land sales and other revenue	-	2,706	7,006	-	9,712
Equity in (loss) income of subsidiaries	(4,778)	-	-	4,778	-
Total Revenue	(4,778)	192,012	7,006	1,026	195,266
COSTS AND EXPENSES					
Home cost of sales	-	155,876	(6)	(3,752)	152,118
Asset impairments, net	-	1,243	-	-	1,243
Marketing and commission expenses	-	14,883	-	-	14,883
General and administrative and other expenses	16,851	17,909	4,836	-	39,596
Total Operating Costs and Expenses	16,851	189,911	4,830	(3,752)	207,840
(Loss) income from Operations	(21,629)	2,101	2,176	4,778	(12,574)
Other income (expense)	(7,046)	147	410	-	(6,489)
(Loss) income before income taxes	(28,675)	2,248	2,586	4,778	(19,063)
Provision for income taxes	(907)	(8,443)	(1,169)	-	(10,519)
NET (LOSS) INCOME	$ (29,582)	$ (6,195)	$ 1,417	$ 4,778	$ (29,582)

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

Supplemental Condensed Combining Statements of Operations

Three Months Ended June 30, 2008

(In thousands)

	MDC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated MDC
REVENUE					
Home sales revenue	$ -	$ 386,411	$ -	$ (4,318)	$ 382,093
Land sales and other revenue	193	14,471	6,665	-	21,329
Equity in (loss) income of subsidiaries	(94,853)	-	-	94,853	-
Total Revenue	(94,660)	400,882	6,665	90,535	403,422
COSTS AND EXPENSES					
Home cost of sales	-	341,861	-	(4,318)	337,543
Asset impairments	-	88,278	-	-	88,278
Marketing and commission expenses	-	35,009	-	-	35,009
General and administrative and other expenses	15,178	30,540	6,890	-	52,608
Total Operating Costs and Expenses	15,178	495,688	6,890	(4,318)	513,438
(Loss) income from Operations	(109,838)	(94,806)	(225)	94,853	(110,016)
Other income (expense)	7,362	178	936	-	8,476
(Loss) income before income taxes	(102,476)	(94,628)	711	94,853	(101,540)
Benefit from (provision for) income taxes	1,750	579	(1,515)	-	814
NET (LOSS) INCOME	$ (100,726)	$ (94,049)	$ (804)	$ 94,853	$ (100,726)

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

Supplemental Condensed Combining Statements of Operations

Six Months Ended June 30, 2009

(In thousands)

	MDC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated MDC
REVENUE					
Home sales revenue	$ -	$ 358,943	$ -	$ (6,407)	$ 352,536
Land sales and other revenue	50	6,043	12,569	-	18,662
Equity in (loss) income of subsidiaries	(22,104)	-	-	22,104	-
Total Revenue	(22,054)	364,986	12,569	15,697	371,198
COSTS AND EXPENSES					
Home cost of sales	-	299,856	(6)	(6,407)	293,443
Asset impairments, net	-	15,812	-	-	15,812
Marketing and commission expenses	-	30,073	-	-	30,073
General and administrative and other expenses	34,822	35,490	9,276	-	79,588
Total Operating Costs and Expenses	34,822	381,231	9,270	(6,407)	418,916
(Loss) income from Operations	(56,876)	(16,245)	3,299	22,104	(47,718)
Other income (expense)	(13,365)	(20)	967	-	(12,418)
(Loss) income before income taxes	(70,241)	(16,265)	4,266	22,104	(60,136)
Provision for income taxes	(194)	(8,343)	(1,762)	-	(10,299)
NET (LOSS) INCOME	$ (70,435)	$ (24,608)	$ 2,504	$ 22,104	$ (70,435)

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

Supplemental Condensed Combining Statements of Operations

Six Months Ended June 30, 2008

(In thousands)

	MDC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated MDC
REVENUE					
Home sales revenue	$ -	$ 745,044	$ -	$ (7,159)	$ 737,885
Land sales and other revenue	377	44,093	16,845	-	61,315
Equity in (loss) income of subsidiaries	(163,811)	-	-	163,811	-
Total Revenue	(163,434)	789,137	16,845	156,652	799,200
COSTS AND EXPENSES					
Home cost of sales	-	659,850	(111)	(7,159)	652,580
Asset impairments	-	143,110	-	-	143,110
Marketing and commission expenses	-	67,645	-	-	67,645
General and administrative and other expenses	28,647	90,871	13,956	-	133,474
Total Operating Costs and Expenses	28,647	961,476	13,845	(7,159)	996,809
(Loss) income from Operations	(192,081)	(172,339)	3,000	163,811	(197,609)
Other income (expense)	16,547	368	1,928	-	18,843
(Loss) income before income taxes	(175,534)	(171,971)	4,928	163,811	(178,766)
Benefit from (provision for) income taxes	1,988	4,987	(1,755)	-	5,220
NET (LOSS) INCOME	$ (173,546)	$ (166,984)	$ 3,173	$ 163,811	$ (173,546)

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

Supplemental Condensed Combining Statements of Cash Flows

Six Months Ended June 30, 2009

(In thousands)

	MDC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated MDC
Net cash provided by operating activities	$ 103,162	$ 110,484	$ 16,068	$ 22,104	$ 251,818
Net cash provided by (used in) investing activities	33,977	(34)	-	-	33,943
Financing activities					
Payments from (advances to) subsidiaries	138,545	(110,257)	(6,184)	(22,104)	-
Mortgage repurchase facility, net	-	-	(10,698)	-	(10,698)
Dividend payments	(23,437)	-	-	-	(23,437)
Proceeds from exercise of stock options	3,471	-	-	-	3,471
Excess tax benefit from stock-based compensation	-	-	-	-	-
Net cash provided by (used in) financing activities	118,579	(110,257)	(16,882)	(22,104)	(30,664)
Net increase (decrease) in cash and cash equivalents	255,718	193	(814)	-	255,097
Cash and cash equivalents					
Beginning of period	1,279,684	3,536	21,508	-	1,304,728
End of period	$ 1,535,402	$ 3,729	$ 20,694	$ -	$ 1,559,825

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M.D.C. HOLDINGS, INC.

Notes to Unaudited Consolidated Financial Statements (Continued)

Supplemental Condensed Combining Statements of Cash Flows

Six Months Ended June 30, 2008

(In thousands)

	MDC	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated MDC
Net cash (used in) provided by operating activities	$ (39,304)	$ 336,759	$ 24,848	$ -	$ 322,303
Net cash used in investing activities	(72)	(44)	-	-	(116)
Financing activities					
Payments from (advances to) subsidiaries	344,799	(337,335)	(7,464)	-	-
Lines of credits					
Advances	-	-	93,493	-	93,493
Principal payments	-	-	(108,210)	-	(108,210)
Dividend payments	(23,104)	-	-	-	(23,104)
Proceeds from exercise of stock options	7,321	-	-	-	7,321
Excess tax benefit from stock-based compensation	367	-	-	-	367
Net cash provided by (used in) financing activities	329,383	(337,335)	(22,181)	-	(30,133)
Net increase (decrease) in cash and cash equivalents	290,007	(620)	2,667	-	292,054
Cash and cash equivalents					
Beginning of period	980,775	3,105	20,883	-	1,004,763
End of period	$ 1,270,782	$ 2,485	$ 23,550	$ -	$ 1,296,817

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ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with, and is qualified in its entirety by, the Unaudited Consolidated Financial Statements and Notes thereto included elsewhere in this Quarterly Report on Form 10-Q. This item contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated in such forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in Item 1A: Risk Factors Relating to our Business of our Annual Report on Form 10-K for the year ended December 31, 2008 and this Quarterly Report on Form 10-Q.

INTRODUCTION

M.D.C. Holdings, Inc. is a Delaware corporation. We refer to M.D.C. Holdings, Inc. as the Company, MDC, we or our in this Quarterly Repo on Form 10-Q, and these designations include our subsidiaries unless we state otherwise. We have two primary operations, homebuilding and financial services. Our homebuilding operations consist of wholly-owned subsidiary companies that generally purchase finished lots or lots requiring minimal land development for the construction and sale of single family detached homes to first-time and first-time move-up homebuyers under the name Richmond American Homes. Our homebuilding operations are comprised of many homebuilding subdivisions that we consider to be our operating segments. Homebuilding subdivisions in a given market are aggregated into reportable segments as follows: (1) West (Arizona, California and Nevada); (2) Mountain (Colorado and Utah); (3) East (Maryland, Virginia, which includes Virginia and West Virginia, and Delaware Valley, which includes Pennsylvania, Delaware and New Jersey); and (4) Other Homebuilding (Florida and Illinois, although we began our exit of the Illinois market during the 2008 third quarter).

Our Financial Services and Other segment consists of HomeAmerican Mortgage Corporation (HomeAmerican), which originates mortgage loans primarily for our homebuyers, American Home Insurance Agency, Inc. (American Home Insurance), which offers third-party insurance products to our homebuyers, and American Home Title and Escrow Company (American Home Title), which provides title agency services to the Company and our homebuyers in Colorado, Florida, Maryland, Nevada, Virginia and West Virginia. This segment also includes Allegiant Insurance Company, Inc., A Risk Retention Group (Allegiant), which provides to its customers, primarily many of our homebuilding subsidiaries and certain subcontractors of these homebuilding subsidiaries, general liability coverage for construction work performed associated with closed homes, and StarAmerican Insurance Ltd. (StarAmerican), a Hawaii corporation and a wholly-owned subsidiary of MDC. StarAmerican has agreed to re-insure: (1) all claims pursuant to two policies issued to the Company by a third-party; and (2) pursuant to agreements beginning in June 2004, all Allegiant claims in excess of $50,000 per occurrence, up to $3.0 million per occurrence, subject to various aggregate limits, not to exceed $18.0 million per year.

EXECUTIVE SUMMARY

During the 2009 second quarter, our homebuilding operations experienced improved net orders for homes in several markets within our East and Mountain segments. Contributing to the increase in net sales were continued low mortgage interest rates, continued affordability for new homes through low sales prices and homebuyers being able to take advantage of government sponsored stimulus programs. Despite these factors, the homebuilding and mortgage lending industries continued to be

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extremely challenging during the first six months of 2009. The continued recession in the United States economy, high unemployment levels, and sustained oversupply of new and resale homes together with strong competition for new home sales, all impacted our financial and operating results during the 2009 second quarter. Despite the increased affordability of new housing products, low interest rates and the availability of federal and state tax credits and incentives in several of our markets, economic conditions continued to create uncertainty in the timing, strength and sustainability of any recovery in the new home sales market. As a result of these conditions we continued to experience downward pressure on the average selling prices of our closed homes and declining Backlog (as defined below) levels from June 30, 2008. We continue to believe that stability in the credit and capital markets and an eventual renewal of confidence in the United States and global economy will play a major role in any turnaround in the homebuilding and mortgage lending industries. See **Forward-Looking Statements** above.

Additionally, our financial results during the 2009 second quarter continued to be negatively impacted by unprecedented changes that have occurred during 2008 and into 2009 in the mortgage finance, banking and insurance industries, including the failure or takeover of a number of major industry leaders as well as governmental intervention in, and support of, the businesses of many surviving entities. While the United States government did respond by taking steps in an attempt to stabilize the banking system and financial markets, the future impact of these measures and other legislation or proposed legislation on the financial markets, and the timing of a turnaround in the homebuilding industry, remains unclear. See **Forward-Looking Statements** above.

The economic conditions outlined above continued to have a significant negative impact on our homebuilding operations during the 2009 second quarter through: (1) high levels of competition for new home orders driven by builders that significantly cut new home sales prices; (2) continued high levels of home sales incentives and, in many cases, increased home sales incentives offered to stimulate new home orders and maintain previous home orders in Backlog until they close; (3) high levels of home foreclosures, which contributed to an excess supply of homes available to be purchased; (4) prospective homebuyers experiencing difficulty in selling their existing homes in this competitive environment; and (5) difficulty confronted by homebuyers in trying to qualify for mortgage loans or provide sufficient down payments for mortgage loans for which they qualify. As a consequence, we continued to incur losses from operations during the 2009 second quarter and first six months, albeit at lower levels than during the 2008 periods. During the three and six months ended June 30, 2009, we incurred losses from operations of $12.6 million and $47.7 million, respectively, compared with $110.0 million and $197.6 million during the same periods in 2008. In response to the difficult conditions outlined above, we remain focused on our balance sheet and cash flows, as evidenced by reducing our final spec and model homes from 293 and 274, respectively, at March 31, 2009 to 82 and 246, respectively, at June 30, 2009 and generating $251.8 million in cash from operations during the six months ended June 30, 2009, which included collecting a significant portion of our $170.8 million December 31, 2008 income tax receivable. As a result, and including the impact of generating $33.9 million in cash from investing activities, we increased our cash and cash equivalent balances to $1.6 billion at June 30, 2009 from $1.3 billion at December 31, 2008.

Recognizing the challenges presented by the sustained downturn in the homebuilding and mortgage lending businesses, during the first six months of 2009, our management focused on the following:

Maintaining an emphasis on our sales and marketing organization in an effort to improve sales velocity;

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Closely monitoring our general and administrative expenses and sales and marketing expenses, which resulted in continued declines in our employee headcount levels and declines in the number of model homes from June 30, 2008 levels;

Continuing to evaluate potential land acquisition opportunities;

Managing our inventory levels through closing on the sale of finished spec and model homes;

Continuing to execute on our Company-wide multi-year initiative focused on streamlining our processes and business practices for increased efficiency and to seek standardized business practices nationwide; and

Focusing on re-designing our home floor plans in an effort to produce housing that is more affordable to the customer and more cost-effective for the Company to build.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The preparation of financial statements in conformity with accounting policies generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Management evaluates such estimates and judgments on an on-going basis and makes adjustments as deemed necessary. Actual results could differ from these estimates if conditions are significantly different in the future. Additionally, using different estimates or assumptions in our critical accounting estimates and policies could have a material impact to our consolidated financial statements. See **Forward-Looking Statements** below.

The accounting policies and estimates, which we believe are critical and require the use of complex judgment in their application, are those related to: (1) homebuilding inventory valuation (held-for-development); (2) homebuilding inventory valuation (held-for-sale); (3) income taxes valuation allowance; (4) income taxes FIN 48; (5) revenue recognition; (6) segment reporting; (7) stock-based compensation; (8) home cost of sales; (9) warranty costs; (10) insurance reserves; (11) land option contracts; and (12) litigation reserves. Our critical accounting estimates and policies have not changed from those reported in Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2008, except for our segment reporting policy as provided below and the inclusion of our litigation reserves policy. Additionally, while our revenue recognition policy has not changed from what was reported in our Management s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2008, we have included additional disclosure as set forth below.

Litigation Reserves. The Company and certain of its subsidiaries have been named as defendants in various cases arising in the normal course of business. These cases relate primarily to construction defects, product liability and personal injury claims. We have reserved for estimated exposure with respect to these cases based upon information provided by our legal counsel. Due to uncertainties in the estimation process, actual results may differ from those estimates. At June 30, 2009 and

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December 31, 2008, we had legal reserves of $9.2 million and $7.6 million, respectively. We continue to evaluate litigation reserves and, based on historical results, believe that our existing estimation process is accurate and do not anticipate the process to change materially in the future. However, significant changes in facts and circumstances of our pending legal cases could have a material impact on our results of operations.

Segment Reporting. The application of SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information (SFAS 131), requires significant judgment in determining our operating segments. SFAS 131 defines operating segments as a component of an enterprise for which discrete financial information is available and is reviewed regularly by the chief operating decision-maker, or decision-making group, to evaluate performance and make operating decisions. We have identified our chief operating decision-makers as three key executives the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

We have identified each homebuilding subdivision as an operating segment in accordance with SFAS 131. Each homebuilding subdivision engages in business activities from which it earns revenue, primarily from the sale of single-family detached homes, generally to first-time and first-time move-up homebuyers. Subdivisions in the reportable segments noted below have been aggregated because they are similar in the following regards: (1) economic characteristics; (2) housing products; (3) class of homebuyer; (4) regulatory environments; and (5) methods used to manage the construction and sale of homes. In making the determination of whether or not our markets demonstrate similar economic characteristics, we review, among other things, actual and trending Home Gross Margins (as defined below) for homes closed within each market and forecasted Home Gross Margins. Accordingly, we may be required to reclassify our reportable segments if markets that currently are being aggregated do not continue to demonstrate similar economic characteristics.

Our homebuilding reportable segments are as follows:

(1) West (Arizona, California and Nevada)
(2) Mountain (Colorado and Utah)
(3) East (Delaware Valley, Maryland and Virginia)
(4) Other Homebuilding (Florida and Illinois)

During the 2009 first quarter, we changed the composition of our reportable segments by reclassifying the Delaware Valley market from the Other Homebuilding segment to the East segment. This resulted primarily from a change in the internal reporting structure of the Company. As a result, we have restated all prior period financial and operating measures of the Delaware Valley market to the East segment in order to conform to the current year s presentation.

Revenue Recognition. In the process of selling homes, we negotiate the terms of a home sales contract with a prospective homebuyer, including base sales price, any options and upgrades (such as upgraded appliance, cabinetry, flooring, etc.), and any home sales incentive. Our home sales incentives generally come in the form of: (1) discounts on the sales price of the home (Sales Price Incentives); (2) homebuyer closing cost assistance paid by Richmond American Homes to a third-party (Closing Cost Incentives); and (3) mortgage loan origination fees paid by Richmond American Homes to HomeAmerican (Mortgage Loan Origination Fees). The combination of home sales incentives offered to prospective homebuyers may vary from subdivision-to-subdivision and from home-to-home, and may be revised during the home closing process based upon homebuyer preferences or upon changes in market conditions, such as changes in our competitors pricing. Revenue from a home

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closing includes the base sales price and any purchased options and upgrades and is reduced for any Sales Price Incentives or Mortgage Loan Origination Fees.

We recognize revenue from home closings and land sales in accordance with SFAS No. 66, Accounting for Sales of Real Estate (SFAS 66). Accordingly, revenue is recognized when: (1) the closing has occurred; (2) title has passed to the buyer; (3) possession and other attributes of ownership have been transferred to the buyer; (4) we are not obligated to perform significant additional activities after closing and delivery; and (5) the buyer demonstrates a commitment to pay for the property through an adequate initial and continuing investment (i.e. down payments generally ranging from 5% to 20% except for FHA or VA government insured programs). In accordance with SFAS 66, the buyer s initial investment shall include: (1) cash paid as a down payment; (2) the buyer s notes supported by irrevocable letters of credit; (3) payments made by the buyer to third-parties to reduce existing indebtedness on the property; and (4) other amounts paid by the buyer that are part of the sales value of the property. For home closings, we evaluate the initial investment for home purchase financing provided under Federal Housing Administration (FHA) insured and Veterans Administration (VA) guaranteed loans in accordance with Emerging Issues Task Force (EITF) No. 87-9, Profit Recognition on Sales of Real Estate with Insured Mortgages or Surety Bonds, and for all other home purchase financing in accordance with SFAS 66 and EITF No. 88-24, Effect of Various Forms of Financing under FASB Statement No. 66.

We utilize the installment method of accounting in accordance with SFAS 66 for home closings if all of the following criteria are present: (1) HomeAmerican originates the mortgage loan; (2) HomeAmerican has not sold the mortgage loan, or loans, as of the end of the pertinent reporting period; and (3) the homebuyer s down payment does not meet the initial or continuing investment requirement set forth in SFAS 66. Accordingly, the corresponding Operating Profit is deferred by recording a reduction to home sales revenue in the Consolidated Statements of Operations, and the deferral is subsequently recognized at the time HomeAmerican sells the homebuyer s mortgage loan, or loans, to a third-party purchaser. In the event the Operating Profit is a loss, we recognize such loss at the time the home is closed.

Our mortgage loans generally are sold to third-party purchasers with anti-fraud, warranty and limited early payment default provisions. In accordance with SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SFAS 140), a sale of a homebuyer mortgage loan has occurred when the following criteria have been met: (1) the payment from the third-party purchaser is not subject to future subordination; (2) we have transferred all the usual risks and rewards of ownership that is in substance a sale; and (3) we do not have a substantial continuing involvement with the mortgage loan. Factors that we consider in assessing whether a sale of a mortgage loan has occurred in accordance with SFAS 140 include, among other things: (1) the recourse, if any, to HomeAmerican for credit and interest rate risk; (2) the right or obligation, if any, of HomeAmerican to repurchase the loan; and (3) the control HomeAmerican retains, or is perceived to retain, over the administration of the loan post-closing.

Revenue from the sale of mortgage loan servicing is recognized upon the exchange of consideration for the mortgage loans and related servicing rights between the Company and the third-party purchaser in accordance with the provisions of SFAS 140. Prior to the adoption of SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159) on January 1, 2008, we deferred the application and origination fees, net of costs, and recognized them as revenue, along with the associated gains or losses on the sale of the mortgage loans and related servicing rights,

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when the mortgage loans were sold to third-party purchasers in accordance with SFAS No. 91, Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans. The revenue recognized was reduced by the estimated fair value of any related guarantee provisions provided to the third-party purchaser, which was determined by the amount at which the liability could be bought in a current transaction between willing parties. The fair value of the guarantee provisions was recognized in revenue when the Company was released from its obligation under the terms of the loan sale agreements.

In February 2007, the FASB issued SFAS 159 which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Once a company chooses to report an item at fair value, changes in fair value would be reported in earnings at each reporting date. On January 1, 2008, we elected to measure mortgage loans held-for-sale originated on or after January 1, 2008 at fair value. Using fair value allows an offset of the changes in fair values of the loans and the derivative instruments used to economically hedge them without the burden of complying with the requirements for hedge accounting under SFAS 133. We adopted SFAS 159 during the 2008 first quarter, and it did not have a material impact on our financial position, results of operations or cash flows upon adoption.

KEY HOMEBUILDING MEASURES

The table below sets forth information relating to orders for homes.

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2009	2008	Amount	%	2009	2008	Amount	%
Orders For Homes, net (units)								
Arizona	214	294	(80)	-27%	372	576	(204)	-35%
California	112	148	(36)	-24%	187	307	(120)	-39%
Nevada	153	195	(42)	-22%	248	376	(128)	-34%
West	479	637	(158)	-25%	807	1,259	(452)	-36%
Colorado	206	117	89	76%	340	280	60	21%
Utah	86	44	42	95%	127	88	39	44%
Mountain	292	161	131	81%	467	368	99	27%
Delaware Valley	19	14	5	36%	33	36	(3)	-8%
Maryland	54	40	14	35%	91	87	4	5%
Virginia	61	42	19	45%	117	112	5	4%
East	134	96	38	40%	241	235	6	3%
Florida	64	67	(3)	-4%	122	182	(60)	-33%
Illinois	8	(2)	10	-500%	16	13	3	23%
Other Homebuilding	72	65	7	11%	138	195	(57)	-29%
Total	977	959	18	2%	1,653	2,057	(404)	-20%
Estimated Value of Orders for Homes, net (dollars in thousands)	$ 289,000	$ 279,000	$ 10,000	4%	$ 480,000	$ 603,000	$ (123,000)	-20%
Estimated Average Selling Price of	$ 295.8	$ 290.9	$ 4.9	2%	$ 290.4	$ 293.1	$ (2.7)	-1%

Order for Homes, net (dollars in thousands)

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Orders for Homes, net. In our West segment, net orders for homes were lower during the three and six months ended June 30, 2009, primarily resulting from a 48% decline in the number of active subdivisions from June 30, 2008 and the uncertainty in the overall United States and global economies, including the on-going effects of the recession in the United States. However, while net orders for homes in the West segment declined during 2009, the net orders for homes in our Mountain and East segments increased during the 2009 second quarter and first six months. In the Mountain and East segments, the increases in net orders for homes during the three and six months ended June 30, 2009 primarily resulted from significant decreases in our Cancellation Rates within each segment.

Homes Closed. The following table sets forth homes closed for each market within our homebuilding segments (in units).

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2009	2008	Amount	%	2009	2008	Amount	%
Arizona	181	380	(199)	-52%	353	731	(378)	-52%
California	52	163	(111)	-68%	111	317	(206)	-65%
Nevada	114	249	(135)	-54%	188	429	(241)	-56%
West	347	792	(445)	-56%	652	1,477	(825)	-56%
Colorado	113	171	(58)	-34%	204	288	(84)	-29%
Utah	56	78	(22)	-28%	96	160	(64)	-40%
Mountain	169	249	(80)	-32%	300	448	(148)	-33%
Delaware Valley	11	20	(9)	-45%	30	51	(21)	-41%
Maryland	39	46	(7)	-15%	65	95	(30)	-32%
Virginia	45	74	(29)	-39%	86	139	(53)	-38%
East	95	140	(45)	-32%	181	285	(104)	-36%
Florida	44	89	(45)	-51%	93	184	(91)	-49%
Illinois	10	22	(12)	-55%	19	34	(15)	-44%
Other Homebuilding	54	111	(57)	-51%	112	218	(106)	-49%
Total	665	1,292	(627)	-49%	1,245	2,428	(1,183)	-49%

Our home closings decreased during the three and six months ended June 30, 2009 for each market within our homebuilding segments, most notably within the West segment where our homebuilding activity has been concentrated. Factors that contributed to the market decline in each of our homebuilding segments have been outlined in the Executive Summary section of this Item 2.

Home Gross Margins. We define Home Gross Margins to mean home sales revenue less home cost of sales as a percent of home sales revenue. The following table sets forth our Home Gross Margins by reportable segment.

	Three Months Ended June 30,		Increase
	2009	2008	(Decrease)
Homebuilding			
West	26.5%	14.2%	12.3%
Mountain	8.5%	5.3%	3.2%
East	14.5%	12.3%	2.2%
Other Homebuilding	10.8%	9.3%	1.5%

Consolidated	18.0%	11.7%	6.3%

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	Six Months Ended June 30, 2009	2008	Increase (Decrease)
Homebuilding			
West	24.1%	13.2%	10.9%
Mountain	7.9%	6.2%	1.7%
East	14.3%	12.6%	1.7%
Other Homebuilding	11.1%	11.1%	-%
Consolidated	16.8%	11.6%	5.2%

In our West segment, Home Gross Margins during the three months ended June 30, 2009 were impacted positively by 1,140 basis points due to adjustments to reduce our warranty reserves as a result of a significant decline in the amount of warranty payments incurred. Also contributing to the increase in Home Gross Margins for the West segment was a reduction of approximately $33,000 in lot cost per closed home, primarily attributable to significant inventory impairments recorded during 2008, which lowered the lot cost basis on the homes we closed during the 2009 second quarter, and the impact of a $24,900 increase in the average selling prices of closed homes in California. These positive adjustments were offset partially by the impact of decreases in the net selling prices of our homes during the three months ended June 30, 2009 in our Arizona and Nevada markets of the West segment. Home Gross Margins in our Mountain segment increased during the three months ended June 30, 2009 as we experienced a reduction of approximately $22,000 in the lot cost of sales per closed home attributable to significant inventory impairments recorded during 2008. These impairments lowered the lot cost basis on the homes we closed during the 2009 second quarter. These improvements were offset partially by a $15,500 decline in the average selling prices of closed homes.

Home Gross Margins in our East segment improved slightly during the 2009 second quarter. This improvement primarily resulted from a reduction of approximately $39,000 in the lot cost per closed home attributable to significant inventory impairments recorded during 2008. These impairments lowered the lot cost basis on the homes we closed during the 2009 second quarter. Additionally, Home Gross Margins were impacted positively by 280 basis points due to adjustments to reduce our warranty reserves as a result of a significant decline in the amount of warranty payments incurred. These improvements were offset partially by decreases of $58,100, $14,300 and $6,700 in the average selling prices of closed homes in Maryland, Virginia and Delaware Valley, respectively.

For our Other Homebuilding segment, Home Gross Margins during the three months ended June 30, 2009 were impacted positively by 520 basis points due to adjustments to reduce our warranty reserves as a result of a significant decline in the amount of warranty payments incurred and a $24,000 decrease in the lot cost per closed home. The decline in the lot cost per closed home resulted from significant inventory impairments recorded during 2008, which lowered the lot cost basis of the homes we closed during the 2009 second quarter. These improvements partially were offset by declines in the average selling price of closed homes for each market within this segment during the 2009 second quarter.

In our West segment, Home Gross Margins during the six months ended June 30, 2009 were impacted positively by 810 basis points due to adjustments to reduce our warranty reserves as a result of a significant decline in the amount of warranty payments incurred. Also contributing to the increase in Home Gross Margins for the West segment was a reduction of approximately $39,000 in lot cost per closed home, primarily attributable to significant inventory impairments recorded during 2008. These

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items partially were offset by the impact of decreases of $40,300, $30,800 and $10,500 in the average selling prices of closed homes for Nevada, Arizona and California, respectively. Home Gross Margins in our Mountain segment increased slightly during the six months ended June 30, 2009 as we experienced a reduction of approximately $22,000 in the lot cost of sales per closed home attributable to significant inventory impairments recorded during 2008. These improvements were offset partially by a $37,800 decline in the average selling prices of closed homes in the Utah market of this segment.

Home Gross Margins in our East segment improved slightly during the first six months of 2009. This improvement primarily resulted from a reduction of approximately $33,000 in the lot cost per closed home attributable to significant inventory impairments recorded during 2008. Also, Home Gross Margins were impacted positively by 260 basis points due to adjustments to reduce our warranty reserves as a result of a significant decline in the amount of warranty payments incurred. These improvements were offset partially by a $64,100 decrease in the average selling prices of closed homes for the Maryland market of our East segment.

For our Other Homebuilding segment, while Home Gross Margins remained unchanged during the six months ended June 30, 2009, they were impacted positively by 260 basis points due to adjustments to reduce our warranty reserves as a result of a significant decline in the amount of warranty payments incurred and a $20,000 decrease in the lot cost per closed home due in part to significant inventory impairments recorded during 2008. These items were offset by declines of $28,900 and $17,500 in the average selling price of closed homes in Illinois and Florida, respectively.

Future Home Gross Margins may be impacted negatively by, among other things: (1) a weaker economic environment, including an increase in the severity and duration of the recession in the United States, as well as homebuyers reluctance to purchase new homes based on concerns about job security; (2) continued and/or increases in home foreclosure levels; (3) on-going tightening of mortgage loan origination requirements; (4) increased competition and increases in the level of home order cancellations, which could affect our ability to maintain existing home prices and/or home sales incentive levels; (5) deterioration in the demand for new homes in our markets; (6) fluctuating energy costs, including oil and gasoline; (7) increases in the costs of subcontracted labor, finished lots, building materials, and other resources, to the extent that market conditions prevent the recovery of increased costs through higher selling prices; (8) increases in interest expense included in home cost of sales; (9) increases in the costs of finished lots; (10) increases in warranty expenses or litigation expenses associated with construction defect claims; and (11) other general risk factors. See **Forward-Looking Statements** below.

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Backlog. The following table below sets forth information relating to Backlog for each market within our homebuilding segments (dollars in thousands).

	June 30, 2009	December 31, 2008	June 30, 2008
Backlog (units)			
Arizona	177	158	437
California	125	49	193
Nevada	113	53	254
West	415	260	884
Colorado	208	72	205
Utah	73	42	106
Mountain	281	114	311
Delaware Valley	30	27	42
Maryland	84	58	118
Virginia	67	36	73
East	181	121	233
Florida	64	35	123
Illinois	-	3	25
Other Homebuilding	64	38	148
Total	941	533	1,576
Backlog Estimated Sales Value	$ 295,000	$ 173,000	$ 522,000
Estimated Average Selling Price of Homes in Backlog	$ 313.5	$ 324.6	$ 331.2

We define Backlog as homes under contract but not yet delivered. Because of the deterioration in demand for new homes and prospective homebuyers reluctance to purchase new homes, resulting from the conditions described in our Executive Summary section of this Item 2, our June 30, 2009 Backlog was down from June 30, 2008 for most markets within our homebuilding segments. The Backlog in our Colorado market did remain flat at June 30, 2009, compared to June 30, 2008, primarily resulting from Cancellation Rate (as defined below) declining to 25% during the 2009 second quarter, compared to 44% during the same period in 2008. The estimated Backlog sales value decreased from $522 million at June 30, 2008 to $295 million at June 30, 2009, due to the 40% decrease in the number of homes in Backlog and a 5% decrease in the estimated average selling price of homes in Backlog.

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Cancellation Rate. We define our home order Cancellation Rate as the approximate number of cancelled home order contracts during a reporting period as a percentage of total home order contracts received during such reporting period. The following tables set forth our Cancellation Rate by segment.

	Three Months Ended June 30,		Increase
	2009	2008	(Decrease)
Homebuilding			
West	16%	37%	-21%
Mountain	25%	51%	-26%
East	25%	48%	-23%
Other Homebuilding	24%	55%	-31%
Consolidated	20%	43%	-23%

	Six Months Ended June 30,		Increase
	2009	2008	(Decrease)
Homebuilding			
West	18%	40%	-22%
Mountain	24%	48%	-24%
East	27%	45%	-18%
Other Homebuilding	22%	43%	-21%
Consolidated	22%	43%	-21%

The Cancellation Rate in each of our segments significantly decreased during the three and six months ended June 30, 2009. The decreases in home order cancellations primarily were attributable to having significantly lower Backlog at the beginning of the three and six months ended June 30, 2009, compared with the same periods during 2008. Additionally, we believe the Cancellation Rates were lower due to a significant decline in the number of cancelled home orders from homebuyers who had difficulty in qualifying for mortgage loan financing, who were not able to sell their existing home or who had uncertainty in making a purchase of a new home.

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Active Subdivisions. The following table displays the number of our active subdivisions for each market within our homebuilding segments. We define an active subdivision as a subdivision that has more than five homes available to be sold and closed and has sold at least five homes.

	June 30, 2009	December 31, 2008	June 30, 2008
Arizona	27	44	57
California	10	18	21
Nevada	19	24	29
West	56	86	107
Colorado	43	49	48
Utah	18	22	23
Mountain	61	71	71
Delaware Valley	1	3	2
Maryland	9	11	14
Virginia	7	12	17
East	17	26	33
Florida	8	7	12
Illinois	-	1	4
Other Homebuilding	8	8	16
Total	142	191	227

Our active subdivisions have decreased from June 30, 2008 and December 31, 2008 as the Company closed out certain subdivisions through the sale and closing of homes. Additionally, few subdivisions have been opened as we have limited our asset acquisitions during this homebuilding downcycle.

Average Selling Prices Per Home Closed. The average selling price for our closed homes includes the base sales price, any purchased options and upgrades, reduced by any Sales Price Incentives (defined as discounts on the sales price of a home) or Mortgage Loan Origination Fees (defined as mortgage loan origination fees paid by Richmond American Homes to HomeAmerican). The following tables set forth our average selling prices per home closed, by market (dollars in thousands).

	Three Months Ended June 30,		Change	
	2009	2008	Amount	%
Arizona	$ 197.9	$ 220.5	$ (22.6)	-10%
California	414.0	389.1	24.9	6%
Colorado	341.7	346.5	(4.8)	-1%
Delaware Valley	393.6	400.3	(6.7)	-2%
Florida	227.1	248.1	(21.0)	-8%
Illinois	312.1	314.5	(2.4)	-1%
Maryland	381.7	439.8	(58.1)	-13%
Nevada	210.3	248.0	(37.7)	-15%
Utah	301.5	336.1	(34.6)	-10%
Virginia	451.3	465.6	(14.3)	-3%
Average	$ 279.0	$ 295.7	$ (16.7)	-6%

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	Six Months Ended June 30,		Change	
	2009	2008	Amount	%
Arizona	$ 195.3	$ 226.1	$ (30.8)	-14%
California	405.6	416.1	(10.5)	-3%
Colorado	346.4	349.7	(3.3)	-1%
Delaware Valley	413.4	415.8	(2.4)	-1%
Florida	223.0	240.5	(17.5)	-7%
Illinois	316.0	344.9	(28.9)	-8%
Maryland	405.2	469.3	(64.1)	-14%
Nevada	207.4	247.7	(40.3)	-16%
Utah	300.3	338.1	(37.8)	-11%
Virginia	478.5	459.9	18.6	4%
Average	$ 283.2	$ 303.9	$ (20.7)	-7%

The average selling price of homes closed during the three and six months ended June 30, 2009 decreased in most of our markets. These declines resulted in part from increased levels of incentives and reduced sales prices in response to lower demand for new homes and increased levels of competition in these markets. We did experience an increase in the average selling price of closed homes in our California market during the three months ended June 30, 2009 and in our Virginia market during the six months ended June 30, 2009. These increases primarily related to changes in the size and style of our single-family detached homes that were closed during this period.

RESULTS OF OPERATIONS

The following discussion compares results for the three and six months ended June 30, 2009 with the three and six months ended June 30, 2008.

Home Sales Revenue. Home sales revenue from a home closing includes the base sales price and any purchased options and upgrades and is reduced for any Sales Price Incentives or Mortgage Loan Origination Fees. The table below summarizes home sales revenue by reportable segment (dollars in thousands).

	Three Months Ended June 30,		Change	
	2009	2008	Amount	%
West	$ 81,304	$ 209,029	$ (127,725)	-61%
Mountain	55,489	85,607	(30,118)	-35%
East	39,398	62,780	(23,382)	-37%
Other Homebuilding	13,115	28,995	(15,880)	-55%
Total Homebuilding	189,306	386,411	(197,105)	-51%
Intercompany adjustments	(3,752)	(4,318)	566	13%
Consolidated	$ 185,554	$ 382,093	$ (196,539)	-51%

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	Six Months Ended June 30, 2009	2008	Change Amount	%
West	$ 152,932	$ 404,062	$ (251,130)	-62%
Mountain	99,495	155,170	(55,675)	-36%
East	79,774	129,841	(50,067)	-39%
Other Homebuilding	26,742	55,971	(29,229)	-52%
Total Homebuilding	358,943	745,044	(386,101)	-52%
Intercompany adjustments	(6,407)	(7,159)	752	11%
Consolidated	$ 352,536	$ 737,885	$ (385,349)	-52%

The decrease in home sales revenue in our West segment during the three months ended June 30, 2009 primarily resulted from closing 445 fewer homes and decreases of $37,700 and $22,600 in the average selling prices for homes closed in the Nevada and Arizona markets, respectively, within this segment. Home sales revenue in our Mountain, Other Homebuilding and East segments decreased during the three months ended June 30, 2009 due primarily to closing 80, 57 and 45 fewer homes, respectively.

The decrease in home sales revenue in our West segment during the six months ended June 30, 2009 primarily resulted from closing 825 fewer homes and decreases of $40,300, $30,800 and $10,500 in the average selling prices for homes closed in the Nevada, Arizona and California markets, respectively, within this segment. Home sales revenue in our Mountain, Other Homebuilding and East segments decreased during the six months ended June 30, 2009 due primarily to closing 148, 106 and 104 fewer homes, respectively.

Land Sales. Land sales revenue was $2.0 million and $12.3 million during the three months ended June 30, 2009 and 2008, respectively. Land sales revenue during these periods primarily resulted from our sale of approximately 35 and 300 lots, respectively. Land sales revenue was $4.6 million and $40.8 million during the six months ended June 30, 2009 and 2008, respectively. Land sales revenue during these periods primarily resulted from our sale of approximately 150 and 1,100 lots, respectively, primarily in our West segment. Land sales revenue decreased during the three and six months ended June 30, 2009 because we determined that the best use of a majority of our remaining land assets was to hold, develop or build them out rather than to sell.

Other Revenue. Gains on the sale of mortgage loans primarily represent revenue earned by HomeAmerican from the sale of HomeAmerican s originated mortgage loans to third-parties. Our broker origination fees primarily represent fees that HomeAmerican earns upon brokering a mortgage loan for a home closing. Insurance premiums collected by StarAmerican and Allegiant from our homebuilding subcontractors in connection with the construction of homes primarily comprise insurance revenue. Title and other revenue primarily consist of forfeiture of homebuyer deposits on a home sales contract and revenue associated with our American Home Title operations. The table below sets forth the components of other revenue (dollars in thousands).

	Three Months Ended June 30, 2009	2008	Change Amount	%
Gains on sales of mortgage loans, net	$ 5,523	$ 5,422	$ 101	2%
Broker origination fees	62	522	(460)	-88%
Insurance revenue	1,046	332	714	215%
Title and other revenue	1,127	2,772	(1,645)	-59%
Total other revenue	$ 7,758	$ 9,048	$ (1,290)	-14%

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	Six Months Ended June 30, 2009	2008	Change Amount	%
Gains on sales of mortgage loans, net	$ 8,869	$ 11,521	$ (2,652)	-23%
Broker origination fees	199	1,225	(1,026)	-84%
Insurance revenue	2,861	3,343	(482)	-14%
Title and other revenue	2,161	4,377	(2,216)	-51%
Total other revenue	$ 14,090	$ 20,466	$ (6,376)	-31%

Other revenue was lower during the three months ended June 30, 2009 primarily resulting from decreases in title and other revenue, due to a decline in forfeited homebuyer deposits and fewer home closings for our American Home Title operations.

Other revenue was lower during the six months ended June 30, 2009 primarily resulting from decreases in the following: (1) gains on sales of mortgage loans, net and broker origination fees, as we originated and sold fewer mortgage loans in connection with closing fewer homes during the first six months of 2009, partially offset by a 160 basis point increase in our Capture Rate (as defined below); (2) title and other revenue, due to a decline in forfeited homebuyer deposits and fewer home closings for our American Home Title operations; and (3) insurance revenue, as we collected fewer insurance premiums from our homebuilding subcontractors as a result of the decline in home construction levels during the six months ended June 30, 2009.

Home Cost of Sales. Home cost of sales primarily includes land acquisition, land development and related costs, (both incurred and estimated to be incurred), warranty costs and finance and closing costs, including Closing Cost Incentives. Home cost of sales excludes expenses associated with commissions, amortization of deferred marketing costs and inventory impairment charges. However, while inventory impairment charges recorded during a reporting period do not impact home cost of sales, they do impact future home cost of sales as they lower the lot costs basis of the impaired inventory.

The table below sets forth the home cost of sales by reportable segment (dollars in thousands).

	Three Months Ended June 30, 2009	2008	Change Amount	%
Homebuilding				
West	$ 59,739	$ 179,398	$ (119,659)	-67%
Mountain	50,760	81,078	(30,318)	-37%
East	33,669	55,086	(21,417)	-39%
Other Homebuilding	11,702	26,299	(14,597)	-56%
Total Homebuilding	155,870	341,861	(185,991)	-54%
Intercompany adjustments	(3,752)	(4,318)	566	13%
Consolidated	$ 152,118	$ 337,543	$ (185,425)	-55%

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	Six Months Ended June 30, 2009	2008	Change Amount	%
Homebuilding				
West	$ 116,027	$ 350,917	$ (234,890)	-67%
Mountain	91,666	145,599	(53,933)	-37%
East	68,376	113,483	(45,107)	-40%
Other Homebuilding	23,781	49,740	(25,959)	-52%
Total Homebuilding	299,850	659,739	(359,889)	-55%
Intercompany adjustments	(6,407)	(7,159)	752	11%
Consolidated	$ 293,443	$ 652,580	$ (359,137)	-55%

The decrease in home cost of sales during the three months ended June 30, 2009 primarily resulted from the following decreases: (1) $164 million associated with closing fewer homes in each of our homebuilding segments; and (2) $22 million associated with a decrease in home cost of sales per closed home. The decline in home cost of sale per closed home resulted in part from a $17 million decrease in lot costs per closed home primarily attributable to inventory impairments recorded during 2008, which lowered the lot costs basis of our inventory.

The decrease in our West segment during the three months ended June 30, 2009 primarily resulted from the following decreases: (1) approximately $101 million resulting from closing 445 fewer homes; and (2) $11 million associated with a decrease in lot cost per closed home primarily resulting from significant inventory impairments recorded during 2008, which lowered the lot cost basis of our inventory.

In our Mountain segment, the decline during the three months ended June 30, 2009, primarily resulted from the following: (1) closing 80 fewer homes, which resulted in a $26 million decrease to home cost of sales; and (2) $4 million associated with a decrease in the lot cost per closed home resulting from significant inventory impairments recorded during 2008, which lowered the lot cost basis of our inventory.

The decrease in our East segment during the three months ended June 30, 2009 primarily resulted from the following: (1) closing 45 fewer homes, which resulted in an $18 million decrease to home cost of sales; and (2) $4 million associated with a decrease in the lot cost per closed home resulting from significant inventory impairments recorded during 2008, which lowered the lot cost basis of our inventory.

The decrease in our Other Homebuilding segment during the three months ended June 30, 2009 primarily resulted from closing 57 fewer homes, which resulted in a $14 million decrease to home cost of sales during the three months ended June 30, 2009.

The decrease in home cost of sales during the six months ended June 30, 2009 primarily resulted from the following decreases: (1) $318 million associated with closing fewer homes in each of our homebuilding segments; and (2) $36 million from a decline in lot costs per closed home primarily attributable to inventory impairments recorded during 2008, which lowered the lot costs basis of our inventory.

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The decrease in our West segment during the six months ended June 30, 2009 primarily resulted from the following decreases: (1) $196 million resulting from closing 825 fewer homes; (2) $25 million associated with a decrease in lot cost per closed home primarily resulting from significant inventory impairments recorded during 2008, which lowered the lot cost basis of our inventory; and (3) $5 million associated with a decrease in home construction cost per closed home.

In our Mountain segment, the decline during the six months ended June 30, 2009, primarily resulted from the following: (1) closing 148 fewer homes, which resulted in a $48 million decrease to home cost of sales; and (2) $7 million associated with a decrease in the lot cost per closed home resulting from significant inventory impairments recorded during 2008, which lowered the lot cost basis of our inventory.

In our East segment, the decline during the six months ended June 30, 2009, primarily resulted from the following: (1) closing 104 fewer homes, which resulted in a $41 million decrease to home cost of sales; and (2) $6 million associated with a decrease in the lot cost per closed home resulting from significant inventory impairments recorded during 2008, which lowered the lot cost basis of our inventory.

The decrease in our Other Homebuilding segment during the six months ended June 30, 2009, primarily resulted from: (1) closing 106 fewer homes, which resulted in an $24 million decrease to home cost of sales: and (2) $2 million associated with a decrease in the lot cost per closed home resulting from significant inventory impairments recorded during 2008, which lowered the lot cost basis of our inventory.

Land Cost of Sales. Land cost of sales was $1.5 million and $6.8 million during the three months ended June 30, 2009 and 2008, respectively, and the decrease primarily resulted from our sale of approximately 35 and 300 lots, respectively. Land cost of sales was $2.8 million and $34.8 million during the six months ended June 30, 2009 and 2008, respectively. Land cost of sales during these periods primarily resulted from our sale of approximately 150 and 1,100 lots, respectively, primarily in our West segment. Land cost of sales decreased during the three and six months ended June 30, 2009 because we determined that the best use of a majority of our remaining land assets was to hold, develop or build them out rather than to sell.

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Asset Impairments. The following table sets forth, by reportable segment, the asset impairments recorded for the three months ended March 31, 2009 and 2008 (in thousands).

	Three Months Ended June 30,	
	2009	**2008**
Land and Land Under Development (Held-for-Development)		
West	$ -	$ 18,321
Mountain	-	23,973
East	1,450	6,091
Other Homebuilding	-	1,851
Subtotal	1,450	50,236
Housing Completed or Under Construction (Held-for-Development)		
West	-	11,838
Mountain	-	5,977
East	275	2,167
Other Homebuilding	-	1,806

ALLERGAN DOES NOT INTEND TO, AND DISCLAIMS ANY OBLIGAT

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INFORMATION TO REFLECT CIRCUMSTANCES EXISTING AFTER TH
ALL OF THE ASSUMPTIONS UNDERLYING SUCH UNAUDITED PROS
BE REQUIRED BY LAW.

Board of Directors and Management after the Transactions

Upon completion of the Merger, the combined company will be led by Brento
Executive Chairman of the combined company. The integration of the two con
companies as announced by Actavis on December 16, 2014. Two members of
directors.

For additional information about the members of the Actavis board of director
statement/prospectus.

Interests of Allergan s Directors and Executive Officers in the Transactio

In considering the recommendation of the Allergan board of directors that Alle
officers have interests in the Merger that are different from, or in addition to, t
additional interests and considered these interests, among other matters, in eva
approved. See *Recommendation of the Allergan Board of Directors and All*
interests into account in deciding whether to vote **FOR** the Merger Proposa

Treatment of Allergan Stock Options and Other Allergan Equity-Based Awa

Under the Merger Agreement, the equity-based awards held by Allergan s dir

Options Held by Continuing Employees. As of the effective time of the Merger
unexercised immediately prior to the effective time of the Merger, whether or
Option as so assumed and converted will continue to have, and will be subject
taking into account any changes thereto provided for in the applicable Allergan
effective time of the Merger, each such Actavis Stock Option as so assumed an
(i) the number of shares of Allergan common stock subject to such Allergan St
nearest whole cent) equal to the quotient obtained by dividing (x) the exercise
not be considered a Continuing Employee under the terms of the Merger Agree
various non-employee capacities following the effective time of the Merger, su

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Restricted Stock Held by Continuing Employees. As of the effective time of the
then vested will be assumed by Actavis and will be converted into an Actavis
terms and conditions as applied to the applicable Allergan Restricted Shares in
equity plan, in any award agreement or in the Allergan Restricted Share by rea
each such Actavis Restricted Share as so assumed and converted will be equal
number of Actavis Restricted Shares will be rounded up to the nearest whole s

Restricted Stock Units Held by Continuing Employees. As of the effective time
vested will be assumed by Actavis and will be converted into an Actavis RSU
continue to have, and will be subject to, the same terms and conditions as appli
provided for in the applicable Allergan equity plan, in any award agreement or
performance vesting, the applicable Actavis RSUs corresponding to such Aller
original applicable performance period for such Allergan RSUs, subject to con
accelerated vesting upon certain terminations of employment as prescribed by
ability to adjust any dividend equivalent rights under any Allergan equity plan,
RSUs by reason of the Merger Agreement or the Merger. As of the effective ti
to the product of (i) the number of shares of Allergan common stock underlyin
the Actavis RSUs will be rounded up to the nearest whole share if half a share

Equity Awards Held by Allergan Non-Employee Directors and Non-Continuing
employee of Allergan who is not a Continuing Employee will accelerate in full
and converted into the right to receive an amount in cash equal to the product o
(A) the Stock Consideration Portion multiplied by the Actavis VWAP plus the
cash amount will be rounded up to the nearest whole cent if half a cent or more
will be entitled to receive the Merger Consideration in respect of the shares of

Acceleration upon a Qualifying Termination. Pursuant to the terms and conditi
2011 Incentive Award Plan and the Allergan 2008 Incentive Award Plan (refer
assumption

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and conversion to Actavis equity awards, vesting will be accelerated if the exe
executive s employment within two years after the date of a change in contr
which the executive voluntarily terminates his or her employment following (i
consent, such that there is a material diminution in the executive s authority, d
the executive s prior principal location of employment without the executive
executive s principal location of employment or (iv) any action or inaction tha
provides services; provided that in each of (i)-(iv), the executive provides Alle
cure such breach within 30 days of receiving written notice or (B) a terminatio
request of a third party who has indicated an intention or taken steps reasonabl
with, or in anticipation of, a change in control which actually occurs.

For an estimate of the amounts that would be payable to each of Allergan s na
Named Executive Officers beginning on page 126 of this joint proxy statemer
in settlement of their unvested equity-based awards if the Merger were comple
amount that would be payable to Allergan s eight non-employee directors for
$4,017,900.

The amounts above are determined using a per share price of Allergan commo

Change in Control Policy

Each of Allergan s executive officers (other than Mr. Edwards, who resigned
statement/prospectus as the CIC Policy), which provides certain benefits in
change in control (a) by Allergan (or a successor entity) other than for cause
of a material reduction or adverse modification of the executive s overall com
overall position, responsibilities or reporting relationship or a relocation of the
consent) or (ii) within the 55 day period ending on the date of a change in cont
reasonably calculated to effect a change in control and who subsequently effec
The Merger would constitute a change in control under the CIC Policy.

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Under the CIC Policy, if the executive experiences a qualifying termination, th

a cash payment equal to three times (or two times, in the case termination and (ii) a bonus payment equal to the executive s calculated assuming 100% performance of applicable objecti applicable (non-change in control) severance plan or policy w the case of Mr. Barlow) the amount determined in accordance

company-paid continuation of medical, dental and vision ben and

outplacement benefits of a type and duration generally provid

The foregoing payments and benefits are subject to the executive s execution qualifying termination. The CIC Policy prohibits excise tax gross-ups and certa

For an estimate of the value of the payments and benefits described above that *Executive Officers* beginning on page 126 of this joint proxy statement/prosp Merger was to be completed and they were to experience a qualifying terminat

Bonus Plans

Under the Merger Agreement, Allergan may operate its bonus and cash incenti and cash incentive plans.

Under Allergan s Management Bonus Plan or Allergan s Executive Bonus Pl participant is eligible to receive a bonus award under the plan, such bonus awa Allergan board of directors will be deemed to be met at the greater of 100% of bonuses under the Bonus Plans for the 2015 fiscal year, no later than 60 days,

For an estimate of the value of the bonus payments for 2014 that would be pay *Officers* beginning on page 126 of this joint proxy statement/prospectus. The Merger were completed on January 5, 2015 is $1,095,000. The bonus amounts anticipates that the bonus pool under the Bonus Plans for 2014 will be funded have not been made by the compensation committee of the Allergan board of d not approved its fiscal 2015 bonus program.

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Retention Bonus Pool

Under the Merger Agreement, Allergan may provide cash incentive bonus com
incentive bonuses to be jointly agreed upon by Allergan and Actavis in reasona

Pension Plan

Under Allergan s Executive Benefit Plan, in the event of a change in control (
terminated within two years following such event, the participant will receive a
discount rate). Termination under Allergan s Executive Benefit Plan can be fo

For an estimate of the value of the pension plan payments described above that
Executive Officers beginning on page 126 of this joint proxy statement/prosp
officers as a group if the Merger were completed and the executive officers we

Indemnification and Insurance

Pursuant to the terms of the Merger Agreement, Allergan s directors and exec
liability insurance policies from the Surviving Corporation. Such indemnificati
Directors and Officers Insurance beginning on page 157 of this joint prox

Quantification of Payments and Benefits to Allergan s Named Executive Of

The table below sets forth the amount of payments and benefits that each of Al
each such executive officer experienced a qualifying termination on January 5,
share over the first five business days following the announcement of the Merg
materially differ from the amounts set forth below.

Name
David Pyott
James Hindman
Douglas Ingram
Jeffrey Edwards
Scott Whitcup
Julian Gangolli

(1) Amount represents the cash severance that the named executive office
Following his resignation as an executive officer in August 2014, Mr.

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Cash severance would be payable in a lump sum upon a double-trigger qualif
Mr. Edwards) would be entitled to receive a cash payment equal to three times
payment equal to the named executive officer s target annual bonus for the ye

In addition, under the Bonus Plans, if a change in control occurs, the named ex
performance objectives will be deemed to be met at the greater of 100% of the
i.e., the occurrence of a change in control (the Merger), subject to continued er

The following table quantifies each separate form of cash compensation includ
100% of the performance objectives for fiscal 2014. Allergan anticipates that t
proxy statement/prospectus, individual 2014 bonus determinations have not be
of the date of this joint proxy statement/prospectus, Allergan has not approved

Name
David Pyott
James Hindman
Douglas Ingram
Jeffrey Edwards
Scott Whitcup
Julian Gangolli

(2) Pursuant to the terms and conditions of Allergan s outstanding equity
equity awards upon a qualifying termination, as described above un
The following table quantifies the value of the unvested Allergan stock options
January 5, 2015), and a price per share of Allergan common stock of $211.41,
business days following the first public announcement of the Merger Agreeme

Name	**Num o Unve Sto Opt (#**
David Pyott	73
James Hindman	3
Douglas Ingram	16
Jeffrey Edwards	16
Scott Whitcup	19
Julian Gangolli	13

(a) Allergan anticipates that Mr. Edwards will no longer serve as

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employment on March 1, 2015, Allergan anticipates that Mr.
common stock of $211.41).

(3) Under Allergan s Executive Benefit Plan, in the event of a double tr
payment of accrued benefits under the Executive Benefit Plan based o
and does not quantify any amounts with respect to Allergan s defined
entitled to a benefit enhancement under either of these plans in connec

(4) Under the CIC Policy, upon a double trigger qualifying termination
continuation of medical, dental and vision benefits for a three-year per

The following table quantifies each separate perquisite included in the aggrega

Name
David Pyott
James Hindman
Douglas Ingram
Jeffrey Edwards
Scott Whitcup
Julian Gangolli

Regulatory Approvals Required for the Merger

United States Antitrust

Under the HSR Act and the rules and regulations promulgated thereunder by th
been furnished to the FTC and the Antitrust Division and the applicable waitin

On December 1, 2014, each of Actavis and Allergan filed a Pre-Merger Notific
voluntarily withdrew and subsequently re-filed these forms. On January 9, 201

Other Regulatory Approvals

Actavis and Allergan derive revenues in other jurisdictions where merger or ac
Colombia, Russia, Serbia, South Africa, Turkey and Ukraine. The Merger cann
necessary antitrust clearance in Serbia has been received. Although Actavis an
when or if they will do so, or if any clearances will contain terms, conditions o
Merger.

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Stock Exchange Listing

The Actavis ordinary shares to be issued as the aggregate Stock Consideration

Commitment to Obtain Approvals

Actavis and Allergan have agreed to cooperate with each other and use their re
third party necessary, proper or advisable in connection with the Merger, subje
negotiate, effect and agree to any sale, divestiture, license, holding separate, ar
statement/prospectus as a Divestiture Action) their respective businesses, pr
certain specified antitrust laws so as to permit the closing to occur by the Outsi
Action with respect to its businesses, product lines, divisions and assets require
by the Outside Date. See *The Merger Agreement Covenants and Agreements*

General

While Actavis and Allergan believe that they will receive the regulatory appro
clearances, their ability to obtain the approvals and clearances on satisfactory t
or non-U.S. regulatory authorities, or private parties, will not attempt to challe
Allergan s obligation to complete the Merger is conditioned upon the receipt o
as set forth in the Merger Agreement. See *The Merger Agreement Condition*

Financing Relating to the Transactions

Actavis anticipates that the total funds it will need to complete the Merger will

available cash on hand of Actavis and Allergan;

up to $8.9 billion in proceeds from the issuance and sale of th

third-party debt financing consisting of the following:

- the Term Facilities;
- the Notes;
- if and to the extent cash on hand of Allergan is not
- if and to the extent the Notes or the Equity Securit

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Bridge Credit Agreement

On December 17, 2014, Actavis entered into the Bridge Credit Agreement. Un
financing in an aggregate principal amount of up to $30.9 billion. The proceed
certain fees and expenses incurred in connection with the Merger, to the extent
the Bridge Credit Agreement are guaranteed by Warner Chilcott Limited, Acta
the proceeds of other external indebtedness.

Term Loan Credit Agreement

On December 17, 2014, Actavis also entered into the Term Loan Credit Agree
of three-year senior unsecured term loans in an original aggregate principal am
billion (referred to in this joint proxy statement/prospectus as the Five Year T
Consideration Portion and certain fees and expenses incurred in connection wi
Actavis, Inc. and Actavis Funding SCS.

Other Terms of the Commitment Letter, Bridge Credit Agreement and the Te

On November 16, 2014, Actavis obtained the Commitment Letter from the Co
of the Cash Bridge Facility and commitments for certain other portions of the
the Commitment Letter with respect to the Cash Bridge Facility remain outstan
documentation for the Cash Bridge Facility in advance of the closing date.

Loans outstanding under each New Credit Agreement will bear interest, at Act
funds rate plus 0.50% and (3) the applicable interest rate for a eurodollar loan
depending on the debt rating of Actavis and, in the case of the Bridge Credit A
Credit Agreement, Actavis will pay a nonrefundable ticking fee of 0.175% on
commitments thereunder and the funding date thereunder. Under the Bridge Cr
after the funding date on the aggregate principal amount of the loans outstandi

The outstanding principal amount of the Five Year Tranche is payable in equal
prior to the fifth anniversary of the funding date, with the remaining balance pa
at any time without premium or penalty. The Bridge Credit Agreement also re
proceeds of debt or equity issuances or (ii) if the loans under the Bridge Credit

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the net cash proceeds of certain asset sales and recovery events and debt or equ
if and for so long as an event of default has occurred and is continuing, any am
thereunder could be accelerated by the lenders. In addition, Actavis and the loa
consolidated leverage ratio maintenance covenant.

The commitments with respect to the Cash Bridge Facility, the Bridge Facility
Agreement), (ii) the closing of the Merger without the use of such facility, (iii)
time on the date the Bridge Credit Agreement or the Term Loan Credit Agreem

Although the Debt Financing described in this joint proxy statement/prospectu
Parties, the Bridge Lenders and the Term Lenders to provide their respective p
conditions will be satisfied or that the Debt Financing will be funded when req
been made in the event the Debt Financing described in this joint proxy statem

The obligations of the Commitment Parties to provide the Cash Bridge Facility
Agreement, respectively, are subject to:

- since the date of the Merger Agreement, there not having occ
- consummation of the Merger in accordance with the Merger A
- the accuracy in all material respects of certain representations
- receipt of customary closing documents;
- delivery by Actavis of a preliminary offering memoranda or p
  Notes and other marketing materials at least 10 consecutive b
- filing of an effective registration statement on Form S-1 or Fo
  Securities and other marketing materials at least 10 consecuti
- other customary closing conditions.

The information set forth above regarding the Bridge Credit Agreement and th
Term Loan Credit Agreement, copies of which have been filed as exhibits to th
beginning on page 262 of this joint proxy statement/prospectus.

Transaction-Related Costs

Actavis currently estimates that, upon the effective time of the Merger, transac
$1 billion.

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Accounting Treatment of the Transactions

Actavis will account for the acquisition pursuant to the Merger Agreement usi
their fair values including net tangible and identifiable intangible assets (collec
Any excess of the purchase price over those fair values will be recorded as goo

Definite lived intangible assets will be amortized over their estimated useful li
All intangible assets and goodwill are also tested for impairment when certain

The purchase price reflected in the unaudited pro forma condensed combined f
available information. The final purchase price and fair value assessment of as

Public Trading Markets

Actavis ordinary shares are listed and trade on the NYSE under the symbol A
common stock will be delisted from the NYSE, deregistered under the Exchan

Actavis has agreed to use its reasonable best efforts to cause the Actavis ordina
time of the Merger. Additionally, the effectiveness of the registration statemen
Merger. It is expected that, following the Merger, Actavis ordinary shares will

Resale of Actavis Ordinary Shares

All Actavis ordinary shares received by Allergan stockholders as consideration
statement/prospectus as the Securities Act), except for Actavis ordinary sha
Actavis may be resold or otherwise transferred without registration in compliar
otherwise permitted under the Securities Act. This joint proxy statement/prosp
authorized to make any use of this joint proxy statement/prospectus in connect

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This section describes the material terms of the Merger Agreement, which was
entirety by reference to the complete text of the Merger Agreement, a copy of w
to be complete and may not provide all of the information about the Merger Ag
entirety.

Explanatory Note Regarding the Merger Agreement

The Merger Agreement and this summary are included solely to provide you w
proxy statement/prospectus or in Actavis or Allergan s public reports filed w
Agreement. The representations, warranties and covenants made in the Merger
and were qualified and subject to important limitations agreed to by Allergan,
representations and warranties contained in the Merger Agreement and describ
establishing the circumstances in which a party to the Merger Agreement may
in circumstance or otherwise, and allocating risk between the parties to the Me
standard of materiality different from those generally applicable to stockholder
and in some cases were qualified by the matters contained in the respective dis
included in the Merger Agreement attached to this joint proxy statement/prosp
the date of the Merger Agreement. Accordingly, the representations and warra
provided elsewhere in this joint proxy statement/prospectus, the documents inc
the SEC from time to time. See the section entitled *Where You Can Find Mo*

Merger Agreement

Pursuant to the Merger Agreement, Actavis will acquire Allergan in a merger t
Merger, Allergan will be an indirect wholly owned subsidiary of Actavis and t

Closing and Effective Times of the Merger

Unless otherwise mutually agreed to by Actavis and Allergan, the closing of th
of, the conditions to consummate the Merger (other than those conditions that
under *Conditions to the Completion of the Merger* beginning on page 153
Actavis and

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Merger Sub will not be obligated to effect the closing of the Merger prior to th
two business days prior written notice to Allergan (but, subject in such case,
satisfied until the closing of the Merger)). The term Marketing Period is def
in the Merger Agreement, throughout which (i) Actavis has received certain sp
period, specified requirements as more fully described in the Merger Agreeme
conditions that by their nature can only be satisfied at the closing).

Assuming timely satisfaction of the necessary closing conditions, the closing o
the filing a certificate of merger with the Secretary of State of the State of Dela

Consideration to Allergan Stockholders

As a result of the Merger, each issued and outstanding share of Allergan comm
share and $129.22 in cash, without interest.

The Merger Consideration will be adjusted appropriately to reflect the effect o
common stock or Actavis ordinary shares, as applicable), reorganization, recap
or Actavis ordinary shares outstanding after the date of the Merger Agreement

No holder of Allergan common stock will be issued fractional Actavis ordinary
Actavis ordinary share will receive, in lieu thereof, cash, without interest, in an
form) multiplied by the Actavis VWAP.

Exchange Agent

Prior to the effective time of the Merger, Actavis or Merger Sub will designate
to in this joint proxy statement/prospectus as the exchange agent). At or imm
the aggregate amount of cash and the number of Actavis ordinary shares neces
exchange agent any cash payable in lieu of any fractional shares and in respect
Employees pursuant to the terms described under *No Fractional Shares* an
joint proxy statement/prospectus.

Transmittal Materials and Procedures

Promptly after the effective time of the Merger, Actavis will, and will cause th

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transmittal, to holders of record of shares of Allergan common stock (other tha
instructions on how to effect the transfer and cancellation of the stock certifica
Merger Consideration.

After the effective time of the Merger, when an Allergan stockholder delivers a
shares of Allergan common stock will be entitled to receive, and the exchange
entitled to receive as a result of the Merger (after taking into account all of the
and (ii) any cash in lieu of fractional shares and in respect of dividends or othe

No interest will be paid or accrued on any amount payable upon cancellation o
Agreement upon conversion of the shares of Allergan common stock (includin
shares of Allergan common stock.

If any portion of the Merger Consideration is to be delivered to a person or ent
certificate surrendered must be properly endorsed or must be otherwise in prop
the payment of the Merger Consideration to a person or entity other than the re
or is not required to be paid. Payment of the applicable Merger Consideration
Actavis ordinary shares constituting the Stock Consideration Portion of the Me

Appraisal Rights

If a holder of shares of Allergan common stock does not vote in favor of, nor c
not effectively withdraw his, her or its demand for, or lose the right to, apprais
the appraisal rights), such shares will not be converted into the right to recei
statement/prospectus, but instead, at the effective time of the Merger, will beco
such holder votes in favor of, or consents in writing to, the Merger Proposal, fa
payment of the fair value of such dissenting shares under applicable Delaware
deemed to have been converted as of the effective time of the Merger into, and
such shares.

For additional information about appraisal rights upon completion of the Merg

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Treatment of Allergan Stock Options and Other Allergan Equity-Based A

Options Held by Continuing Employees. As of the effective time of the Merger unexercised immediately prior to the effective time of the Merger, whether or Option as so assumed and converted will continue to have, and will be subject taking into account any changes thereto provided for in the applicable Allergan effective time of the Merger, each such Actavis Stock Option as so assumed ar (i) the number of shares of Allergan common stock subject to such Allergan St nearest whole cent) equal to the quotient obtained by dividing (x) the exercise

Restricted Stock Held by Continuing Employees. As of the effective time of the then vested will be assumed by Actavis and will be converted into an Actavis R terms and conditions as applied to the applicable Allergan Restricted Shares in equity plan, in any award agreement or in the Allergan Restricted Share by rea assumed and converted will be equal to the product of (i) the applicable numbe rounded up to the nearest whole share if half a share or more or down to the ne

Restricted Stock Units Held by Continuing Employees. As of the effective time vested will be assumed by Actavis and will be converted into an Actavis RSU continue to have, and will be subject to, the same terms and conditions as appli provided for in the applicable Allergan equity plan, in any award agreement or performance vesting, the applicable Actavis RSUs corresponding to such Aller original applicable performance period for such Allergan RSUs, subject to con accelerated vesting upon certain terminations of employment as prescribed by ability to adjust any dividend equivalent rights under any Allergan equity plan, RSUs by reason of the Merger Agreement or the Merger. As of the effective ti to the product of (i) the number of shares of Allergan common stock underlyin the Actavis RSUs will be rounded up to the nearest whole share if half a share

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Post-Signing Equity Grants. Under and subject to the terms of the Merger Agr
eligible for the annual equity grant in 2014 or who are eligible new hires or eli
business consistent with past practice. Such equity grants will be subject to the
employment, which is described in *Treatment of Allergan Stock Options an*
statement/prospectus.

Equity Awards Held by Allergan Non-Employee Directors and Non-Continuin
Allergan who is not a Continuing Employee will accelerate in full at the effect
into the right to receive an amount in cash equal to the product of (i) the numb
Consideration Portion multiplied by the Actavis VWAP plus the Cash Conside
be rounded up to the nearest whole cent if half a cent or more or down to the n
receive the Merger Consideration in respect of the shares of Allergan common

Withholding

Under the terms of the Merger Agreement, Actavis and Allergan have agreed t
from the consideration otherwise payable pursuant to the Merger Agreement, a
state, local or foreign tax law. To the extent that amounts are so withheld and t
as having been paid to the person in respect of which such deduction and withh

No Fractional Shares

No fractional Actavis ordinary shares will be issued in connection with the Me
fraction of an Actavis ordinary share (after aggregating all shares represented b
interest, in an amount equal to such fractional part of an Actavis ordinary share

Representations and Warranties

Actavis and Allergan made customary representations and warranties in the M
qualifications contained in the Merger Agreement or in information provided p
also subject to and qualified by certain information included in certain filings e

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Many of the representations and warranties are reciprocal and apply to Actavis

corporate organization, existence and good standing and requ

capital structure;

corporate authority to enter into the Merger Agreement and th

required governmental approvals;

the absence of any breach or violation of organizational docu

SEC reports and financial statements, including their preparat
thereunder, and that such reports and financial statements fair

the maintenance of internal disclosure controls and internal co

the absence of undisclosed liabilities;

compliance with laws and government regulations, including

compliance with applicable laws related to employee benefits

the absence of certain changes since December 31, 2013, with
individually or in the aggregate, a material adverse effect;

the absence of any actions since September 30, 2014, with res
covenants if such action was taken between the date of the M

the absence of certain material litigation, claims and actions;

the reliability and accuracy of information supplied for this jo

certain regulatory matters relating to, among other relevant au
Administration, and health insurance and healthcare laws;

the accuracy and completeness of certain tax matters;

the absence of collective bargaining agreements and other em

ownership of or right to intellectual property, and absence of

title and rights to, and condition of, real property;

the receipt of fairness opinion(s);

the requisite vote of stockholders or shareholders;

the existence of and compliance with certain material contrac

the existence and maintenance of insurance;

the absence of undisclosed brokers fees or finders fees rela

compliance with the Foreign Corrupt Practices Act of 1977, a

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Actavis made additional representations and warranties in the Merger Agreem

the financing commitments obtained in connection with the e

it and Merger Sub not being an interested stockholder of A

the business of Merger Sub.

Allergan made additional representations and warranties in the Merger Agreen documents.

Many of the representations and warranties made by each of Actavis and Aller or correct, individually or in the aggregate, has had or would reasonably be exp by a knowledge standard. For the purpose of the Merger Agreement, a materi facts, event or occurrence (each referred to in this section of this joint proxy sta (financial or otherwise), business or results of operations of the relevant party a

any changes in general U.S. or global economic conditions to industries in which such party operates;

conditions (or changes therein) in any industry or industries i operating in such industry or industries;

general legal, tax, economic, political and/or regulatory condi do not disproportionately impact the relevant party relative to

any change or prospective changes in GAAP or interpretation industry or industries in which such party operates;

any adoption, implementation, promulgation, repeal, modifica to taxes) to the extent that such Effects do not disproportionat

the execution and delivery of the Merger Agreement or the co than compliance with the interim operating covenants applica warranties or certain covenants);

changes in the stock price of the respective party, in and of its
a material adverse effect may be taken into account);

any failure by the relevant party to meet any internal or publis
operations for

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any period, in and of itself, or any failure by such relevant pa
of itself (it being understood that the Effects giving rise or co

effects arising out of changes in geopolitical conditions, acts
weather conditions or other similar force majeure events, incl
Effects do not disproportionately impact the relevant party re

the negotiation, pendency or public announcement of the tran
covenants applicable to the relevant party (provided, howeve

any action or failure to take any action that is expressly conse

any reduction in the credit rating of the relevant party or its su
excluded from the definition of a material adverse effect may

any change or prospective change by any governmental entity
Effects do not disproportionately impact the relevant party re

only as it relates to Allergan, Effects arising out of certain ite

THE DESCRIPTION OF THE MERGER AGREEMENT IN THIS JOINT PR
TERMS. THE MERGER AGREEMENT CONTAINS REPRESENTATIONS
THOSE REPRESENTATIONS AND WARRANTIES WERE MADE FOR PU
AGREED BY THE PARTIES IN CONNECTION WITH NEGOTIATING TH
MADE BY THE PARTIES, WHICH DISCLOSURES ARE NOT REFLECTE
OF A SPECIFIED DATE AND THE REPRESENTATIONS AND WARRAN
ESTABLISHING MATTERS AS FACTS.

No Survival of Representations and Warranties

The representations and warranties in the Merger Agreement of each of Actavi

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Covenants and Agreements

Conduct of Business Pending the Closing Date

At all times from the execution of the Merger Agreement until the effective tim
Agreement or with the prior written consent of the other party (such consent no
respective subsidiaries to, conduct their respective businesses in all material re

At all times from the execution of the Merger Agreement until the effective tim
consent of the other party (such consent not to be unreasonably withheld, delay

authorize or pay any dividend or distribution with respect to c
past practice or by a wholly owned subsidiary of Allergan to
Allergan common stock consistent with past practice, includi

split, combine, reduce or reclassify any of its capital stock, or
any such transaction by a wholly owned subsidiary of Allerga

except as required by applicable law or the terms and conditio
compensation or benefits payable or to become payable to an
incentive compensation at times and in amounts in the ordina
compensation or the base salary of any executive officer of A
section of this joint proxy statement/prospectus as a Section
of any employee, other than a Section 16 Officer, whose prin
independent contractors any increase in severance or terminat
consistent with past practice and permitted in clause (iv) belo
2014 and 2015 fiscal years in accordance with the terms of th
the Bonus Plans, if the Merger closes during the 2015 fiscal y
actual prorated year-to-date performance, (y) cash incentive b
to be jointly agreed upon by Allergan and Actavis in reasonab
were eligible for the annual equity grant in 2014 or who are e
course of business consistent with past practice, (iv) enter int
control or retention benefits) with any of its directors, officers

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or individual independent contractors, subject to certain excep
into employment, severance, change in control or retention ag
benefit plans in the ordinary course of business consistent wit
Agreement, in the CIC Policy, allow any additional employee
ordinary course of business consistent with past practice, (vi)
permitted by the terms of the Merger Agreement or any amen
forth in this clause or materially increase the cost to Allergan
any payment or benefit, payable or to become payable to any
Allergan executive team, other than for cause, or (ix) hire any

make any change in financial accounting policies, principles,
except as required by GAAP, applicable law or SEC policy;

authorize, announce an intention to authorize or enter into agr
division thereof, in each case whether by merger, consolidatio
transactions for consideration (including assumption of liabili
or between wholly owned subsidiaries of Allergan;

amend the certificate of incorporation or bylaws of Allergan o
Allergan to adopt amendments to its governing documents;

other than in accordance with the Rights Plan, issue, deliver,
shares in its capital stock, voting securities or other equity int
equity interest, or any rights, warrants or options to acquire an
rights or stock based performance units or take any action to c
required by the express terms of any Allergan equity award o
Allergan stock options or the vesting or settlement of Allerga
between Allergan and a wholly owned subsidiary of Allergan

purchase, redeem or otherwise acquire any shares in its capita
associated Allergan preferred share purchase rights) tendered
respect

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thereto, (ii) the acquisition by Allergan of Allergan equity aw
or between wholly owned subsidiaries of Allergan;

redeem, repurchase, prepay (other than prepayments of revol
any material respect the terms of any indebtedness for borrow
contingently or otherwise), except for (i) any indebtedness fo
for borrowed money incurred to replace, renew, extend, refin
anniversary of the date of such refinancing, in each case in an
favorable to Allergan or such Allergan subsidiary than the ter
money of its wholly owned subsidiaries or guarantees by who
indebtedness is incurred in compliance with the foregoing cla
(v) indebtedness for borrowed money not to exceed $50 milli
that the making of guarantees or obtaining letters of credit or
permitted;

make any loans to any other person, except for loans among A

sell, lease, license, transfer, exchange, swap or otherwise disp
Allergan or any of its subsidiaries), except (i) pursuant to exis
case, in the ordinary course of business consistent with past p
with a settlement permitted by the covenant described in the n
$30 million in the aggregate or (vi) for transactions among Al

(x) compromise or settle any material claim, litigation, invest
capacities as such, other than settlements that (i) are for an an
relief or material restriction on Allergan or any of its subsidia
litigation, investigation or proceeding, other than in the ordin

make or change any material tax election, change any tax acc
compromise any audit or proceeding relating to a material am
limitations with respect to a material amount of taxes, enter in
respect to any material tax, surrender any right to claim a mat

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gain recognition agreement (within the meaning of the Tre
U.S. federal income tax purposes;

except for capital expenditures incurred in the ordinary cours
Merger Agreement, make any new capital expenditures;

except in the ordinary course of business consistent with past
material contract, or materially amend, modify or terminate a

agree, in writing or otherwise, to take any of the foregoing ac
At all times from the execution of the Merger Agreement until the effective tim
consent of Allergan (such consent not to be unreasonably withheld, delayed or

authorize or pay any dividend or distribution with respect to c
past practice or by a wholly owned subsidiary of Actavis to A

split, combine, reduce or reclassify any of its issued or unissu
except for any such transaction by a wholly owned subsidiary

authorize, announce an intention to authorize or enter into agr
any business or division thereof, in each case whether by mer
expected to prevent or materially delay or impede the consum

amend the articles of association or the memorandum of asso

issue, deliver, grant, sell, pledge, dispose of or encumber, or a
other equity interest in Actavis or any subsidiary of Actavis o
options to acquire any such shares in its capital stock, voting
other than (i) issuances of Actavis ordinary shares in respect
wholly owned subsidiary of Actavis or between wholly owne
exceeding $100 million in the aggregate and (v) other than in

purchase, redeem or otherwise acquire any shares in its capita
tendered by holders of Actavis equity awards in order to satis
equity awards in connection with the forfeiture of such award

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subsidiary of Actavis or between wholly owned subsidiaries o

make or change any material tax election, change any method except in the ordinary course of business consistent with past agreement within the meaning of Section 7121 of the Code refund;

convene any meeting of the holders of Actavis ordinary share

agree, in writing or otherwise, to take any of the foregoing ac

Employee Matters

The Merger Agreement provides that Actavis will, or will cause the Surviving the date of the Merger Agreement or as subsequently amended as permitted pu Actavis will provide, or will cause the Surviving Corporation to provide, each

for the one year period immediately following the effective ti prior to the effective time of the Merger; and

from the effective time of the Merger through December 31, each of (x) and (y), no less favorable than those provided by

In addition, the Merger Agreement provides that effective as of the effective ti with Allergan (including any current or former affiliate of Allergan or any pred maintained by Actavis or an affiliate of Actavis for the benefit of the Continuin severance or health or welfare plans (other than for purposes of determining an

Effective as of the effective time of the Merger and thereafter, Actavis will, an condition limitations or exclusions will apply with respect to the Continuing E under any Allergan benefit plans immediately prior to the effective time of the evidence of insurability requirements were not applicable to the Continuing En Employee with all deductible payments, out-of-pocket or other co-payments pa occurs for the purpose of determining the extent to which any such employee h or an affiliate of Actavis for such year.

If requested by Actavis in writing delivered to Allergan not less than 10 busine such

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corporate action as is necessary to terminate any 401(k) plans maintained by A effective as of the day prior to the Closing Date. Following the effective time o 401(k) Plans, the assets thereof will be distributed to the participants, and Acta to collectively in this section of this joint proxy statement/prospectus as the A distributions in the form of cash in an amount equal to the full account balanc

Actavis obligations with respect to the employee benefit matters are for the se with Actavis or any of its affiliates, or restrict in any way the right of Actavis o

Litigation Relating to the Transaction

The Merger Agreement requires each party to provide the other party prompt o against such party, any of its subsidiaries and/or any of their respective directo to Allergan, the Allergan board of directors has made a change of recommenda litigation, and Allergan will not offer to settle any such litigation, nor will any

Financing Cooperation

Actavis will take, or use its reasonable best efforts to cause to be taken all actio closing date on the terms and conditions set forth in the Commitment Letter. A

Allergan and its subsidiaries will use their reasonable best efforts to provide (a reasonably requested by Actavis.

Board of Directors and Management after the Transaction

The Merger Agreement requires Actavis to take such actions as are necessary t to become members of the Actavis board of directors immediately after the eff of the Actavis board of directors, after consulting with Allergan, pursuant to th the Actavis board of directors, initially, until the next annual meeting of Actav board of directors for election (or re-election) to the Actavis board of directors subsequent annual meeting of the Actavis shareholders and until their respect

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Irish Stamp Duty

Under the terms of the Merger Agreement, Actavis must seek confirmation fro
Stock Consideration Portion will occur by operation of the DGCL, no Irish sta

Shareholder/Stockholder Meetings

Under the terms of the Merger Agreement, Actavis and Allergan must use thei
practicable after the date of the Merger Agreement.

Recommendation of the Actavis Board of Directors

The Actavis board of directors has agreed to recommend to and solicit, and use
that the Actavis board of directors makes an Actavis change in recommendatio
in accordance with the terms of the Merger Agreement), then Allergan will hav

Recommendation of the Allergan Board of Directors

The Allergan board of directors has agreed to recommend to and solicit, and us
Allergan board of directors makes an Allergan change in recommendation (wh
thereof) in accordance with the terms of the Merger Agreement), then Actavis

Actavis Extraordinary General Meeting

Actavis has agreed to take, in accordance with applicable law and its organizat
promptly as reasonably practicable following the date of the Merger Agreemen
aggregate after the date for which the Actavis EGM was originally scheduled.
record date for the Actavis EGM without Allergan s prior written consent, unl
the Merger Agreement, the Actavis Share Issuance Proposal, matters of proced
Actavis EGM are the only matters that Actavis may propose to be acted on by

Allergan Stockholders Meeting

Allergan has agreed to take, in accordance with applicable law and its organiza
meeting as promptly as reasonably practicable following the date of the Merge
up to 30 days in the aggregate after the date for which the Allergan special mee
the Allergan record date or establish a different record date for the Allergan sp
Allergan s certificate of

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incorporation and/or bylaws. Under the Merger Agreement, the Merger Propos
Allergan stockholders at the Allergan special meeting (such as the Merger-Rel
stockholders at the Allergan special meeting without the consent of Actavis.

Reasonable Best Efforts; Regulatory Filings and Other Actions

Under the terms of the Merger Agreement, Actavis and Allergan have each agr
their respective parts under the Merger Agreement and applicable laws to cons
including preparing and filing as promptly as practicable all documentation to
promptly as practicable all waiting period expirations or terminations, consents
party from any third party and/or any governmental entities in order to consum

In addition, subject to certain exceptions specified in the Merger Agreement, e
contemplated by the Merger Agreement, to permit the other to review in advan
to give the other the opportunity to attend and participate in any meeting with a
other, upon request, with all information concerning itself, its subsidiaries, affi
advisable in connection with any statement, filing, notice or application made b
Merger and other transactions contemplated by the Merger Agreement.

Actavis agreed to, and to cause each of its subsidiaries to, negotiate, effect and
on, any of their respective businesses, product lines, divisions or assets or inter
change or modify any course of conduct regarding their respective future opera
their respective businesses, product lines, divisions or assets or interests therein
consummate the Merger to be satisfied by the Outside Date, except that, in no
restriction or take any such action or actions prior to the closing of the Merger.
approval of the FTC, the DOJ, any State Attorney General or other governmen
order in any suit or proceeding with respect to any antitrust law, and (iii) no oth
consummate the Merger by the Outside Date. If, but only if, requested by Acta
practicable after the date of the Merger Agreement (but in any event not later t
arrangement with respect to, or other disposition of or restriction on, any of its
similar effect if such arrangement, disposition, restriction or action is expressly

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No Solicitation; Third-Party Acquisition Proposals

The Merger Agreement contains detailed provisions outlining the circumstance
it will not (and that the Allergan board of directors will not and Allergan will c
best efforts to cause its other representatives not to, directly or indirectly):

solicit, initiate or knowingly encourage or knowingly facilitat
amendment or modification of any proposal or offer), or the r
offer to its stockholders) which constitutes or would be reaso

participate in any negotiations regarding, or furnish to any pe
constitutes or would be reasonably expected to lead to any co

engage in discussions with any person or entity with respect t

except in the event the Allergan board of directors has determ
its fiduciary duties under applicable Delaware law, waive, ter
waiver or request under, or fail to enforce, any standstill o

approve or recommend, or propose publicly to approve or rec

withdraw, change, amend, modify or qualify, or otherwise pr
board of directors to its stockholders to vote in favor of its re

enter into any letter of intent or other document or agreement

resolve or agree to do any of the foregoing.

In addition, the Merger Agreement requires Allergan to have immediately ceas
representatives to have immediately ceased, any and all existing discussions or
competing acquisition proposal or potential competing acquisition proposal. Th
has executed a confidentiality or non-disclosure agreement in connection with
destroyed all confidential information in the possession of such person or entit

Allergan has also agreed not to take any action to exempt any person or entity
governing documents or otherwise cause such restrictions not to apply or termi
Rights Plan or take any action with respect to, or make any determination unde
without the prior written consent of Actavis, in each case prior to the terminati

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Notwithstanding anything to the contrary contained in the Merger Agreement, acquisition proposal solely to determine whether such proposal constitutes or w proposal of the non-solicitation provisions of the Merger Agreement, in each c Agreement in connection therewith.

If Allergan receives prior to obtaining approval of the Merger Proposal, a bona consultation with its outside legal and financial advisors (i) constitutes a superi (y) below, in a superior proposal, then in either event (if there has not been a m acquisition proposal or person or entity) Allergan may take the following actio furnishing such information, it receives from such person or entity an executed confidentiality agreement between Actavis and Allergan (except that the confi entity with respect to the competing acquisition proposal.

The Merger Agreement permits the Allergan board of directors to comply with determines in good faith, after consultation with outside counsel, that the failur law.

Definition of Competing Acquisition Proposal

For purposes of the Merger Agreement, the term competing acquisition propo any time, including any amendment or modification to any existing proposal o interest in, or businesses of, Allergan (whether pursuant to a merger, consolida any single or multi-step transaction or series of related transactions), or a merg holding less than 80% of the equity interests of the surviving or resulting entity

Definition of Superior Proposal

For purposes of the Merger Agreement, the term superior proposal means a bo which the Allergan board of directors determines in good faith after consultatio taking into account all relevant factors (including all the terms and conditions proposed by Actavis in response to such competing acquisition proposal or oth into account (a) all financial, legal, regulatory and other aspects of such compe

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fees, any expense reimbursement provisions, the conditions to the consummati
person or entity making such competing acquisition proposal.

Change of Recommendation

Allergan Change of Recommendation

The Allergan board of directors is entitled to approve or recommend, propose
modify or qualify its recommendation, in a manner adverse to Actavis, prior to

following receipt of a bona fide, written competing acquisitio
is a superior proposal, and if and only if (i) neither Allergan n
otherwise in material breach of, the non-solicitation provisio
counsel that the failure to take such action would constitute a
Actavis notice of, and an opportunity to respond to, such com

in response to an Effect that was not known to the Allergan b
date of the Merger Agreement) were not reasonably foreseeab
statement/prospectus as an Allergan intervening event) and
action would constitute a breach of the fiduciary duties of the
to address, such Allergan intervening event in accordance wit

Prior to making an acquisition proposal change of recommendation, Allergan n
the competing acquisition proposal) advising Actavis of the intent to make suc
agreements for such superior proposal, including copies of any related financi
thereof). During such four business day period (or subsequent three business d
extent Actavis wishes to negotiate) to enable Actavis to determine whether to
Agreement such that such competing acquisition proposal would no longer co
Merger Agreement or any other agreement related to the transactions contempl

Prior to making an intervening event change of recommendation, Allergan mu
and specifying, in reasonable detail, the reasons (including the material facts a
cause its representatives to negotiate with Actavis and its representatives in go

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negotiate) to enable Actavis to determine whether to propose revisions to the te
recommendation and Allergan will consider in good faith any proposal by Acta
recommendation due to the Allergan intervening event.

Actavis Change of Recommendation

The Actavis board of directors is entitled to withdraw, change, amend, modify
Allergan, prior to the approval of the Actavis Share Issuance Proposal, if in res
material consequences of which (based on facts known or reasonably expected
of the date of the Merger Agreement and does not relate to any competing acqu
board of directors has determined in good faith after consultation with its outsi
directors under applicable law.

Prior to making an Actavis change of recommendation, Actavis must provide A
specifying, in reasonable detail, the reasons (including the material facts and ci
cause its representatives to negotiate with Allergan and its representatives in go
Merger Agreement such that it would obviate the need for the Actavis board of
terms and conditions of the Merger Agreement in a manner that would obviate

The Merger Agreement also permits the Actavis board of directors to make any
outside legal counsel that the failure to do so would constitute a breach of the d
applicable law (but the Actavis board of directors may only make an Actavis c

Obligation to Keep Actavis Informed

Under the terms of the Merger Agreement, Allergan has also agreed that:

it will notify Actavis promptly (but in no event later than 24 h
competing acquisition proposal, or any inquiry or request for
expected to make any competing acquisition proposal;

such notice will be made orally and confirmed in writing, and
is engaging in discussions or negotiations, and the material te
such inquiry or request;

in addition, Allergan will promptly (but in any event within 2
acquisition

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proposal or potential competing acquisition proposal which is
acquisition proposal or with whom discussions or negotiation

it will keep Actavis reasonably informed of the status and ma
competing acquisition proposal or potential competing acquis

it will promptly (but in any event within 24 hours) provide to
competing acquisition proposal that was not previously provi

Allergan has agreed that neither it nor any of its affiliates will
with, or otherwise complying with, the non-solicitation provis

Certain Additional Covenants

The Merger Agreement also contains additional covenants, including, among o
announcements with respect to the transactions, exemptions from takeover law
issued in connection with the Merger, the resignation of Allergan directors and

Conditions to the Completion of the Merger

Under the Merger Agreement, the respective obligations of each party to effect
each of the following conditions:

Actavis Shareholder Approval. The Actavis Share Issuance P
ordinary shares on such a proposal at the Actavis EGM.

Allergan Stockholder Approval. The Merger Proposal must ha
vote thereon at the Allergan special meeting.

Registration Statement. The registration statement on Form S
Securities Act and no stop order suspending the effectiveness
commenced or threatened unless subsequently withdrawn.

No Adverse Laws or Order. The absence of (i) any statute, ru
which prohibits or makes illegal the consummation of the Me

Required Antitrust Clearances. All applicable waiting periods
expired or been terminated, and all pre-closing approvals or c
proceeding has been threatened in writing by or is pending be

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United States or certain foreign jurisdictions, in each case aga
consummation of the Merger.

Listing. The Actavis ordinary shares to be issued in the Merg
Under the Merger Agreement, the respective obligations of Actavis and Merge
conditions:

Representations and Warranties. (i) The representations and
Merger Agreement must be true and correct in all respects, (i
encumbrances or preemptive or other outstanding rights on it
qualification as to materiality or material adverse effect conta
completion of the Merger (except that representations and wa
material respects as of such date) and (iii) the other represent
Merger (except that representations and warranties that by the
where any failures to be true and correct (without giving effe
individually or in the aggregate, a material adverse effect on
such effect.

Performance of Obligations of Allergan. Allergan must have
the Merger Agreement at or prior to the effective time of the
such effect.

No Material Adverse Effect. Since the date of the Merger Agr
Under the Merger Agreement, the obligation of Allergan to effect the Merger i

Representations and Warranties. (i) The representations and
Merger Agreement must be true and correct in all respects, (i
encumbrances or preemptive or other outstanding rights on it
material adverse effect contained therein) must be true and co
representations and warranties that by their terms speak speci
(iii) the other representations and warranties of Actavis must
warranties that by their terms speak specifically as of the date

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and correct (without giving effect to any qualification as to m
material adverse effect on Actavis; and Allergan must have re

Performance of Obligations of Actavis and Merger Sub. Acta
performed or complied with by it under the Merger Agreemer
authorized executive officer of Actavis to such effect.

No Material Adverse Effect. Since the date of the Merger Agr

Termination of the Merger Agreement; Termination Fees; Expense Reimb

Termination of the Merger Agreement

The Merger Agreement may be terminated and the Merger and the other transa

by mutual written consent of Actavis and Allergan;

by either Actavis or Allergan, prior to the effective time of the M
warranty, covenant or agreement set forth in the Merger Agreem
(and such breach is not curable prior to the Outside Date, or if c
breaching party from the non-breaching party and (ii) three busi
material breach of any representation, warranty, covenant or ag

by either Actavis or Allergan, if the effective time of the Merge
consummation of the Merger have been satisfied or waived (oth
of the Merger), then the Outside Date will be extended to 5:00 p
Agreement may not be exercised by a party whose breach of an
Merger not occurring prior to such date;

by Actavis, if, at any time prior to receipt of the Allergan stockh
expires at 5:00 p.m. (U.S. Eastern Time) on the 20th business da

by Allergan, if, at any time prior to receipt of the Actavis shareh
termination right expires at 5:00 p.m. (U.S. Eastern Time) on th

by either Actavis or Allergan if a governmental entity of compe
enjoining or otherwise prohibiting the consummation of the Me

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by either Actavis or Allergan, if the approval of the Merger Pro
on such approval was taken;

by either Actavis or Allergan, if the approval of the Actavis Sha
vote on such approval was taken; or

by Allergan, if, at any time prior to receipt of the Allergan stock
order to accept a superior proposal, enters into an acquisition ag
termination fee (described below) to Actavis.

Termination Fees

Termination Fees Payable by Actavis

The Merger Agreement requires Actavis to pay Allergan a termination fee of $

(i) Actavis or Allergan terminates the Merger Agreement due to
satisfied or waived (other than the conditions regarding required
entity of competent jurisdiction has issued a final, non-appealab
the Merger arising under the HSR Act or antitrust laws of certai

Allergan terminates the Merger Agreement because the Actavis
Share Issuance Proposal.

The Merger Agreement requires Actavis to pay Allergan a termination fee of $
by the Actavis shareholders at the Actavis EGM, or at any adjournment or post

Termination Fees Payable by Allergan

The Merger Agreement requires Allergan to pay Actavis a termination fee of $

Actavis or Allergan terminates the Merger Agreement (i) due to
acquisition proposal for Allergan by a third party has been publ
the Outside Date, or prior to the date of the Allergan special me
consummated within 12 months of such termination or (y) Alle
proposal is subsequently consummated;

Allergan terminates the Merger Agreement and concurrently en

Actavis terminates the Merger Agreement because the Allergan

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Expense Reimbursement Payable by Allergan

The Merger Agreement also requires Allergan to pay Actavis the Actavis Expe
Proposal is not approved by the Allergan stockholders at the Allergan special m
means all documented fees and expenses (including all fees and expenses of co
affiliates) incurred by Actavis or on its behalf in connection with or related to t
the transactions contemplated by the Merger Agreement, including the Debt Fi
Actavis, the amount of Actavis Expenses paid by Allergan will be credited aga

Limitation on Remedies

In the event of the termination of the Merger Agreement pursuant to the provis
pursuant to which such termination is made, and the Merger Agreement will be
agreement, the sections of the Merger Agreement relating to the termination th
relieve any party from liability for a willful breach of its representations, wa
will not be limited to reimbursement of expenses or out-of-pocket costs, and m
(taking into consideration relevant matters, including the total amount payable
Allergan and awarded by the court, to be damages of Allergan, or (ii) Actavis,

Fees and Expenses

Except as otherwise expressly provided in the Merger Agreement, all out-of-po
behalf of a party to the Merger Agreement in connection with the Merger Agre

Indemnification; Directors and Officers Insurance

The parties to the Merger Agreement have agreed that, for a period of not less
hold harmless (and advance expenses to) all past and present directors and offi
these individuals had rights to indemnification and advancement of expenses a

In addition, for an aggregate period of not less than six years following the effe
and indemnification policy that provides coverage for events occurring prior to
insurance coverage that is no less favorable is unavailable, the best available co
annual premium

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paid prior to the date of the Merger Agreement or, if less, the cost of a policy p
option prior to the effective time of the Merger, purchase a tail prepaid poli
Agreement.

Amendment and Waiver

The parties may amend the Merger Agreement by their written agreement at an
shareholders and the Allergan stockholders, as applicable. However, after the a
shareholders or stockholders, as applicable, under applicable law unless such f

Prior to the effective time of the Merger, the parties may, to the extent permitte
other acts of the other party, (ii) waive any inaccuracies in the representations a
the agreements or conditions for the benefit of any party, as applicable, under t
delay in exercising any right under the Merger Agreement does not constitute a

Specific Performance

The parties to the Merger Agreement have agreed that irreparable injury would
The parties agreed that, prior to the termination of the Merger Agreement purs
party is entitled to an injunction or injunctions to prevent or remedy any breach
enforce the terms and provisions of the Merger Agreement and to any further e
there is an adequate remedy at law or that an award of such remedy is not an ap
not required to obtain, furnish, post or provide any bond or other security in co

In the event of a breach of the Merger Agreement by Actavis or Merger Sub, A
and remedies provisions in the Merger Agreement, unless specific performance
remedy for such breach, in which case Allergan may seek money damages for

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C

U.S. Federal Income Tax Considerations

The following discussion summarizes the material U.S. federal income tax con
and disposition of Actavis ordinary shares received by such holders at the effe
residents of the United States for purposes of the current income tax treaty betv
stock or Actavis ordinary shares are not, for purposes of the Tax Treaty, attribu
discussion is based on and subject to the Code, the Treasury regulations promu
with retroactive effect, and to differing interpretations. The discussion assumes
meaning of Section 1221 of the Code (generally, property held for investment)
particular Allergan stockholders in light of their personal circumstances, inclu
Reconciliation Act of 2010, or to stockholders subject to special treatment und

banks, thrifts, mutual funds and other financial institutions;

regulated investment companies;

traders in securities who elect to apply a mark-to-market meth

broker-dealers;

tax-exempt organizations and pension funds;

insurance companies;

dealers or brokers in securities or foreign currency;

individual retirement and other deferred accounts;

U.S. holders whose functional currency is not the U.S. dollar;

U.S. expatriates;

non-U.S. holders of Actavis ordinary shares who, immediatel

passive foreign investment companies or controlled forei

persons liable for the alternative minimum tax;

holders who hold their shares as part of a straddle, hedging, c

partnerships or other entities or arrangements treated as partn

holders who received their shares through the exercise of emp

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The discussion does not address any non-income tax considerations or any fore
or of Actavis ordinary shares after the Merger, who is:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S
District of Columbia;
- an estate the income of which is includible in gross income fo
- a trust if (i) a court within the United States is able to exercise
decisions of the trust, or (ii) the trust has a valid election in ef

For purposes of this discussion, a non-U.S. holder means a beneficial owner of
arrangement treated as a partnership for U.S. federal income tax purposes).

This discussion does not purport to be a comprehensive analysis or description
respect to the particular tax consequences of the Merger to such stockholder.

If a partnership, including for this purpose any entity or arrangement that is tre
the tax treatment of a partner in such partnership will generally depend upon th
consult their tax advisors about the U.S. federal income tax consequences of th

ALLERGAN STOCKHOLDERS SHOULD CONSULT WITH THEIR TAX
ACTAVIS ORDINARY SHARES AFTER THE MERGER TO THEM, INCL
INFORMATION REPORTING OBLIGATIONS.

U.S. Federal Income Tax Consequences of the Merger

Tax Consequences to Actavis

Following the acquisition of a U.S. corporation by a foreign corporation, Secti
operating losses, to offset U.S. taxable income resulting from certain transactio

- at least 60% of the acquiring foreign corporation s stock (by
corporation; and
- the expanded affiliated group, which includes the acquirin
organized.

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If these requirements are met, Section 7874 would generally impose a minimu
acquisition. Generally, inversion gain is defined as (i) the income or gain recog
income received or accrued during such period by reason of a license of any pr
use of net operating losses, foreign tax credits or other tax attributes to offset th

Although Section 7874 is not expected to apply to the Merger because the form
Allergan common stock, Actavis believes that the ability of the Actavis group
Warner Chilcott Transaction, the Actavis, Inc. shareholders received more than
the limited guidance available, Actavis does not believe that the substantial bus
applies to Actavis and its U.S. affiliates following the Warner Chilcott Transac
Merger) will be able to utilize certain U.S. tax attributes of Allergan and its U.

Section 7874 also provides that if, following an acquisition of a U.S. corporati
stockholders of the U.S. corporation by reason of holding stock of such U.S. co
activities in the country in which the acquiring foreign corporation is created o
corporation created and organized outside the United States. Although the Alle
of Allergan common stock, Actavis would nevertheless be treated as a U.S. co
Transaction and the Forest Transaction.

For purposes of Section 7874, multiple acquisitions of U.S. corporations by a f
acquisitions of U.S. corporations are treated as a single acquisition, all shareho
holding at least 80% (by either vote or value) of the shares of the foreign acqui

Actavis believes that, in the Warner Chilcott Transaction, the Actavis, Inc. sha
Actavis as a foreign corporation was satisfied. However, the law and Treasury
requirements to treat Actavis as a foreign corporation were met in the Warner C
Transaction, the IRS may assert that, even though the Merger is a separate tran
Transaction and the Forest Transaction as a single transaction. In the event the
adverse tax consequences would result for Actavis.

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Holders should consult their tax advisors regarding the potential tax consequen

Tax Consequences to U.S. Holders

For U.S. federal income tax purposes, the exchange of Allergan common stock and cash in the Merger will generally recognize capital gain or loss for U.S. fe received by such holder in the Merger, and (y) the amount of cash received by tax basis in Allergan common stock surrendered. A U.S. holder s tax basis wi a U.S. holder s holding period for such Allergan common stock is more than taxable at preferential rates. The deductibility of capital losses is subject to lim stock at the effective time of the Merger, and the holder s holding period for s

For a U.S. holder that acquired different blocks of Allergan common stock at d exchanged in the Merger. If a U.S. holder has differing bases or holding perio the amount of any gain recognized in the Merger. U.S. holders should consult

Information reporting and backup withholding may also apply as described in beginning on pages 163 and 166, respectively, of this joint proxy statement/pr

Tax Consequences to Non-U.S. Holders

A non-U.S. holder generally will not be subject to U.S. federal income tax on a

the recognized gain is effectively connected with the non-U.S establishment maintained by the non-U.S. holder in the Unite

the non-U.S. holder is a nonresident alien individual present i

Unless an applicable treaty provides otherwise, the recognized gain described i non-U.S. holder were a U.S. person (see *Tax Consequences to U.S. Holders* applicable tax treaty) of its effectively connected earnings and profits for the ta may provide for different rules.

Recognized gain described in the second bullet point above generally will be s by U.S.

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source capital losses of the non-U.S. holder (even though the individual is not
respect to such losses.

Information reporting and backup withholding may also apply as described in
beginning on pages 163 and 166, respectively, of this joint proxy statement/pro

Ownership and Disposition of Actavis Ordinary Shares

The following discussion is a summary of certain material U.S. federal income
ordinary shares pursuant to the Merger and assumes that Actavis will be treate

Tax Consequences to U.S. Holders

Taxation of Dividends

The gross amount of cash distributions on Actavis ordinary shares (including a
determined under U.S. federal income tax principles. Such income (including
received by such holder. Distributions on Actavis ordinary shares (including a
deduction allowed to corporations under the Code.

With respect to non-corporate U.S. holders (including individuals), subject to t
statement/prospectus as PFICs), certain dividends received from a qualified
eligible for the benefits of a comprehensive income tax treaty with the United
information provision. The U.S. Treasury Department has determined that the
dividends paid by that corporation on shares that are readily tradable on an esta
currently listed on the NYSE, are considered readily tradable on an established
an established securities market in later years. Non-corporate holders that do n
dividend income as investment income pursuant to Section 163(d)(4) of the
Actavis status as a qualified foreign corporation. In addition, the rate reductio
substantially similar or related property. This disallowance applies even if the

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Subject to certain conditions and limitations, Irish withholding taxes, if any, or
calculating the foreign tax credit, dividends paid on Actavis ordinary shares wi
sources outside the United States and will generally constitute passive category

has held Actavis ordinary shares for less than a specified min

is obligated to make payments related to the dividends, the U
governing the foreign tax credit are complex. U.S. holders sh
requirements for claiming such credit.

To the extent that the amount of any distribution exceeds Actavis current and
treated as a tax-free return of capital, causing a reduction in the adjusted tax ba
excess will be taxed as capital gain recognized on a sale or exchange as describ

Distributions of Actavis ordinary shares or rights to subscribe for Actavis ordi
income tax. Consequently, such distributions generally will not give rise to for
distributions, unless such credit can be applied (subject to applicable limitation

It is possible that Actavis is, or at some future time will be, at least 50% owned
income (rather than foreign source income) for foreign tax credit purposes to th
portion of any dividends paid by Actavis as U.S. source income. Treatment of
withholding taxes payable in respect of the dividends. The Code permits a U.S
foreign tax credit purposes if the dividend income is separated from other inco
desirability of making, and the method of making, such an election.

The amount of any dividend paid in foreign currency will be the U.S. dollar va
includible in the U.S. holder s income, regardless of whether the payment is in
the foreign currency is converted into U.S. dollars on the date the payment is re
includes the dividend payment in income to the date such U.S. holder actually
generally will be income or loss from U.S. sources for foreign tax credit limita

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Sale, Exchange or Other Taxable Disposition

For U.S. federal income tax purposes, subject to the following discussion of sp
Actavis ordinary share in an amount equal to the difference between the amou
ordinary shares in the Merger, such holder s tax basis in the Actavis ordinary
exchange or other taxable disposition of Actavis ordinary shares will generally
federal income tax rates applicable to long-term capital gains if such holder ha
deductibility of capital losses is subject to limitations. Any gain or loss recogni

Passive Foreign Investment Company Considerations

A PFIC is any foreign corporation if, after the application of certain look-thro
least 50% of the average value of its assets produce passive income or are h
federal income tax purposes, but this conclusion is a factual determination that
PFIC if Actavis were a PFIC at any time during a U.S. holder s holding period
holding period. If Actavis were to be treated as a PFIC, then, unless a U.S. hol
exchange of the Actavis ordinary shares and certain distributions with respect t
having been deferred under the PFIC rules. In addition, dividends that a U.S. h
dividend income if Actavis is treated as a PFIC with respect to such U.S. holde
tax rates applicable to ordinary income.

Tax Consequences to Non-U.S. Holders

In general, a non-U.S. holder of Actavis ordinary shares will not be subject to
of this joint proxy statement/prospectus, U.S. federal withholding tax on any d
any distribution to the extent it exceeds the adjusted tax basis in the non-U.S. h

the dividend or gain is effectively connected with the non-U.S
establishment maintained by the non-U.S. holder in the Unite

in the case of gain only, the non-U.S. holder is a nonresident
requirements are met.

A non-U.S. holder that is a corporation may also may be subject to a branch pr
effectively connected earnings and profits for the taxable year, as adjusted for

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Information Reporting and Backup Withholding

In general, information reporting requirements will apply to cash consideration by such U.S. holders), dividends received by U.S. holders of Actavis ordinary outside the United States), in each case, other than U.S. holders that are exemp provide an accurate taxpayer identification number (generally on an IRS Form

Certain U.S. holders holding specified foreign financial assets with an aggrega subject to certain exceptions (including an exception for Actavis ordinary shar Financial Assets, with their tax return, for each year in which they hold Actavi ownership of Actavis ordinary shares.

Information returns may be filed with the IRS in connection with, and a non-U received in lieu of fractional Actavis ordinary shares received in the Merger), u providing a valid IRS Form W-8BEN, W-8BEN-E, or IRS Form W-8ECI, or c disposition of Actavis ordinary shares received in the United States by a non-U unless such non-U.S. holder provides proof of an applicable exemption or com withholding rules.

Backup withholding is not an additional tax. Any amounts withheld under the information is timely furnished to the IRS.

Foreign Accounts

Withholding taxes may be imposed under the Foreign Account Tax Compliance institutions and certain other non-U.S. entities. Specifically, a 30% withholding financial institution or a non-financial foreign entity (each as defined in th either certifies it does not have any substantial United States owners (as def or non-financial foreign entity otherwise qualifies for an exemption from these into an agreement with the U.S. Department of the Treasury requiring that it u the Code), annually report certain information about such accounts, and withho located in jurisdictions that have an intergovernmental agreement with the Uni

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Under the applicable Treasury regulations and subsequent guidance, withholdi
2014 and to payments of gross proceeds from the sale or other disposition of A

Holders should consult their tax advisors regarding the potential application of

Irish Tax Considerations

Scope of Discussion

The following is a summary of the material Irish tax consequences of the Merg
holders upon the consummation of the Merger. The summary does not purport
summary is based upon Irish tax laws and the practice of the Irish Revenue Co
Changes in law and/or administrative practice may result in alteration of the ta

The summary does not constitute tax advice and is intended only as a general g
(and tax consequences under the laws of other relevant jurisdictions) of the tra
shareholders who hold their shares of Allergan common stock, and will own A
securities, trustees, insurance companies, collective investment schemes and st
Actavis ordinary shares by virtue of an Irish office or employment (performed

Irish Tax on Chargeable Gains

The current rate of tax on chargeable gains (where applicable) in Ireland is 33%

Non-Resident Shareholders or Stockholders

Allergan stockholders that are not resident or ordinarily resident in Ireland for
through an Irish branch or agency will not be within the charge to Irish tax on
pursuant to the Merger.

Any subsequent disposal of Actavis ordinary shares will not be within the char
hold his or her shares in connection with a trade carried on by such shareholde

Irish Resident Shareholders or Stockholders

Allergan stockholders that are resident or ordinarily resident in Ireland for Irish
persons through an Irish branch or agency, will, subject to the availability of ar
Allergan common stock pursuant to the Merger.

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On the basis that the Merger is treated as a scheme of reconstruction or amalg
commercial reasons and does not form part of any arrangement or scheme of w
by such a Allergan stockholder of Actavis ordinary shares and cash (including
common stock for Irish CGT purposes in respect of the cash consideration rece
purposes of Irish CGT in respect of the cash received. The Actavis ordinary sh
for the same consideration as those cancelled shares of Allergan common stoc

A subsequent disposal of Actavis ordinary shares by a shareholder who is resid
person through an Irish branch or agency will, subject to the availability of any

On the basis of the treatment described above on the receipt of Actavis ordinar
received for Irish CGT purposes will be the consideration paid by such shareho
the consideration attributable to the part disposal on the receipt of cash. Conse
calculated by reference to this allocated base cost. Specific tax rules apply to th

A shareholder of Actavis who is an individual and who is temporarily not resid
disposal of the Actavis ordinary shares during the period in which such individ

Stamp Duty

The rate of stamp duty (where applicable) on transfers of shares of Irish incorp
it is generally a liability of the transferee.

No stamp duty will be payable on the cancellation of the Allergan common sto

Irish stamp duty may, depending on the manner in which the ordinary shares in

Shares Held Through DTC

A transfer of Actavis ordinary shares effected by means of the transfer of book
most transfers of ordinary shares will be exempt from Irish stamp duty.

Shares Held Outside of DTC or Transferred Into or Out of DTC

A transfer of Actavis ordinary shares where any party to the transfer holds such
without giving rise to Irish stamp duty, provided that:

there is no change in the ultimate beneficial ownership of suc

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the transfer into (or out of) DTC is not effected in contemplat
Due to the potential Irish stamp charge on transfers of Actavis ordinary shares
stock through DTC (or through a broker who in turn holds such shares through
are consummated.

Withholding Tax on Dividends (DWT)

Distributions made by Actavis will, in the absence of one of many exemptions

For DWT and Irish income tax purposes, a distribution includes any distributio
cash dividend. Where an exemption from DWT does not apply in respect of a

General Exemptions

Irish domestic law provides that a non-Irish resident Actavis shareholder is not

a person (not being a company) resident for tax purposes in a
Territories for DWT purposes, please see Annex F to this join

a company resident for tax purposes in a Relevant Territory,

a company that is controlled, directly or indirectly, by person
resident in a Relevant Territory;

a company whose principal class of shares (or those of its 75
a Relevant Territory or on such other stock exchange approve

a company that is wholly owned, directly or indirectly, by tw
exchange in Ireland, a recognized stock exchange in a Releva
and provided, in all cases noted above (but subject to *Shares Held by U.S. R*
has received from the shareholder, where required, the relevant DWT Forms p
Actavis shareholder where required should furnish the relevant DWT Form to:

its broker (and the relevant information is further transmitted
payment date as may be notified to the shareholder by the bro

Actavis transfer agent at least seven business days before th

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Links to the various DWT Forms are available at:

http://www.revenue.ie/en/tax/dwt/forms/index.html.

The information on such website does not constitute a part of, and is not incorp

For non-Irish resident Actavis shareholders that cannot avail themselves of one treaty to which Ireland is party to reduce the rate of DWT.

Shares Held by U.S. Resident Shareholders

Dividends paid in respect of Actavis ordinary shares that are owned by a U.S. the broker holding such shares is in the United States (and such broker has furt shareholders, including Allergan stockholders who are U.S. residents and who such brokers can further transmit the relevant information to a qualifying inter

Dividends paid in respect of Actavis ordinary shares that are held outside of D shareholder provides a completed IRS Form 6166 or a valid DWT Form to Ac U.S. residents and who receive Actavis ordinary shares pursuant to the transac as soon as possible after receiving their Actavis ordinary shares.

If any shareholder that is resident in the United States receives a dividend from Commissioners, provided the shareholder is beneficially entitled to the dividen

Shares Held by Residents of Relevant Territories Other Than the United S

Shareholders who are residents of Relevant Territories, other than the United S 169 of this joint proxy statement/prospectus, including the requirement to furn must provide the appropriate DWT Forms to their brokers (so that such broker (or such later date before the dividend payment date as may be notified to the s Actavis transfer agent at least seven business days before the record date for other than the United States and who receive Actavis ordinary shares pursuant as soon as possible after receiving their shares.

If any shareholder who is resident in a Relevant Territory receives a dividend f provided the shareholder is beneficially entitled to the dividend.

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Shares Held by Residents of Ireland

Most Irish tax resident or ordinarily resident shareholders (other than Irish resi
ordinary shares.

Shareholders that are residents of Ireland, but are entitled to receive dividends
the relevant information to a qualifying intermediary appointed by Actavis) be
broker) (in the case of shares held through DTC), or to Actavis transfer agent

Shares Held by Other Persons

Actavis shareholders that do not fall within any of the categories specifically re
dividends subject to DWT, such shareholders may apply for refunds of such D

Dividends paid in respect of Actavis ordinary shares held through DTC that ar
Territory will be entitled to exemption from DWT if all of the partners comple
qualifying intermediary appointed by Actavis) before the record date for the di
resident of a Relevant Territory, no part of the partnership s position is entitle

Qualifying Intermediary

Prior to paying any dividend, Actavis will put in place an agreement with an e
relating to distributions in respect of shares of Actavis that are held through D
otherwise make available to Cede & Co., as nominee for DTC, any cash divide
intermediary the cash to be distributed.

Actavis will rely on information received directly or indirectly from its qualify
required U.S. tax information and whether they have provided the required DW
forms are generally valid, subject to a change in circumstances, until Decembe

Income Tax on Dividends Paid on Actavis Ordinary Shares

Irish income tax may arise for certain persons in respect of distributions receiv

An Actavis shareholder that is not resident or ordinarily resident in Ireland and
from Actavis. An exception to this position may apply where such shareholder

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An Actavis shareholder that is not resident or ordinarily resident in Ireland and charge. The DWT deducted by Actavis discharges the liability to income tax a branch or agency in Ireland through which a trade is carried on.

Irish resident or ordinarily resident Actavis shareholders may be subject to Iris

Capital Acquisitions Tax (CAT)

CAT comprises principally gift tax and inheritance tax. CAT could apply to a because Actavis ordinary shares are regarded as property situated in Ireland fo primary liability for CAT.

CAT is currently levied at a rate of 33% above certain tax-free thresholds. The values of previous gifts and inheritances received by the donee from persons w threshold of 225,000 in respect of taxable gifts or inheritances received from domestic tax liabilities.

There is also a small gift exemption from CAT whereby the first 3,000 of from any future aggregation. This exemption does not apply to an inheritance.

THE IRISH TAX CONSIDERATIONS SUMMARIZED ABOVE ARE F CONSULT WITH THEIR TAX ADVISORS REGARDING THE TAX C ORDINARY SHARES.

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UNAUDI

The following unaudited pro forma combined financial information is presente
(ii) the Forest Transaction, (iii) the acquisition of Aptalis Holdings Inc. (referre
statement/prospectus as the Aptalis Transaction), (iv) the Warner Chilcott T
results of operations of Actavis.

The following unaudited pro forma combined balance sheet as of September 3

The fiscal years of Actavis, Allergan, and Warner Chilcott plc ended on Decen
combined statement of operations for the 12 months ended December 31, 2013
(ii) the historical consolidated statement of operations of Allergan for the 12 m
December 31, 2013, which was derived by adding the consolidated statement o
ended December 31, 2012 to and from the consolidated statement of operation
December 31, 2013, which was derived by adding the consolidated statement o
months ended December 31, 2012 to and from the consolidated statement of op
for the nine months ended September 30, 2013. The following unaudited pro fo
consolidated statement of operations of Actavis for the nine months ended Sep
(iii) the historical consolidated statement of operations of Forest for the six mo
December 31, 2013 and adding the consolidated statement of operations for the
(iv) the historical consolidated statement of operations of Aptalis for the one m

The Merger, the Forest Transaction, the Aptalis Transaction and the Warner C
Accounting Standards Codification (referred to in this joint proxy statement/pr
forma combined financial information set forth below primarily give effect to t

Effect of application of the acquisition method of accounting

Effect of repayment of certain existing debt facilities and new

Effect of issuing new equity to fund the Merger; and

Effect of transaction costs in connection with the acquisitions

The pro forma adjustments are preliminary and are based upon available inform
Actavis management believes are reasonable under the circumstances. Actual r

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differ materially from the assumptions within the accompanying unaudited pro
of identifiable tangible and intangible assets acquired and liabilities assumed fr
purchase price over the fair value of identified assets acquired and liabilities as
and development (referred to in this joint proxy statement/prospectus as IPR&
but not limited to, determining the timing and estimated costs to complete each
the appropriate discount rates and current market profit margins. Actavis mar
estimates and assumptions. Preliminary fair value estimates may change as add

The unaudited pro forma combined statements of operations for the fiscal year
The unaudited pro forma combined balance sheet as of September 30, 2014 ass
related financings, which are already reflected in Actavis historical balance sh
accordance with SEC Regulation S-X Article 11 for illustrative purposes only
transactions been completed as of the dates indicated, nor is it meant to be indi
addition, the accompanying unaudited pro forma combined statements of opera
impact of any non-recurring activity and one-time transaction related costs.

Certain financial information of Allergan, Forest, Aptalis and Warner Chilcott
Actavis consolidated financial statements for purposes of preparation of the u

This unaudited pro forma combined financial information was derived from an
of Actavis, Allergan, Forest, Aptalis and Warner Chilcott plc that are incorpora
statements and related notes, see *Where You Can Find More Information* be

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(In millions)

ASSETS

Current assets:
Cash and cash equivalents
Marketable securities
Accounts receivable, net
Inventories, net
Prepaid expenses and other current assets
Current assets held for sale
Deferred tax assets

Total current assets

Property, plant and equipment, net
Investments and other assets
Deferred tax assets
Product rights and other intangibles
Goodwill

Total assets

LIABILITIES AND EQUITY

Current liabilities:
Accounts payable and accrued expenses
Income taxes payable
Current portion of long-term debt and capital leases
Deferred revenue
Current liabilities held for sale
Deferred tax liabilities

Total current liabilities

Long-term debt and capital leases
Deferred revenue

Other long-term liabilities	
Other taxes payable	
Deferred tax liabilities	
Total liabilities	
Commitments and contingencies	
Equity:	
Common stock	
Additional paid-in capital	
Retained earnings	
Accumulated other comprehensive (loss) income	
Treasury shares, at cost	
Total stockholders equity	
Noncontrolling interest	
Total equity	
Total liabilities and equity	

See the accompanying notes to the unaudited pro

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(In millions, except for per share data)	Historical Actavis	Historical Warner Chilcott plc (after conforming reclassi-fications)	Warner Chilcott Transaction and Financing Adjust-ments	Footn Refere
Net revenues	$ 8,677.6	$ 1,807.0	$ (16.4)	9s
Operating expenses:				
Cost of sales (excludes amortization and impairment of acquired intangibles including product rights)	4,690.7	227.0	(18.3)	9s,9
Research and development	616.9	86.0	0.4	9t
Selling and marketing	1,020.3	322.0		
General and administrative	1,027.5	250.0	(63.3)	9t,9
Amortization	842.7	329.0	383.6	9v
Goodwill impairment	647.5			
In-process research and development				
Loss on asset sales, impairments, and contingent consideration adjustment, net	255.2			
Total operating expenses	9,100.8	1,214.0	302.4	
Operating (loss)/income	(423.2)	593.0	(318.8)	
Non-Operating income (expense):				
Interest income	4.8			
Interest expense	(239.8)	(179.0)	100.1	9w
Other income (expense), net	19.8			
Total other income (expense), net	(215.2)	(179.0)	100.1	
(Loss)/income before income taxes and noncontrolling interest	(638.4)	414.0	(218.7)	
	112.7	80.0	(43.7)	9x

Provision / (benefit) for income taxes	

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U

(In millions, except for per share data)	Historical Actavis	Historical Warner Chilcott plc (after conforming reclassi-fications)	Warner Chilcott Transaction and Financing Adjust-ments	Fo Re
Net (loss)/income	(751.1)	334.0	(175.0)	
Loss/(income) attributable to noncontrolling interest	0.7			
Net (loss)/income attributable to ordinary shareholders	$ (750.4)	$ 334.0	$ (175.0)	
(Loss) per share attributable to ordinary shareholders:				
Basic	$ (5.27)			
Diluted	$ (5.27)			
Weighted average shares outstanding:				
Basic	142.3			
Diluted	142.3			

See the accompanying notes to the unaudited pro

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U

(In millions, except for per share data)
Net revenues
Operating expenses:
Cost of sales (excludes amortization and impairment of acquired intangibles in
Research and development
Selling and marketing
General and administrative
Amortization
Goodwill impairment
In-process research and development
Loss on asset sales, impairments, and contingent consideration adjustment, net
Total operating expenses
Operating (loss)/income
Non-Operating income (expense):
Interest income
Interest expense
Other income (expense), net
Total other income (expense), net
(Loss)/income before income taxes and noncontrolling interest
Provision / (benefit) for income taxes
Net (loss)/income
Loss/(income) attributable to noncontrolling interest
Net (loss)/income attributable to ordinary shareholders
(Loss) per share attributable to ordinary shareholders:
Basic
Diluted
Weighted average shares outstanding:

Basic

Diluted

See the accompanying notes to the unaudited pro

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(In millions, except for per share data)	Actavis plc	co recla
Net revenues	$ 9,005.4	$
Operating expenses:		
Cost of sales (excludes amortization and impairment of acquired intangibles including product rights)	4,472.5	
Research and development	721.3	
Selling and marketing	1,281.8	
General and administrative	1,113.2	
Amortization	1,720.7	
Goodwill impairment		
In-process research and development impairments	321.3	
Asset sales, impairments, and contingent consideration adjustment, net	12.7	
Total operating expenses	9,643.5	
Operating (loss) / income	(638.1)	
Non-Operating income (expense):		
Interest income	3.8	
Interest expense	(284.0)	
Other income (expense), net	1.1	
Total other income (expense), net	(279.1)	
(Loss) / income before income taxes and noncontrolling interest	(917.2)	
Provision / (benefit) for income taxes	(19.9)	
Net (loss) / income	(897.3)	
(Income) attributable to noncontrolling interest	(0.3)	
Net (loss) / income attributable to ordinary shareholders	(897.6)	

(Loss) per share attributable to ordinary shareholders (9):	
Basic	$ (4.39)
Diluted	$ (4.39)
Weighted average shares outstanding:	
Basic	204.4
Diluted	204.4

See the accompanying notes to the unaudited pro

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	U	Fo
(In millions, except for per share data)		
Net revenues		
Operating expenses:		
Cost of sales (excludes amortization and impairment of acquired intangibles in		
Research and development		
Selling and marketing		
General and administrative		
Amortization		
Goodwill impairment		
In-process research and development impairments		
Asset sales, impairments, and contingent consideration adjustment, net		
Total operating expenses		
Operating (loss) / income		
Non-Operating income (expense):		
Interest income		
Interest expense		
Other income (expense), net		
Total other income (expense), net		
(Loss) / income before income taxes and noncontrolling interest		
Provision / (benefit) for income taxes		
Net (loss) / income		
(Income) attributable to noncontrolling interest		
Net (loss) / income attributable to ordinary shareholders		
(Loss) per share attributable to ordinary shareholders (9):		
Basic		
Diluted		

Weighted average shares outstanding:		
Basic		
Diluted		

See the accompanying notes to the unaudited pro

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1. Description of Transactions

The Merger: On November 16, 2014, Actavis entered into the Merger Agreem
immediately prior to the Merger (other than excluded shares and dissenting sha

Actavis plans to pay the aggregate Cash Consideration Portion from cash on ha
Term Facilities, (ii) up to $22.0 billion in aggregate principal amount of the No
or the Equity Securities are not issued and sold, up to $30.9 billion in loans und

On December 17, 2014, Actavis entered into the Bridge Credit Agreement with
Actavis obtained the Commitment Letter from the Commitment Parties pursua
Facility and commitments for certain other portions of the Debt Financing that
Letter with respect to the Cash Bridge Facility remain outstanding.

For the purposes of the unaudited pro forma combined financial information, A

Forest Transaction: On July 1, 2014, Actavis acquired Forest for $30.9 billion
outstanding Forest equity awards, and cash consideration of $7.1 billion. Unde
shares, 6.1 million of Actavis non-qualified stock options and 1.1 million of A
2014 of $568.1 million (amount deemed not to have been earned as of July 1, 2

Actavis historical consolidated statement of operations for the nine months en

Aptalis Transaction: On January 31, 2014, Forest acquired Aptalis in a series o
Aptalis outstanding options and other equity awards, plus the amount of closi

Warner Chilcott Transaction: On October 1, 2013, Actavis acquired Warner C
ordinary share, or $5,833.9 million in equity consideration. Actavis historical
October 1, 2013.

2. Basis of Presentation

The historical consolidated financial information of Actavis has been adjusted
attributable to the transaction, (ii) factually supportable, and (iii) with respect t

The unaudited pro forma combined financial information was prepared using t
assumed in a business combination be recognized at their fair values as of the a

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The acquisition method of accounting uses the fair value concepts defined in A
to sell an asset or paid to transfer a liability in an orderly transaction between n
assumed to be buyers or sellers in the most advantageous market for the asset c
can be highly subjective and it is possible the application of reasonable judgme

3. Accounting Policies

Following the Merger, Actavis will conduct a review of accounting policies of
reclassification of assets or liabilities to conform to Actavis accounting polici
that, when conformed, could have a material impact on this unaudited pro form
aware of any material differences between accounting policies of Actavis and A
forma combined financial information does not assume any material difference

4. Historical Allergan

Financial information of Allergan in the Historical Allergan column in the u
Financial information presented in the Historical Allergan column in the un
12 months ended December 31, 2013 and the nine months ended September 30
financial statements as set forth below (in millions). Unless otherwise indicated

Reclassification and classification of the unaudited combined pro forma balan

Marketable securities	
Prepaid expenses and other current assets	
Deferred tax assets short term	
Deferred tax assets long-term	
Accounts payable and accrued expenses	
Deferred revenue	
Deferred tax liabilities short-term	
Deferred tax liabilities long-term	
Deferred revenue	
Other taxes payable	
Other long-term liabilities	

(i) Includes Short-term investments consisting of commercial paper ar
(ii) Represents the reclassification of Short-term deferred tax assets fro

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(iii) Represent the gross-up and reversal of short-term and long-term defer
(iv) Represents the reclassification of deferred revenue from Other ac
(v) Includes Accounts payable of $283.2 million, Accrued compensa
(vi) Represents the reclassification of Other liabilities payable.
(vii) Represents the reclassification of Long-term deferred revenue.

Reclassifications and classification in the unaudited pro forma combined state

Net revenue
Cost of sales
Selling and marketing
General and administrative
Research and development
Asset sales, impairments, contingent consideration adjustments, net

(i) Includes Total revenue of $6,300.4 million.
(ii) Includes Selling, general and administrative of $2,519.4 million.
(iii) Includes Impairment of intangible assets and related costs of $11.4
(iv) Represents the reclassification of Selling, general and administrative
(v) Represents the reclassification of Selling, general and administrative
(vi) Represents allocation of restructuring charges, of which $2.5 million t
(vii) Represents the reclassification of Cost of sales of $95.0 million rel
(viii) Represents the reclassification of Impairment of intangible assets an

Reclassifications and classifications in the unaudited pro forma combined stat

Net revenue
Cost of sales
Selling and marketing
General and administrative
Research and development
Asset sales, impairments, contingent consideration adjustments, net

(i) Includes Total revenue of $5,327.4 million.
(ii) Includes Selling, general and administrative of $2,092.2 million.
(iii) Includes Restructuring charges of $208.3 million.
(iv) Represents the reclassification of Selling, general and administrative

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(v) Represents the reclassification of Selling, general and administrative
(vi) Represents the allocation of restructuring charges of $208.3 million, development of $58.3 million.
(vii) Represents the reclassification of Cost of sales of $76.3 million rela

5. Historical Forest

Financial information of Forest presented in the Historical Forest column in consolidated statement of operations for the nine months ended December 31, consolidated statement of operations for the fiscal year ended March 31, 2013

Total revenue
Cost of goods sold

Gross profit

Operating expenses
Selling, general and administrative
Research and development

Total operating expenses

Operating (loss) income
Interest and other income (expense), net

Income (loss) before income taxes
Income tax (benefit) expense

Net (loss) income

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Financial information presented in the Historical Forest column in the unau
stand-alone entity and was derived by subtracting the consolidated statement o
March 31, 2014 from and to the consolidated statement of operations for the th

Total revenue
Cost of goods sold

Gross profit

Operating expenses
Selling, general and administrative
Research and development

Total operating expenses

Operating income
Interest and other income (expense), net

Income before income taxes
Income tax (benefit) expense

Net income

Financial information of Forest subsequent to July 1, 2014 is included in the re

Financial information presented in the Historical Forest column in the unau
September 30, 2014, of which six months represents the Forest results, has bee
millions). Unless otherwise indicated, defined line items included in the footno

Reclassifications and classifications in the unaudited pro forma combined stat

Net revenue
Cost of sales
Selling and marketing
General and administrative
Amortization

Loss on asset sales, impairments and contingent consideration adjustment, net	
Interest income	
Interest expense	
Other income (expense), net	

(i) Includes Total revenue of $3,368.5 million.
(ii) Includes Amortization of $46.4 million.

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(iii) Includes General and administrative expense of $445.6 million, A
(iv) Includes Interest and other income (expense), net of $20.4 million.

Reclassifications and classifications in the unaudited pro forma combined stat

Net revenues
Cost of sales
Selling and marketing
General and administrative
Amortization
Loss on asset sales, impairments and contingent consideration adjustment, net
Interest income
Interest expense
Other income (expense), net

(i) Includes Total revenue of $2,258.9 million.
(ii) Includes Amortization of $25.1 million.
(iii) Includes General and administrative expense of $434.4 million and
(iv) Includes Interest and other income (expense), net of $(69.0) millio

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6. Historical Aptalis

Financial information of Aptalis presented in the Historical Aptalis column
statement of operations for the three months ended December 31, 2013 and sub
year ended September 30, 2013 as follows (in millions):

Total revenue	
Cost of goods sold	
Selling and administrative expenses	
Management fees	
Research and development expenses	
Depreciation and amortization	
Fair value adjustments to intangible assets and contingent consideration	
Gain on disposal of product line	
Transaction, restructuring and integration costs	
Total operating expenses	
Operating income	
Financial expenses	
Loss on extinguishment of debt	
Interest and other income	
Loss (gain) on foreign currencies	
Total other expenses	
Income before income taxes	
Income tax expense	
Net income	

Financial information presented in the Historical Aptalis column in the unau
month ended January 30, 2014 prior to the close of the Aptalis Transaction.

Financial information presented in the Historical Aptalis column in the unau
historical presentation in Actavis consolidated financial statements as set fort
historical financial statements of Aptalis.

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Reclassifications and classifications in the unaudited pro forma combined stat

Net revenues
Cost of sales
Selling and marketing
General and administrative
Amortization
Loss on asset sales, impairments and contingent consideration adjustment, net
Interest income
Interest expense
Other income (expenses), net

(i) Includes Total revenue of $705.1 million.
(ii) Represents Selling and administrative expenses of $186.4 million,
(iii) Represents Depreciation and Amortization of $89.5 million.
(iv) Includes Fair value adjustments to intangible assets and contingent c
(v) Represents Interest and other income of $0.4 million.
(vi) Represents Financial expenses of $74.7 million.
(vii) Includes Loss on extinguishment of debt of $5.3 million and Loss
(viii) Represents reclassification of Depreciation expense of $15.0 millio
(ix) Represents reclassification of $93.8 million from the Selling and ma

7. Historical Warner Chilcott plc

Financial information presented in the Historical Warner Chilcott plc colum operations of Warner Chilcott plc for the nine months ended September 30, 20 column.

Financial information presented in the Historical Warner Chilcott plc colum consolidated financial statements as set forth below (in millions). Unless other Warner Chilcott plc.

Selling and marketing
General and administrative

(i) Includes $575.0 million of Selling, general and administrative and
(ii) Represents reclassification of $250.0 million from the Selling and m

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8. Unaudited Pro Forma Combined Balance Sheet Adjustments

Adjustments included in the Merger Adjustments column in the accompany

Purchase consideration	
Preliminary estimate of fair value of Actavis ordinary shares iss	
Preliminary estimate of fair value of Actavis equity awards issu	
Cash consideration	
Fair value of total consideration transferred	
Historical book value of net assets acquired	
Book value of Allergan s historical net assets as of September	
Less Allergan s M&A costs expected to incur	
Net assets to be acquired	
Adjustments to reflect preliminary fair value of assets acqu	
Inventories, net	
Product rights and other intangibles, net	
Goodwill	
Investments and Other Assets	
Long-term debt.	
Deferred tax liabilities current	
Deferred tax liabilities non-current	
Total	

a. Preliminary estimate of fair value of ordinary shares issued was est outstanding but unvested equity awards, multiplied by the exchange ra Actavis ordinary shares as of January 14, 2015 of $266.42, to the Dec information included in this joint proxy statement/prospectus, noting r

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An increase or decrease in the December 3, 2014 closing price of Acta
this joint proxy statement/prospectus (in millions):

Goodwill
Total Equity

Total operating expenses
(Loss) / income before income taxes and noncontrolling interest
Provision / (benefit) for income taxes
Net (loss) / income

Total operating expenses
(Loss) / income before income taxes and noncontrolling interest
Provision / (benefit) for income taxes
Net (loss) / income
All equity awards of Allergan were replaced with equity awards of Actavis wit
represents the estimated aggregate fair value of Actavis replacement awards a
Allergan s equity awards outstanding (including restricted stock) as of Septem

The fair values of Actavis ordinary shares and equity awards were estimated
would increase the aggregate Merger Consideration by $9,038.8 million, and a
a corresponding change to Actavis assets. The market price of Actavis ordina
the date of this joint proxy statement/prospectus through the effective time of t

b. Cash consideration was estimated based on approximately 297.3 m

c. Represents the estimated fair value adjustment to step-up Allergan s i
and $55,040.0 million, respectively, which, when added to Actavis h
$74,997.3 million, respectively.

The estimated step-up in inventory will increase cost of sales as the acquired in
step-up is not included in the unaudited pro forma combined statement of oper

Identified intangible assets of $55,040.0 million primarily consist of (i) CMP c
The IPR&D amounts will be capitalized and accounted for as indefinite-lived i

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will be subject to impairment testing until completion or abandonment of the p
of the IPR&D intangible and amortization will be recorded as an expense. As t
statement of operations.

The fair value estimate for identifiable intangible assets is preliminary and is d
the asset. This preliminary fair value estimate could include assets that are not
unaudited pro forma combined financial information, it is assumed that all asse
including the IPR&D intangibles, may differ from this preliminary determinati

The fair value of identifiable intangible assets is determined primarily using th
expectations of the cash flows an asset would generate over its remaining usefu
perspective of a market participant, include the estimated net cash flows for ea
and working capital asset/contributory asset charges), the appropriate discount
trends impacting the asset and each cash flow stream as well as other factors. T
regulatory risk. No assurances can be given that the underlying assumptions us
occur. For these and other reasons, actual results may vary significantly from e

d. Goodwill is calculated as the difference between the fair value of the c
assumed. The adjustment represents a net increase of Actavis total g

e. Represents the removal of Allergan s deferred debt issuance costs of

f. Represents the estimated fair value adjustment of $7.2 million to Aller

g. Represents deferred income tax liabilities of $226.8 million (current) a
as liabilities assumed and other acquisition accounting adjustments, re
acquired and liabilities assumed at a 23.2% weighted average statutory

h. Represents cash outflows from the (i) payment of cash purchase consi
of transaction costs that are expected to be incurred by Actavis.

i. Represents the addition of common stock and additional paid-in capita
(including restricted shares) of $2,350.2 million and the elimination of

j. Represents the elimination of Allergan s retained earnings of $5,411.

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k. Represents the elimination of Allergan s historical treasury stock and
Adjustments included in the Financing Adjustments column in the accompa

l. The adjustment to cash is as follows (in millions):

Bridge Facility	
Net proceeds from issuance of Equity Securities	
Term Facilities	
Total financing costs	
Total net financing	

The borrowings under the Bridge Facility represent financing available as of th
purpose of the unaudited pro forma combined financial information, Actavis h

In connection with the Merger, Actavis may issue mandatorily convertible pre
of this unaudited pro forma combined financial information, Actavis has assun
closing price of Actavis ordinary shares on December 3, 2014 of $265.84. Net

m. Represents capitalized deferred financing costs assumed of $808.3 mi

n. Represents the current portion of the Bridge Facility of $21,370.0 mil
the borrowings are current for purposes of this filing. For purposes of
indebtedness is still in place.

o. Represents the long-term portion of the Term Facilities of $5,431.3 m

p. Represents the offering of the Equity Securities with estimated net pro

9. Unaudited Pro Forma Combined Statement of Operations Adjustments

Adjustments Related to the Merger

Adjustments included in the Merger Adjustments column in the accompany

a. Represents the elimination of net revenues and cost of sales for produ
respectively, between Actavis and Allergan.

b. Represents the incremental stock-based compensation of $235.9 millio
in connection with the replacement equity awards granted at the close

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c. Represents increased amortization for the fair value of identified intan
increase in amortization expense for intangible assets is calculated usi

d. Represents the income tax effect for unaudited pro forma combined st
taxable income was generated historically, offset, in part, by the remo

e. Represents the increased interest expense as a result of the fair value a
Adjustments included in the Allergan Financing Adjustments column in the

f. Represents estimated interest expense, including amortization of defer

Bridge Facility
3 year tranche of the Term Facilities
5 year tranche of the Term Facilities
The amortization of deferred financing costs as it relates to the Bridge Facility

Assuming $21,370.0 million is drawn under the Bridge Facility and the Term F
would change pro forma interest expense by approximately $33.6 million for t
long-term financing at the time of the closing of the Merger other than the Bric

g. Based on the financing structure available at the time of this filing, the

Adjustments Related to the Forest Transaction

Adjustments included in the Forest Transaction Adjustments column in the

h. Represents the elimination of net revenues and cost of sales of produc
respectively, between Actavis and Forest after the Aptalis Transaction

i. Represents the stock-based compensation in connection with the repla

j. Represents the stock-based compensation of $80.4 million and $9.2 m
replacement equity awards granted at the close of the Forest Transacti
million recorded by Actavis and Forest, respectively in connection wi

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k. Represents increased amortization for the fair value of identified intan
amortization expense for intangible assets is based on the actual usefu

CMP:
Namenda Franchise
Bystolic Franchise
Linzess
Zenpep
Carafate
Armour Thyroid
Viibryd
Fetzima
Teflaro
Canasa
Daliresp
Other CMP Products

IPR&D:
Gastroenterology
Central nervous system
Cardiovascular
Other

Customer relationships
Other
Total identifiable intangible assets

Less historical amortization inclusive of Aptalis deal

l. Represents the income tax effect for unaudited pro forma combined st
United States and Ireland, for the 12 months ended December 31, 201
generated historically.

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Adjustments included in the Financing Adjustments column in the accompa

m. Represents estimated interest expense, including amortization of defer
Transaction as follows (in millions):

Term facilities (Forest Transaction)
Notes (Forest Transaction)

Total net financing

For the term facilities associated with the Forest Transaction of $2,000.0 millio
from 2017 to 2044. The assumed interest rate for these borrowings was 3.3% o
unaudited combined pro forma statement of operations as it will not have a cor

n. Represents the income tax effect for unaudited pro forma combined st
issued for the transaction in Luxembourg.

Adjustments Related to the Aptalis Transaction

Adjustments included in the Aptalis Transaction and Financing Adjustments
months ended September 30, 2014 are as follows:

o. Represents the reversal of the management fee of $(7.2) million and M
for the nine months ended September 30, 2014.

p. Represents increased amortization resulting in the Aptalis Transaction

CMP intangible assets
Less historical amortization

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q. Represents (a) (i) new interest expense related to the $1,050.0 million
December 31, 2013 and the nine months ended September 30, 2014 ar
amortization of deferred financing costs based on effective interest rat
charges) for the year ended December 31, 2013 and the nine months e
$1,250.0 million upon the Aptalis Transaction as follows (in millions)

New interest expense from Forest	s 4.375% Notes
New interest expense from Forest	s 4.875% Notes
New interest expense from Forest	s 5.000% Notes
Elimination of Aptalis	historical interest (income)
Total expense / (income)	

r. Represents the income tax effect for unaudited pro forma combined st
statutory tax rate of the United States, Canada and Ireland, where mos

Adjustments Related to the Warner Chilcott Transaction

Adjustments included in the Warner Chilcott Transaction and Financing Adju
as follows:

s. Represents the elimination of net revenues and cost of sales of produc

t. Actavis applied the acquisition method of accounting to the assets acq
value and their useful lives were adjusted. The adjustment represents a

(in millions)
Cost of sales
Research and development
General and administrative
Total

u.

Represents the stock-based compensation of $7.3 million in connectio
million recorded by Actavis and Warner Chilcott plc for the year ende

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v. Represents increased amortization for the fair value of identified intan
follows (in millions):

(in millions)
CMP intangible assets
IPR&D
Less historical amortization

w. In connection with the Warner Chilcott Transaction, Warner Chilcott
Chilcott s senior secured credit facilities, with a weighted average int
decreased by $100.1 million.

x. Represents the income tax effect for unaudited pro forma combined st
tax rate of the United States and Puerto Rico, where most of Warner C

10. Earnings per Share

The unaudited pro forma combined basic and diluted earnings per share calcul
of shares outstanding reflects the following adjustments assumed to occur on J

Elimination of Allergan historical common stock;

The estimated issuance of 109.5 million Actavis ordinary sha
of September 30, 2014;

The estimated issuance of 33.5 million Actavis ordinary share
share price in the offering equal to Actavis share price of $2

The issuance of 89.8 million Actavis ordinary shares associat

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COMP

The table below sets forth, for the calendar quarters indicated, the high and lo
ACT, and Allergan common stock, which trades on the NYSE under the sy

2012
Quarter ended March 31, 2012
Quarter ended June 30, 2012
Quarter ended September 30, 2012
Quarter ended December 31, 2012

2013
Quarter ended March 31, 2013
Quarter ended June 30, 2013
Quarter ended September 30, 2013
Quarter ended December 31, 2013

2014
Quarter ended March 31, 2014
Quarter ended June 30, 2014
Quarter ended September 30, 2014
Quarter ended December 31, 2014

2015
Quarter (through January 22, 2015)
On November 14, 2014, the last full trading day before the public announceme
sale price per share of Allergan common stock on the NYSE was $198.65. On
Actavis ordinary share on the NYSE was $278.01 and the closing sale price pe

Under the terms of the Merger Agreement, the estimated implied value of the
share on January 22, 2015.

The Actavis board of directors has the power to determine the amount and freq
compliance with applicable Irish law, compliance with Actavis articles of ass
financial condition and other factors that the Actavis board of directors conside
continue not to pay dividends, there are no assurances that will be the case. Un
or make any other distributions in respect of, any of its capital stock.

The Allergan board of directors has the power to determine the amount and fre
compliance with the DGCL, compliance with agreements governing Allergan
board of directors considers important. While Allergan anticipates that if the M
will continue to pay dividends at this level, or at all. Under the Merger Agreem

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Allergan is not permitted to declare, set aside or pay any dividends on, or make
not in excess of $0.05 per share per quarter.

The above tables show only historical comparisons. Actavis shareholders and A
review carefully the other information contained in this joint proxy statement/p
Actavis ordinary shares pursuant to the Merger Agreement or to adopt the Mer
stock will fluctuate between the date of this joint proxy statement/prospectus a
common stock before or after the effective time of the Merger. Changes in the
Consideration that Allergan stockholders will receive upon completion of the M

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COMPARISON OF THE RIGHTS O

The rights of the stockholders of Allergan and the relative powers of Allergan
and bylaws. As a result of the Merger, each issued and outstanding share of Al
Consideration, consisting of (i) 0.3683 of an Actavis ordinary share and (ii) $1
in accordance with, and will carry with it the rights and obligations set forth in
company incorporated under the laws of Ireland, the rights of the shareholders
statement/prospectus as the Companies Acts), and by Actavis memorandu

Many of the principal attributes of Allergan common stock are similar to those
Delaware and the rights of shareholders of Actavis under Irish law. In addition

The following is a summary comparison of the material differences between th
stockholders will have as shareholders of Actavis under the Companies Acts ar
under the U.S. federal securities laws or NYSE listing requirements. Such righ

The statements in this section are qualified in their entirety by reference to, and
association. Actavis memorandum and articles of association are incorporated
Allergan s certificate of incorporation and bylaws have been filed by Allergan
understanding of the differences between being a stockholder of Allergan and

Authorized and Outstanding Capital Stock

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Consolidation and Division; Subdivision

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Reduction of Share Capital

Preemption Rights, Share Warrants and Options

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Distributions, Dividends, Repurchases and Redemptions

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Dividends in Shares / Bonus Issues

A
s
u
b

Lien on Shares, Calls on Shares and Forfeiture of Shares

U
c
t
c
i
s
s

Number and Election of Directors

T
d
t
p
t
n

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Removal of Directors; Newly Created Directorships and Vacancies

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Duties of Directors

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Rights Agreement

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Variation of Rights Attaching to a Class or Series of Shares

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Amendments of Governing Documents

Rights Upon Liquidation

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Enforcement of Civil Liabilities Against Foreign Persons

A
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e

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The following description of Actavis share capital is a summary. This summa
memorandum and articles of association, which are incorporated by reference

There are differences between Allergan s bylaws and certificate of incorporati
Allergan Common Stock beginning on page 200 of this joint proxy statement/

The statements in this section are qualified in their entirety by reference to, and

Capital Structure

Authorized Share Capital

The authorized share capital of Actavis is 40,000 and $101,000 divided into 4
share and 10,000,000 serial preferred shares with a par value of $0.0001 per sh

Actavis may issue shares subject to the maximum authorized share capital con
number of issued ordinary shares, preferred shares or euro deferred ordinary sh
of such nominal value as the resolution shall prescribe. As a matter of Irish cor
approval once authorized to do so by the articles of association or by an ordina
which point it must be renewed by the shareholders by an ordinary resolution.
ordinary shares without shareholder approval for a period of five years from th

The rights and restrictions to which the ordinary shares are subject are prescrib
determine certain terms of each series of the serial preferred shares issued by A
exchange rights.

Irish law does not recognize fractional shares held of record. Accordingly, Act
will not reflect any fractional shares.

Whenever an alteration or reorganization of the share capital of Actavis would
shareholders that would become entitled to fractions of a share, arrange for the
would have been entitled to the fractions. For the purpose of any such sale the
application of the purchase money, nor shall his title to the shares be affected b

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Issued Share Capital

Actavis is expected to issue or reserve for issuance approximately 128 million
and assume Allergan equity-based awards at the closing of the Merger. All sha

Preemption Rights, Share Warrants and Options

Under Irish law certain statutory preemption rights apply automatically in favo
association as permitted under Irish company law. Because Irish law requires t
must be so renewed. If the opt-out is not renewed, shares issued for cash must
new shareholders. The statutory preemption rights do not apply where shares a
shares that have the right to participate only up to a specified amount in any in

The memorandum and articles of association of Actavis provide that, subject to
board is authorized, from time to time, in its discretion, to grant such persons,
of any series of any class as the board may deem advisable, and to cause warra
warrants or options without shareholder approval once authorized to do so by t
approval of certain equity plans and share issuances. Actavis board of directo
share capital limit). In connection with the completion of the transactions, Acta

Dividends

Under Irish law, dividends and distributions may only be made from distributa
created by way of capital reduction. In addition, no distribution or dividend ma
undistributable reserves and the distribution does not reduce Actavis net asse
by which Actavis accumulated unrealized profits, so far as not previously util
reorganization of capital.

The determination as to whether or not Actavis has sufficient distributable rese
unconsolidated annual audited financial statements or other financial statement
position and accord with accepted accounting practice. The relevant accounts m

Actavis memorandum and articles of association authorize the directors to pa
recommend

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a dividend to be approved and declared by the Actavis shareholders at a genera
may exceed the amount recommended by the directors. Dividends may be decl
ordinary shares will participate pro rata in respect of any dividend which may

The directors of Actavis may deduct from any dividend payable to any shareho

The directors may also authorize Actavis to issue shares with serial preferred r
the Actavis ordinary shares in terms of dividend rights and/or be entitled to cla

For information about the Irish tax issues relating to dividend payments, see
joint proxy statement/prospectus.

Share Repurchases, Redemptions and Conversions

Overview

Actavis memorandum and articles of association provide that any ordinary sh
Irish law purposes, the repurchase of ordinary shares by Actavis will technicall
237 of this joint proxy statement/prospectus. If the articles of association of Ac
Actavis ordinary shares by subsidiaries described below under Purchases by
described below and the requirement that any on-market purchases be effected
or foreign owners to vote or hold Actavis ordinary shares. Except where otherw
the redemption of ordinary shares by Actavis or the purchase of Actavis ordina
as described below.

Repurchases and Redemptions by Actavis

Under Irish law, a company may issue redeemable shares and redeem them ou
pages 236 and 34, respectively, of this joint proxy statement/prospectus. Actav
nominal value of the total issued share capital of Actavis. All redeemable share
upon redemption, be cancelled or held in treasury. Based on the provision of A

Actavis may also be given an additional general authority by its shareholders t
conditions as applicable to purchases by Actavis subsidiaries as described bel

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Repurchased and redeemed shares may be cancelled or held as treasury shares. of Actavis. Actavis may not exercise any voting rights in respect of any shares

Purchases by Subsidiaries of Actavis

Under Irish law, a subsidiary of Actavis may purchase Actavis ordinary shares ordinary shares, the shareholders of Actavis must provide general authorizatio purchases of Actavis shares. In the absence of this general authority, for an off before the contract is entered into. The person whose shares are to be bought b contract must be on display or must be available for inspection by shareholder

In order for a subsidiary of Actavis to make an overseas market purchase of A are listed, is specified as a recognized stock exchange for this purpose by Irish

The number of shares held by the subsidiaries of Actavis at any time will coun issued share capital of Actavis. While a subsidiary of Actavis holds Actavis or subsidiary of Actavis must be funded out of distributable reserves of the subsi

Lien on Shares, Calls on Shares and Forfeiture of Shares

Actavis articles of association provide that Actavis will have a first and paran to the terms of their allotment, directors may call for any unpaid amounts in re articles of association of an Irish company limited by shares such as Actavis ar Merger as the stock portion of the Merger Consideration will be fully paid up.

Bonus Shares

Under Actavis articles of association, the board of directors may resolve to ca the profit and loss account, and use such amount for the issuance to shareholde

Consolidation and Division; Subdivision

Under its articles of association, Actavis may, by ordinary resolution, consolid

Reduction of Share Capital

Actavis may, by ordinary resolution, reduce its authorized but unissued share c issued share capital in any manner permitted by the Companies Acts.

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Annual Meetings of Shareholders

Actavis held its first annual general meeting on May 9, 2014, and is required to
annual general meeting is held in each calendar year following the first annual

Notice of an annual general meeting must be given to all Actavis shareholders
excluding the day when the notice is given or deemed to be given and the day

The only matters which must, as a matter of Irish company law, be transacted a
appointment of new auditors and the fixing of the auditor s remuneration (or d
existing auditor will be deemed to have continued in office.

At any annual general meeting, only such business may be conducted as has be
Irish High Court, (3) as required by law or (4) such business that the chairman
be set forth in the notice of the meeting. In addition, shareholders entitled to vo

Extraordinary General Meetings of Shareholders

Extraordinary general meetings of Actavis may be convened by (i) the board o
(iii) on requisition of Actavis auditors, or (iv) in exceptional cases, by order o
required from time to time. At any extraordinary general meeting only such bu

Notice of an extraordinary general meeting must be given to all Actavis shareh
notice in writing for an extraordinary general meeting to approve a special reso

In the case of an extraordinary general meeting convened by shareholders of A
the Actavis board of directors has 21 days to convene a meeting of Actavis sha
requisition notice. If the board of directors does not convene the meeting withi
them, may themselves convene a meeting, which meeting must be held within

If the board of directors becomes aware that the net assets of Actavis are not gr
of Actavis shareholders not later than 28 days from the date that they learn of t

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Quorum for General Meetings

The articles of association of Actavis provide that no business shall be transact
proxy (whether or not such holder actually exercises his voting rights in whole
only one holder, in which case the presence of that one holder constitutes a quo

Voting

Actavis articles of association provide that except where a greater majority is
majority of the votes cast.

At any meeting of Actavis, all resolutions will be decided on a show of hands u
shareholders present in person or by proxy and holding not less than one-tenth
shares in Actavis conferring the right to vote at the meeting being shares on wh
voting takes place on a poll, rather than a show of hands, every shareholder ent
exercised by shareholders registered in the share register as of the record date f
be appointed in accordance with Actavis articles of association.

In accordance with Actavis articles of association, the board of directors may
if any, as may be specified in the terms of such shares (e.g., they may carry mo
shares). Treasury shares or Actavis ordinary shares that are held by subsidiarie

Irish company law requires special resolutions of the shareholders at a general

(i) amending the objects or memorandum of association of Actavis;

(ii) amending the articles of association of Actavis;

(iii) approving a change of name of Actavis;

(iv) authorizing the entering into of a guarantee or provision of security in con

(v) opting out of preemption rights on the issuance of new Actavis shares;

(vi) re-registration of Actavis from a public limited company to a private comp

(vii) variation of class rights attaching to classes of Actavis shares (where the a

(viii) purchase by Actavis of its shares off-market;

(ix) reduction of Actavis issued share capital;

(x) sanctioning a compromise/scheme of arrangement involving Actavis;

(xi) resolving that Actavis be wound up by the Irish courts;

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(xii) resolving in favor of a shareholders voluntary winding-up;

(xiii) re-designation of Actavis shares into different share classes; and

(xiv) setting the reissue price of Actavis treasury shares.

Action by Written Consent

Actavis articles of association provide that anything which may be done by re
would be entitled to attend the relevant meeting and vote on the relevant resolu

Variation of Rights Attaching to a Class or Series of Shares

Under the Actavis articles of association and the Companies Acts, any variatio
shares in that class or with the sanction of a special resolution passed at a sepa

The provisions of the articles of association of Actavis relating to general meet
shares of the holders of the class.

Inspection of Books and Records

Under Irish law, shareholders have the right to: (i) receive a copy of the memo
Actavis; (iii) inspect and receive a copy of the register of shareholders, register
balance sheets and directors and auditors reports of Actavis which have pre
previously been sent to shareholders prior to an annual general meeting for the
report must be circulated to the shareholders with Actavis financial statement
annual general meeting.

Acquisitions

An Irish public limited company such as Actavis may be acquired in a number

(i) a court-approved scheme of arrangement under the Companies Acts. A sche
representing 75% in value of the shareholders present and voting in person or b

(ii) through a tender or takeover offer by a third party for all of the Actavis ord
remaining shareholders may also be statutorily required to transfer their shares
the bidder to acquire their shares on the same terms. If Actavis ordinary shares
exchange in the European Union, this threshold would be increased to 90%; an

(iii) it is also possible for Actavis to be acquired by way of a transaction with a
special

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resolution. If Actavis is being merged with another EU company under the EU
Actavis shareholders may be entitled to require their shares to be acquired at fa

Appraisal Rights

Generally, under Irish law, shareholders of an Irish company do not have disse
company limited by shares such as Actavis and a company incorporated in the
Liechtenstein) and the other company is the surviving entity, a shareholder (i)
party to the transaction has the right to request that the company acquire its sha

In the event of a takeover of Actavis by a third party in accordance with the Iri
already beneficially owned by the bidder) have accepted an offer for their shar
non-tendering shareholders can obtain an Irish court order otherwise providing
acquire their shares on the same terms as the original offer, or such other terms
non-tendering shareholder, may order.

Disclosure of Interests in Shares

Under the Companies Acts, Actavis shareholders must notify Actavis if, as a re
transaction a shareholder who was interested in 5% or more of the Actavis ord
must notify Actavis of any alteration of his or her interest that brings his or her
calculated by reference to the aggregate nominal value of the Actavis shares in
of share capital in issue). Where the percentage level of the shareholder s inte
five business days of the transaction or alteration of the shareholder s interests
in respect of any Actavis ordinary shares it holds will not be enforceable, eithe

In addition to these disclosure requirements, Actavis, under the Companies Ac
three years immediately preceding the date on which such notice is issued to h
person holds or has during that time held an interest in the Actavis ordinary sha
the notice fails to respond within the reasonable time period specified in the no
Companies Acts, as follows:

(i) any transfer of those shares, or in the case of unissued shares any transfer of

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(ii) no voting rights shall be exercisable in respect of those shares;

(iii) no further shares shall be issued in right of those shares or in pursuance of

(iv) no payment shall be made of any sums due from Actavis on those shares,

The court may also order that shares subject to any of these restrictions be sold

In the event Actavis is in an offer period pursuant to the Takeover Rules, accel

Anti-Takeover Provisions

Irish Takeover Rules and Substantial Acquisition Rules

A transaction in which a third party seeks to acquire 30% or more of the voting
Takeover Panel Act) and the Irish Takeover Rules 2013 (referred to in this j
The General Principles of the Takeover Rules and certain important aspects

General Principles

The Takeover Rules are built on the following General Principles which will a

(i) in the event of an offer, all holders of security of the target company should

(ii) the holders of the securities in the target company must have sufficient tim
of the target company must give its views on the effects of implementation of t

(iii) the board of the target company must act in the interests of the company a

(iv) false markets must not be created in the securities of the target company, t
artificial and the normal functioning of the markets is distorted;

(v) a bidder must announce an offer only after ensuring that he or she can fulfi
type of consideration;

(vi) a target company must not be hindered in the conduct of its affairs for long

(vii) a substantial acquisition of securities (whether such acquisition is to be ef
timely disclosure.

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Mandatory Bid

Under certain circumstances, a person who acquires shares or other voting righ
at a price not less than the highest price paid for the shares by the acquirer (or a
acquisition of shares would increase the aggregate holding of an acquirer (inclu
unless the Panel otherwise consents. An acquisition of shares by a person hold
mandatory bid requirement if, after giving effect to the acquisition, the percent
person (excluding any parties acting in concert with the holder) holding shares
additional securities.

Voluntary Bid; Requirements to Make a Cash Offer and Minimum Price Re

If a person makes a voluntary offer to acquire outstanding Actavis shares, the o
prior to the commencement of the offer period. The Panel has the power to ext

If the bidder or any of its concert parties has acquired Actavis shares (i) during
(ii) at any time after the commencement of the offer period, the offer must be i
bidder or its concert parties during, in the case of (i), the 12-month period prio
together with its concert parties, has acquired less than 10% of the total Actavi
considers it just and proper to do so.

An offer period will generally commence from the date of the first announcem

Substantial Acquisition Rules

The Irish Takeover Rules also contain rules governing substantial acquisitions
between 15% and 30% of the voting rights of Actavis. Except in certain circun
is prohibited, if such acquisition(s), when aggregated with shares or rights alre
made within a period of seven days. These rules also require accelerated disclo

Frustrating Action

Under the Irish Takeover Rules, the Actavis board of directors is not permitted
which may lead to an offer or has reason to believe an offer is imminent, subje
acquisitions or disposals, (iii) entering into contracts other than in the ordinary

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action, other than seeking alternative offers, which may result in frustration of
Exceptions to this prohibition are available where:

(i) the action is approved by Actavis shareholders at a general meeting; or

(ii) the Panel has given its consent, where:

(1) it is satisfied the action would not constitute frustrating action;

(2) Actavis shareholders that hold 50% of the voting rights state in writing that

(3) the action is taken in accordance with a contract entered into prior to the an

(4) the decision to take such action was made before the announcement of the

Certain other provisions of Irish law or the Actavis memorandum and articles
Structure Authorized Share Capital (regarding issuance of serial preferred sh
236 of this joint proxy statement/prospectus, *Disclosure of Interests in Shar*
Allergan Common Stock Removal of Directors; Newly Created Directorships
Shares and Allergan Common Stock Amendments of Governing Documents
Allergan Common Stock Calling Special Meetings of Shareholders beginnin
Common Stock Notice Provisions beginning on page 219 of this joint proxy

Insider Dealing

The Irish Takeover Rules also provide that no person, other than the bidder, wh
its securities) or a contemplated offer shall deal in relevant securities of the tar
such an offer being made, is contemplated to the time of (1) the announcement

Corporate Governance

The articles of association of Actavis allocate authority over the day-to-day ma
(with power to sub-delegate) to any committee, consisting of such person or pe
proper management of the affairs of Actavis. Committees may meet and adjou
at any committee meeting shall be a majority of the members of such committe

Legal Name; Formation; Fiscal Year; Registered Office

The current legal and commercial name of Actavis is Actavis plc. Actavis was

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(registration number 527629) and converted into a public limited company on
Dublin 2, Ireland. For more information regarding Actavis, see *Where You C*

Appointment of Directors

Actavis articles of association provide that (subject to: (i) automatic increases
directors in accordance with the terms of issue of such class or series; and/or (i
and not more than 14.

At each annual general meeting of Actavis, all the directors shall retire from of
the board he will be designated to fill the vacancy arising.

No person shall be appointed director unless nominated as follows:

(i) by the affirmative vote of two-thirds of the board of Actavis;

(ii) with respect to election at an annual general meeting, by any shareholder w
time of the giving of the notice and at the time of the relevant annual general m

(iii) with respect to election at an extraordinary general meeting requisitioned i
carrying the general right to vote at general meetings of Actavis and who make

(iv) by holders of any class or series of shares in Actavis then in issue having s
provided in such terms of issue.

Directors shall be appointed as follows:

(i) by shareholders by ordinary resolution at the annual general meeting in each

(ii) by the board in accordance with the articles of association; or

(iii) so long as there is in office a sufficient number of directors to constitute a
fill a vacancy in the board or as an addition to the existing directors but so that

Removal of Directors

Under the Companies Acts, the shareholders may, by an ordinary resolution, re
director is entitled to be heard. The power of removal is without prejudice to a
her removal.

The board of directors may appoint a person who is willing to act to be a direct
any

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maximum number of directors so fixed. Actavis may by ordinary resolution el
association, Actavis in general meeting may elect any person to be a director t

Duration; Dissolution; Rights upon Liquidation

Actavis duration is unlimited. Actavis may be dissolved and wound up at any
special resolution of shareholders is required. Actavis may also be dissolved b
has failed to file certain returns. Actavis may also be dissolved by the Director
or any information obtained by the Director of Corporate Enforcement that Ac

The rights of the shareholders to a return of Actavis assets on dissolution or w
serial preferred shares issued by the directors of Actavis from time to time. Th
memorandum and articles of association contain no specific provisions in resp
to the paid-up nominal value of the shares held. Actavis articles of associatio
the rights of any holders of the serial preferred shares to participate under the t

Uncertificated Shares

Holders of Actavis ordinary shares have the right upon request to require Acta

Stock Exchange Listing

Actavis ordinary shares are listed on the NYSE under the symbol ACT. A

No Sinking Fund

The Actavis ordinary shares have no sinking fund provisions.

No Liability for Further Calls or Assessments

The Actavis ordinary shares to be issued as the stock portion of the Merger Co

Transfer and Registration of Shares

The transfer agent for Actavis maintains the share register, registration in whic
record of such shares. Instead, the depository or other nominee will be the hol
holds such shares beneficially through a depository or other nominee will not b

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A written instrument of transfer is required under Irish law in order to register
person who holds such shares beneficially to a person who holds such shares d
involves a change in the depository or other nominee that is the record owner o
into his or her own broker account (or vice versa). Such instruments of transfer
However, a shareholder who holds shares outside of DTC may transfer those s
of the shares as a result of the transfer and the transfer is not made in contempl

Any transfer of Actavis ordinary shares that is subject to Irish stamp duty will
articles of association allow Actavis, in its absolute discretion, to create an inst
payment, Actavis is (on behalf of itself or its affiliates) entitled to (i) seek reim
against the Actavis ordinary shares on which it has paid stamp duty. Parties to
both of such parties is otherwise notified by Actavis.

Actavis memorandum and articles of association delegate to Actavis secreta

In order to help ensure that the official share register is regularly updated to ref
instruments of transfer in connection with any transactions for which it pays st
a share transfer that it believes stamp duty is required to be paid in connection
instrument of transfer (and may request a form of instrument of transfer from A
by Actavis. In either event, if the parties to the share transfer have the instrume
owner of the relevant shares on Actavis official Irish share register (subject to

The directors may suspend registration of transfers from time to time, not exce

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SHARE OWNERSHIP

The following table sets forth as of December 31, 2014 (or such other date set
address (where required) and beneficial ownership of each person (including a
ordinary shares, and the beneficial ownership of Actavis ordinary shares by (i)
executive officers) as a group. As of December 31, 2014, unless otherwise indi
below, none of the Actavis directors or executive officers held rights to acquire
officer beneficially owned more than 1% of Actavis ordinary shares as of suc

Unless otherwise indicated in the footnotes to this table and pursuant to applica
indicated above with respect to all ordinary shares reflected in this table. The b

Name and Address of Beneficial Owner
5% Holder(s)
FMR LLC

245 Summer Street

Boston, MA 02210
Wellington Management Co LLP

280 Congress Street

Boston, MA 02210
Vanguard Group, Inc.

PO Box 2600 V26

Valley Forge, PA 19482
Officers and Directors
James H. Bloem
Christopher H. Bodine
Tamar D. Howson
John A. King, Ph.D.
Catherine M. Klema
Jiri Michal
Patrick J. O Sullivan
Ronald R. Taylor
Andrew L. Turner
Fred G. Weiss
Paul M. Bisaro
Robert A. Stewart
Brenton L. Saunders
Karen Ling

Nesli Basgoz, M.D.
Christopher J. Coughlin
A. Robert D. Bailey
David Buchen
William Meury
Charles Mayr
Maria Teresa Hilado
James D Arecca
Jack Michelson
Sigurdur Olafsson
G. Frederick Wilkinson
R. Todd Joyce
All current directors and executive officers as a group (22 individuals)

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* Represents less than 1% of the outstanding Actavis ordinary shares.

(1) Ordinary shares includes voting securities represented by shares held of any shares of restricted stock which remain subject to sale restrictions.

(2) According to a 13F-HR filed with the SEC on November 14, 2014 by F 165,269 ordinary shares, Fidelity Management & Research Co. and FM shared voting authority over 17,557,675 ordinary shares, Fidelity Manag defined investment discretion and sole voting authority over 12,066 ordi over 204,171 ordinary shares and shared voting authority over 31,786 or over 59,020 ordinary shares and shared voting authority over 40,216 ord

(3) According to a 13F-HR filed with the SEC on November 14, 2014 by W investment discretion over 14,425,230 ordinary shares, sole voting autho defined investment discretion and shared voting authority over 335,363 voting authority over 44,623 ordinary shares and no voting authority ov ordinary shares, shared voting authority over 78,454 ordinary shares and

(4) According to a 13F-HR filed with the SEC on November 12, 2014 by V ordinary shares, sole voting authority over 96,685 ordinary shares and n voting authority over 339,934 ordinary shares and Vanguard Investment

(5) Includes 64,647 ordinary shares held by Pandalena Limited, which Dr. H

(6) Includes 90,246 ordinary shares for which Mr. Saunders has the right to

(7) Includes 6,958 ordinary shares for which Ms. Ling has the right to acqui

(8) Includes 19,726 ordinary shares for which Dr. Basgoz has the right to ac

(9) Includes 15,927 ordinary shares for which Mr. Coughlin has the right to

(10) Includes 3,401 ordinary shares for which Mr. Bailey has the right to acq

(11) Includes 82,157 ordinary shares for which Mr. Meury has the right to ac

(12) Mr. Michelson is no longer a director and Mr. Olafsson and Mr. Wilkins respective last Form 4 filings made with the SEC. None of Mr. Michelso shares. Mr. Michelson s last Form 4 was filed on October 1, 2013, Mr.

(13) Represents 40,000 shares held in trust. Mr. Joyce is no longer an officer SEC. Mr. Joyce s last Form 4 was filed on July 3, 2014.

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(14) Includes 1,142 restricted ordinary shares of Actavis that will vest in full

(15) Represents 1,839 restricted ordinary shares of Actavis that will vest in fu

(16) Includes 694 restricted ordinary shares of Actavis that will vest in full th

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STOCK OWNERSHIP OF CE

The following table sets forth information as of December 31, 2014, regarding
Chief Financial Officer, each of Allergan s three other most highly compensat
directors and executive officers as a group.

Directors:
Deborah Dunsire, M.D.
Michael R. Gallagher
Trevor M. Jones, Ph.D.
Louis J. Lavigne, Jr.
Peter J. McDonnell, M.D.
Timothy D. Proctor
David E.I. Pyott
Russell T. Ray
Henri A. Termeer(4)

Other Named Executive Officers:
Douglas S. Ingram
James Hindman(5)
Scott M. Whitcup, M.D.
Julian S. Gangolli
Jeffrey L. Edwards(5)
All current directors and executive officers (as a group 18 persons, including t

* Beneficially owns less than 1% of the issued and outstanding shares o

(1) In addition to shares held in the individual s sole name, this column i
trust for the benefit of the named employee in our Savings and Investm

(2) This column also includes shares which the person or group has the ri
exercise of stock options and vesting of restricted stock units; and (2)
stock units, as well as shares accrued under Allergan s Deferred Dire
portion of their retainer and meeting fees until termination of their sta
director is credited with a number of phantom shares of Allergan com
deferral. Upon termination of a director s service on the Allergan boa
stock credited to such director under the Deferred Directors Fee Prog

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(3) Based on 299,232,684 shares of Allergan common stock outstanding a
indicated in the footnotes and subject to community property laws wh
power with respect to such shares.

(4) Mr. Termeer was appointed to the Allergan board of directors on Janu

(5) On August 18, 2014, Mr. Edwards resigned from his position as Exec
appointed to serve in that position, effective immediately.

Stockholders Holding 5% or More

Except as set forth below, Allergan s management is not aware of any person

Name and Address of Beneficial Owners
BlackRock, Inc.(2)
40 East 52nd Street
New York, NY 10022
Pershing Square Capital Management, L.P.(3)
888 Seventh Avenue, 42nd Floor
New York, NY 10019
PS Management GP, LLC(3)
888 Seventh Avenue, 42nd Floor
New York, NY 10019
William A. Ackman(3)
888 Seventh Avenue, 42nd Floor
New York, NY 10019

(1) Based on 299,232,684 shares of Allergan common stock outstanding a

(2) Based on information provided pursuant to a statement on a Schedule
14,470,789 shares and sole dispositive power with respect to 17,416,9

(3) Based on information provided pursuant to a statement on a Schedule
William A. Ackman, pursuant to which the three parties reported that

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The combined financial statements of Actavis Pharma Holding 4 ehf. and Acta
the report of KPMG ehf., independent auditors, incorporated by reference here

The financial statements, the financial statement schedule and management s
over Financial Reporting) incorporated in this joint proxy statement/prospectus
Current Reports on Form 8-K filed on May 20, 2014 and December 5, 2014, h
financial reporting due to the exclusion of Warner Chilcott plc, acquired in a p
effectiveness of internal control over financial reporting) of PricewaterhouseC

The financial statements and management s assessment of the effectiveness o
incorporated in this joint proxy statement/prospectus by reference to the Annua
incorporated in reliance on the report of PricewaterhouseCoopers LLP, an inde

The financial statements of Aptalis Holdings Inc. as of and for the year ended
Actavis plc on March 25, 2014 have been so incorporated in reliance on the re
auditing and accounting.

The audited consolidated balance sheets of Forest Laboratories, Inc. and its sub
stockholders equity, and cash flows for each of the years ended March 31, 20
Public Accounting Firm incorporated in this joint proxy statement/prospectus b
March 31, 2013 have been so incorporated in reliance on the report of BDO US

The consolidated financial statements of Allergan, Inc. appearing in Allergan,
effectiveness of Allergan, Inc. s internal control over financial reporting as of
thereon, included therein, and incorporated in this joint proxy statement/prospe
on the authority of such firm as experts in accounting and auditing.

Arthur Cox, Irish counsel to Actavis, has passed upon the validity of the Actav

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CERTAIN OF THE DIRECTORS AND EXECUTIVE OFFICERS OF ACTA
NONRESIDENT PERSONS AND OF ACTAVIS ARE LOCATED OUTSIDE
UNITED STATES UPON SUCH PERSONS OR ACTAVIS, OR TO ENFOR
UPON THE CIVIL LIABILITY PROVISIONS OF THE FEDERAL SECURI
ENFORCEABILITY IN IRELAND AGAINST ACTAVIS AND/OR ITS EXE
IN ACTIONS FOR ENFORCEMENT OF JUDGMENTS OF U.S. COURTS,

As of the date of this joint proxy statement/prospectus, neither the Actavis nor
meeting other than as described in this joint proxy statement/prospectus. Howe
postponement thereof (to the extent permitted by the Merger Agreement) and s
shares represented by the proxy as to any matters that fall within the purposes
forth in the applicable proxy card).

ACTA

Shareholder Proposals in the Proxy Statement for the 2015 Annual Meeti
of the Exchange Act or Actavis articles of association passed on November 2
made to shareholders, a shareholder proposal may be delivered not later than th
first made.

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ALLE

If the Merger is completed, Allergan will not have public stockholders and the otherwise required to do so under applicable law, Allergan will hold a 2015 an annual meeting must be submitted to Allergan as set forth below.

Stockholder Proposals for Inclusion in Proxy Statement

The deadline for submitting a stockholder proposal for inclusion in Allergan s

Other Stockholder Proposals for Annual Meeting

Allergan s certificate of incorporation contains an advance notice provision w expand upon and supplement the advance notice provisions in Allergan s certi Allergan s certificate of incorporation and bylaws. Pursuant to Allergan s cer before the meeting. For business to be properly brought before an annual meet Secretary. To be timely, written notice must be received by Allergan s Secreta disclosure of the date of the scheduled meeting to stockholders is given, then n following the earlier of the day on which notice of the meeting was mailed or t

While the Allergan board of directors will consider proper stockholder proposa proposals that we are not required to include under the Exchange Act, includin

Stockholder Nominations of Directors at the Allergan s Annual Meeting

Allergan s certificate of incorporation provides that any stockholder entitled t if timely written notice of such stockholder s intent to make such nomination CA 92623. To be timely, a stockholder s notice must be delivered to, or maile regardless of any postponements, deferrals or adjournments of that meeting to then the stockholder must provide notice not later than the close of business on on which such public disclosure was made. Any stockholder s notice to Allerg certificate of incorporation and Bylaws.

In the alternative, stockholders can at any time recommend for consideration b qualifications described in our 2013 annual proxy statement by submitting to u

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qualifications and such candidate s written consent to nomination, to the Corp
satisfying the required qualifications will be forwarded to the chairperson of th
delegated to review and consider candidates for director nominees.

The following discussion is not a full summary of the provisions of Delaware l
joint proxy statement/prospectus as Annex E. The following summary does no
Section 262 of the DGCL. Unless the context requires otherwise, all references

Under Section 262 of the DGCL, stockholders of a Delaware corporation are e

Stockholders who have neither voted in favor of, nor consented in writing to, t
Section 262 of the DGCL are entitled to appraisal rights. Appraisal rights entit
such fair value of the shares, exclusive of any element of value arising from
in lieu of receiving the Merger Consideration. Record holders of Allergan com
preserve those rights.

Under Section 262 of the DGCL, where a merger agreement for a proposed me
the matter to a vote of stockholders must, not less than 20 days prior to the me
DGCL. This joint proxy statement/prospectus constitutes such notice by Allerg
to this transaction is attached to this joint proxy statement/prospectus as Annex

ANY HOLDER OF ALLERGAN S COMMON STOCK WHO WISHES TO
CAREFULLY REVIEW THE FOLLOWING DISCUSSION AND ANNEX E
LOSS OF APPRAISAL RIGHTS. MOREOVER, BECAUSE OF THE COMP
COMMON STOCK, ALLERGAN BELIEVES THAT, IF A STOCKHOLDE

How to Exercise and Perfect Appraisal Rights

Allergan stockholders wishing to exercise the right to demand appraisal of thei

Deliver to Allergan a written demand for appraisal of their sh

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Not vote in favor of the Merger Proposal at the Allergan spec

Continue to hold their shares of Allergan common stock from

File (or Allergan, as the Surviving Corporation, must file) a p
The Surviving Corporation is under no obligation to and has
the obligation of the holders of Allergan s common stock to
Section 262 of the DGCL.

A vote in favor of the Merger Proposal, in person or by proxy, or the return of will nullify any previously filed written demand for appraisal. If you sign and voting instructions, you will effectively waive your appraisal rights because su the Merger Proposal, nor abstaining from voting or failing to vote on the Merg

Filing Written Demand

Holders of shares of Allergan s common stock who decide to exercise their ap Proposal at the stockholders meeting. A demand for appraisal will be sufficien such stockholder s shares of Allergan s common stock. If you wish to exercis appraisal is made and you must continue to hold such shares through the effect for appraisal is made, but who thereafter transfers such shares prior to the effe prior to the taking of the vote on the Merger Proposal will constitute a waiver

Only a holder of record of shares of Allergan s common stock is entitled to de should be executed by or on behalf of the holder of record, fully and correctly, holder s name and mailing address and the number of shares registered in the written demand for appraisal must be separate from any proxy or vote abstaini

If the shares are owned of record in a fiduciary capacity, such as by a trustee, a shares are owned of record by more than one person, as in a joint tenancy or te more joint owners, may execute a demand for appraisal on behalf of a holder o acting as agent for the record owner or owners. If the shares are held in street

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broker, bank or nominee may exercise appraisal rights with respect to the share in such case, however, the written demand should set forth the number of share shares of common stock held in the name of the record owner. Beneficial owne must, in such cases, have the owner of record, such as a broker, bank or other n common stock through a broker who in turn holds the shares through a central depository nominee and must identify the depository nominee as record holder consult with their brokers or other nominees promptly to determine and follow

All written demands for appraisal pursuant to Section 262 of the DGCL should

Allergan, Inc.

2525 Dupont Drive

Irvine, California 92612

Attention: General Counsel

From and after the effective date of the Merger, any stockholder who has duly common stock subject to appraisal or to receive payment of dividends or other the Merger.

Notice by the Surviving Corporation

Within 10 days after the effective date of the Merger, Allergan, as the Survivin rights under Section 262 of the DGCL and has not voted for the Merger Propos

Withdrawing a Demand for Appraisal

At any time within 60 days after the effective date of the Merger, any stockhol appraisal and accept the Merger Consideration offered pursuant to the Merger such attempt to withdraw the demand made more than 60 days after the effecti be dismissed as to any stockholder who does not withdraw his, her or its dema the Merger without the approval of the Court, and such approval may be condi appraisal when such approval is required, or, except with respect to any stockh dismissal of an appraisal proceeding with respect to a stockholder, such stockh equal to or more than the Merger Consideration being offered pursuant to the M

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Filing a Petition for Appraisal

Within 120 days after the effective date of the Merger, but not thereafter, Aller entitled to appraisal rights under Section 262 of the DGCL, may commence an holders. Upon the filing of the petition by a stockholder, service of a copy of su no present intention to file a petition, and holders should not assume that the S to perfect their appraisal rights in respect of shares of common stock within the has complied with the requirements for exercise of appraisal rights will be enti in favor of the Merger Proposal and with respect to which demands for apprais request therefor has been received by the Surviving Corporation or within 10 d that demands for appraisal be made by record owners, a person who is the bene name, file a petition for appraisal in the Court as described in this paragraph or

If a petition for an appraisal is timely filed by a holder of shares of Allergan s 20 days after being served with a copy of the petition to file with the Delaware their shares of Allergan common stock and with whom agreements as to the va hearing on the petition to determine those stockholders who have complied wit demanded appraisal of their shares to submit their stock certificates to the Regi direction, the Court may dismiss the proceedings as to the stockholder.

Determination of Fair Value

After the Court determines the holders of common stock entitled to appraisal, t appraisal proceedings. Through such proceeding, the Court shall determine the interest, if any. Unless the Court in its discretion determines otherwise for good quarterly and shall accrue at 5 percent over the Federal Reserve discount rate (payment of the judgment. When the fair value is determined, the Court will dir stockholders of their stock certificates or, in the case of book-entry shares, fort

In determining the fair value of the shares of Allergan common stock, and, if a discussed the factors that could be considered in determining fair value in an a community and

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otherwise admissible in court should be considered, and that [f]air price obv
this determination of fair value, the court must consider market value, asset va
the date of the merger that throw any light on future prospects of the merged c
or expectation of the merger. In *Cede & Co.* v. *Technicolor, Inc.*, the Delawa
applies only to the speculative elements of value arising from such accomplish
enterprise, which are known or susceptible of proof as of the date of the merge

Stockholders considering seeking appraisal should be aware that the fair value
Merger if they did not seek appraisal of their shares and that an opinion of an i
Merger, is not an opinion as to, and does not otherwise address, fair value unde
fair value as determined by the Court, and stockholders should recognize that s
Actavis, Merger Sub, nor Allergan anticipates offering more than the Merger C
that for purposes of Section 262 of the DGCL the fair value of a share of co
depending on factual circumstances, may or may not be a dissenting stockhold

If a petition for appraisal is not timely filed, then the right to an appraisal will c
and taxed upon the parties as the Court deems equitable under the circumstanc
an appraisal proceeding, including, without limitation, reasonable attorneys f
entitled to be appraised. In the absence of such determination or assessment, ea

If any stockholder who demands appraisal of his, her or its shares of Allergan
stockholder s shares of common stock will be deemed to have been converted
will fail to perfect, or effectively lose, the stockholder s right to appraisal if no
withdraw his, her or its demand for appraisal in accordance with Section 262 o

As noted above, failure to comply strictly with all of the procedures set forth in
the DGCL, Allergan stockholders who may wish to pursue appraisal rights sho

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Under SEC rules, a single set of proxy statements may be sent to any household separate proxy card. This procedure, referred to as householding, reduces the v certain stockholders who shared a single address, only one joint proxy stateme

If any Actavis shareholder who agreed to householding wishes to receive a sep Investor Relations, Morris Corporate Center III, 400 Interpace Parkway, Parsip contacting their brokers, banks or other nominees, if they are beneficial holders

If any Allergan stockholder who agreed to householding wishes to receive a se Allergan stockholders sharing an address who wish to receive a single set of pr the address set forth above, if they are record holders.

Both Actavis and Allergan file annual, quarterly and current reports, proxy stat files with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., information on the Public Reference Room. In addition, Actavis and Allergan http://www.sec.gov containing this information. You will also be able to obtain Information and then under the subheading SEC Filings or from Allergan

Actavis has filed a registration statement on Form S-4 of which this joint proxy statement/prospectus constitutes the prospectus of Actavis filed as part of the r in the registration statement or in the exhibits or schedules to the registration st below. Statements contained in this joint proxy statement/prospectus as to the case, you should refer to the copy of the applicable contract or other document and Allergan have previously filed with the SEC, including those listed below.

You should rely only on the information contained in this joint proxy statemen information. This joint proxy statement/prospectus is dated as of the date listed date other than such date, and neither the mailing or posting of this joint proxy

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Actavis or stockholders of Allergan nor the issuance of ordinary shares of Acta

This joint proxy statement/prospectus incorporates by reference the following

Annual Report on Form 10-K for the year ended December 3

Actavis current reports on Form 8-K filed on May 20, 2014

Quarterly Report on Form 10-Q for the quarter ended Septem

Quarterly Report on Form 10-Q for the quarter ended June 30

Quarterly Report on Form 10-Q for the quarter ended March

Current Reports on Forms 8-K and 8-K/A (only to the extent
April 21, 2014, May 12, 2014, May 14, 2014, May 20, 2014,
June 30, 2014, July 3, 2014, October 6, 2014, October 8, 201
January 12, 2015; and

Definitive Proxy Statement on Schedule 14A, filed on March

This joint proxy statement/prospectus also incorporates by reference the follow

The Management s Discussion and Analysis of Financial Co
and the related prospectus.

This joint proxy statement/prospectus also incorporates by reference the follow

Annual Report on Form 10-K for the year ended December 3

Quarterly Report on Form 10-Q for the quarter ended Septem

Quarterly Report on Form 10-Q for the quarter ended June 30

Quarterly Report on Form 10-Q for the quarter ended March

Current Reports on Forms 8-K and 8-K/A (only to the extent
2014, May 19, 2014, May 21, 2014, May 27, 2014, May 28, 2
2014, August 22, 2014, September 29, 2014, October 9, 2014

Definitive Proxy Statement on Schedule 14A, filed on March
All additional documents that either Actavis or Allergan may file with the SEC
the Actavis EGM and the Allergan special meeting, respectively, shall also be
Form 8-K, or the exhibits related thereto under Item 9.01 of Form 8-K, are dee
joint

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proxy statement/prospectus. Additionally, to the extent this joint proxy stateme
to the Internet websites of Actavis or Allergan, the information on those websi

If you are a shareholder of Actavis, you can obtain any of the documents incor
excluding all exhibits unless such exhibits have been specifically incorporated
are not being sent to shareholders unless specifically requested. You may obtai
telephone as follows or by accessing the website listed below:

Actavis plc

Morris Corporate Center III

400 Interpace Parkway

Parsippany, NJ 07054

Attention: Investor Relations

Telephone: (862) 261-7488

Email: investor.relations@actavis.com

ir.actavis.com

In order to ensure timely delivery of the documents, Actavis shareholders must

If you are a stockholder of Allergan, you can obtain any of the documents inco
excluding all exhibits unless such exhibits have been specifically incorporated
are not being sent to stockholders unless specifically requested. You may obtai
telephone as follows or by accessing the website listed below:

Allergan, Inc.

2525 Dupont Drive

Irvine, CA 92612

Attention: Investor Relations

Telephone: (714) 246-4636

allergan.com/investors/index.htm

In order to ensure timely delivery of the documents, Allergan stockholders mu

Any statement contained in a document incorporated or deemed to be incorpor
statement/prospectus to the extent that a statement contained in this joint proxy
statement/prospectus modifies or supersedes the statement. Any statement so m

statement/prospectus. Any statement concerning the contents of any contract o
document filed as an exhibit to the registration statement, you are referred to th

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Section 6.11	Director Resignati
Section 6.12	Stock Exchange L
Section 6.13	The Company s F
Section 6.14	Parent s Financin

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This AGREEMENT AND PLAN OF MERGER (this Agreement), dated N
Delaware corporation and an indirect wholly owned subsidiary of Parent (Me
meanings ascribed to such terms in Section 9.5 or as otherwise defined elsewh
to as a Party and collectively as the Parties.

WHEREAS, the Parties wish to effect a business combination through the mer

WHEREAS, each outstanding share of common stock, par value $0.01 per sha
will be automatically converted into the right to receive the Merger Considerat
State of Delaware (the DGCL) (other than Company Shares to be cancelled

WHEREAS, the board of directors of the Company (the Company Board of
Merger, are advisable and fair to, and in the best interests of, the Company and

WHEREAS, the Company Board of Directors has unanimously adopted resolu
Transactions, authorizing the execution of this Agreement, directing that this A
stockholders adopt this Agreement (the Company Board Recommendation)

WHEREAS, the board of directors of Parent (the Parent Board of Director
consummation of the Transactions and the Parent Board of Directors has direc
Meeting and recommending that Parent s shareholders vote to approve such is

WHEREAS, the board of directors of Merger Sub has unanimously approved t
interests of, Merger Sub and its sole stockholder; and

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WHEREAS, the Parties desire to make certain representations, warranties, cov

NOW, THEREFORE, in consideration of the mutual covenants and agreement
Parties agree as follows:

Section 1.1 The Merger. Upon the terms and subject to the satisfaction or
merged with and into the Company, whereupon the separate existence of Merg
sometimes being referred to herein as the Surviving Corporation), such that
the effect provided in this Agreement and as specified in the DGCL.

Section 1.2 Closing. The closing of the Merger (the Closing) will take p
10006, on the second (2nd) business day after the satisfaction or waiver of, but
nature are to be satisfied at the Closing, but subject to the satisfaction or waive
that, notwithstanding the satisfaction or waiver of the conditions set forth in Ar
day of the Marketing Period, unless Parent shall request an earlier date on two
in Article VII (other than any such conditions which by their terms cannot be s
is referred to as the Closing Date .

Section 1.3 Effective Time. On the Closing Date, the Parties shall cause a
under the DGCL and make any other filings, recordings or publications require
such time as the Certificate of Merger is duly filed with the DSOS or on such l
DGCL (such date and time being hereinafter referred to as the Effective Time

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Section 1.4 Governing Documents. The Company Certificate shall, by virt
restated, shall be the certificate of incorporation of the Surviving Corporation u
Company Bylaws shall, by virtue of the Merger, be amended and restated to co
Surviving Corporation until thereafter changed or amended as provided therein

Section 1.5 Officers and Directors of the Surviving Corporation. The Parti
be the directors of the Surviving Corporation until their successors shall have b
incorporation and bylaws of the Surviving Corporation, and (b) the officers of
successors shall have been duly elected or appointed and qualified or until thei

Section 2.1 Treatment of Capital Stock.

(a) Treatment of Company Common Stock. At the Effective Time, by virtu
to Section 2.1(d), each share of Company Common Stock issued and outstandi
Section 2.4(e), but excluding Company Shares to be cancelled in accordance w
paid and nonassessable Parent Share (the Stock Consideration Portion) and
Consideration). From and after the Effective Time, all such Company Shares
Shares shall cease to have any rights with respect thereto, except the right to re
to receive, pursuant to Section 2.6, cash in lieu of fractional shares of Parent St
Consideration), together with the amounts, if any, payable pursuant to Sectio

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(b) Cancellation of Company Common Stock. At the Effective Time, all C
shall be cancelled and shall cease to exist, and no consideration shall be delive

(c) Treatment of Merger Sub Common Stock. At the Effective Time, each
automatically converted into and become one fully paid and nonassessable sha
Corporation.

(d) Adjustment to Merger Consideration. The Merger Consideration shall
dividend or distribution of securities convertible into Company Common Stoc
with respect to the shares of Company Common Stock or Parent Stock outstan
permit the Company or any of its Subsidiaries to take any action with respect t

Section 2.2 Payment for Securities; Surrender of Certificates.

(a) Exchange Fund. Prior to the Effective Time, Parent or Merger Sub sha
(the Exchange Agent). The Exchange Agent shall also act as the agent for th
interests in the shares represented thereby. At or immediately after the Effectiv
pursuant to Section 2.1(a) in book-entry form equal to the aggregate Parent Sto
an amount sufficient to pay the aggregate cash portion of the Merger Considera
or any Company Subsidiary (Non-Employee Option Consideration) and any
other distributions with respect thereto, the Exchange Fund), in each case, f
Consideration. In the event the Exchange Fund shall be insufficient to pay the
Section 2.2(f), Parent shall, or shall cause Merger Sub to, promptly deposit add
Parent shall cause the Exchange Agent to make, and the Exchange Agent shall

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Merger Consideration, including payment of the Fractional Share Consideratio in accordance with Section 2.2(f) out of the Exchange Fund in accordance with portion of the Exchange Fund shall be invested by the Exchange Agent as reas obligations of, or short-term obligations fully guaranteed as to principal and in Corporation, respectively, or in certificates of deposit, bank repurchase agreem such bank that are then publicly available), and that no such investment or loss other income resulting from such investments shall be paid to the Surviving Co

(b) Procedures for Surrender. Promptly after the Effective Time, Parent sh holder of record of a certificate or certificates which immediately prior to the E book-entry (Book-Entry Shares) and whose Company Shares were converte RSUs that are accelerated pursuant to Section 2.4(e)) (i) a letter of transmittal, Certificates (or affidavits of loss in lieu thereof) to the Exchange Agent and sh the Certificates (or affidavits of loss in lieu thereof) or Book-Entry Shares in ex including any amount payable in respect of Fractional Share Consideration in a surrender of a Certificate (or an affidavit of loss in lieu thereof) or Book-Entry Corporation, together with such letter of transmittal duly completed and validly holder of such Certificate or Book-Entry Share shall be entitled to receive in ex that such holder has the right to receive pursuant to the provisions of Section 2 accordance with Section 2.2(f) for each Company Share formerly represented b

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Book-Entry Share, to be mailed (or made available for collection by hand if so
of loss in lieu thereof) or Book-Entry Share, letter of transmittal and such other
The Exchange Agent shall accept such Certificates (or affidavits of loss in lieu
an orderly exchange thereof in accordance with normal exchange practices. If
registered, it shall be a condition precedent of payment that (A) the Certificate
shall have paid any transfer and other similar Taxes required by reason of the
to the satisfaction of the Surviving Corporation that such Tax either has been p
to the Person in whose name such Book-Entry Shares are registered. Until surr
to represent only the right to receive the applicable Merger Consideration as co
and any dividends or other distributions on shares of Parent Stock in accordanc

(c) Transfer Books; No Further Ownership Rights in Company Shares. At
transfers of Company Shares on the records of the Company. From and after th
respect to such Company Shares except as otherwise provided for herein or by
reason, they shall be cancelled and exchanged as provided in this Agreement.

(d) Termination of Exchange Fund; No Liability. At any time following tw
any interest received with respect thereto) remaining in the Exchange Fund tha
to holders of Certificates or Book-Entry Shares, and thereafter such holders sh
general creditors thereof with respect to the applicable Merger Consideration,
any dividends or other distributions on shares of Parent Stock in accordance w
Section 2.2(b), without any interest thereon.

Notwithstanding the foregoing, none of the Surviving Corporation, Parent or th
delivered to a public official pursuant to any applicable abandoned property, es

(e) Lost, Stolen or Destroyed Certificates. In the event that any Certificate
upon the making of an affidavit of that fact by the holder thereof and, if require
determine is reasonably necessary as indemnity against any claim that may be
respect thereof pursuant to Section 2.1 hereof, including any amount payable in
Stock in accordance with Section 2.2(f).

(f) Dividends or Distributions with Respect to Parent Stock. No dividends
unsurrendered Certificate or Book-Entry Share with respect to the shares of Pa
included in the Exchange Fund, in each case until the surrender of such Certifi
surrender of any such Certificate or Book-Entry Share (or affidavit of loss in li
after the Effective Time theretofore paid with respect to such shares of Parent S
other distributions with a record date after the Effective Time but prior to such

Section 2.3 Appraisal Rights.

(a) Notwithstanding anything in this Agreement to the contrary, Company
Section 262 of the DGCL (Section 262) and (ii) not effectively withdrawn o
payable pursuant to Section 2.1, but instead at the Effective Time shall become
acknowledged that at the Effective Time, such Dissenting Shares shall no long
thereto other than the right to receive the fair value of such Dissenting Shares a
withdraw or lose

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the right to payment of the fair value of such Dissenting Shares under Section
be deemed to have been converted as of the Effective Time into, and to have b

(b) The Company shall give prompt notice to Parent of any demands recei
received by the Company under Section 262, and Parent shall have the opportu
shall not, without the prior written consent of Parent, make any payment with

Section 2.4 Treatment of Company Equity Awards.

(a) Except as described in Section 2.4(d), as of the Effective Time, each o
unexercised immediately prior to the Effective Time, whether or not then veste
in accordance with this Section 2.4. Each such Parent Stock Option as so assu
immediately prior to the Effective Time (but taking into account any changes t
Agreement or the Transactions). Except as described in Section 2.4(d) as of the
determined by multiplying the number of shares of Company Common Stock
the nearest whole share, at a per share exercise price determined by dividing th
rounded up to the nearest whole cent; provided, however, that each Company
requirements of Section 424 of the Code and (B) shall be adjusted in a manner

(b) Except as described in Section 2.4(e) as of the Effective Time, each ou
Company performance goals (the Company RSUs) under any Company Eq
Parent RSUs) with associated rights to the issuance of additional shares of

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continue to have, and shall be subject to, the same terms and conditions as app
any necessary changes to any issuance provisions, provided for or permitted in
Transactions). To the extent any such Company RSUs are subject to performan
performance, other than the 2012 RSUs, which shall be earned at the Effective
performance vesting, including the 2012 RSUs, shall vest on the last day of the
period or earlier accelerated vesting upon certain terminations of employment
Parent RSU as so assumed and converted (which shall be rounded (x) up to the
of (i) the applicable number of shares of Company Common Stock subject to s
dividend equivalent rights under any Company Equity Plan, in any award agre
this Agreement or the Transactions.

(c) Except as described in Section 2.4(e), as of the Effective Time, each ou
then vested shall be assumed by Parent and shall be converted into shares of re
converted shall continue to have, and shall be subject to, the same terms and co
changes thereto provided for in the applicable Company Equity Plan, in any av
number of shares of Parent Stock underlying each such Parent Restricted Share
nearest whole share if less than half a share) shall be equal to the product of (i)

(d) The vesting and exercisability of each outstanding Company Stock Op
of the Company who is not a Continuing Employee or Continuing Service Pro
receive an amount in cash, rounding such amount (x) up to the nearest whole c

nearest whole cent if less than half a cent, equal to the product obtained by mu
(ii) the excess, if any, of (A) the Stock Consideration Portion times the VWAP
Consideration). In no event shall the Company Stock Options described in th

(e) The vesting of each Company Restricted Share and Company RSU hel
Company who is not a Continuing Employee or Continuing Service Provider s
Restricted Share and Company RSU shall be entitled to receive the Merger Co
this Section 2.4(e) be assumed by Parent.

(f) Prior to the Effective Time, the Company shall adopt such resolutions a
the Company Equity Awards) as contemplated by this Section 2.4. At the E
Parent Restricted Share and Parent RSU and the agreements evidencing the gra
Company Equity Plans pursuant to which they were granted (subject to the adj
accordance with such terms and conditions).

(g) Notwithstanding anything else to the contrary in Article II, any payme
Section 2.4 shall be made through the Surviving Corporation s payroll as pro
to holders who are not current or former employees of the Company or any Su

Section 2.5 Withholding. Parent and the Surviving Corporation shall be en
to this Agreement, any amounts as are required to be withheld or deducted wit
amounts are so withheld and timely remitted to the appropriate Governmental
such deduction and withholding was made.

Section 2.6 Fractional Shares. No fractional shares of Parent Stock shall b

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Stock shall be issued upon the surrender for exchange of Certificates or Book-
Parent. Notwithstanding any other provision of this Agreement, each holder of
share of Parent Stock (after aggregating all shares represented by the Certificat
amount equal to such fractional part of a share of Parent Stock (rounded to the

Except as disclosed in the Company SEC Documents filed or furnished with th
prior to the date hereof (but excluding any forward looking disclosures set fort
extent they are predictive or forward-looking in nature) or in the applicable sec
Disclosure Letter) (it being agreed that disclosure of any item in any section
of such item is reasonably apparent), the Company represents and warrants to

Section 3.1 Qualification, Organization, Subsidiaries, etc.

(a) Each of the Company and its Subsidiaries is a legal entity duly organiz
requisite corporate or similar power and authority to own, lease and operate its
foreign corporation or other entity in each jurisdiction where the ownership, le
organized, validly existing, qualified or, where relevant, in good standing, or to
Effect. The Company has filed with the SEC, prior to the date of this Agreeme
Certificate and the Company Bylaws are in full force and effect and the Compa

(b) All the issued and outstanding shares of capital stock of, or other equit
indirectly, by the Company free and clear of all Liens, other than Company Pe
Agreement.

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Section 3.2 Capitalization.

(a) The authorized capital stock of the Company consists of 500,000,000 s
October 31, 2014 (the Company Capitalization Date), (i)(A) 307,605,860 C
the Rights Agreement dated as of April 22, 2014 (the Rights Plan) between
treasury and (C) no Company Shares were held by Subsidiaries of the Compan
Company Preferred Stock were issued or outstanding and 400,000 shares were
Company Shares are, and all Company Shares reserved for issuance as noted a
and free of pre-emptive rights. All issued and outstanding shares of capital stoc
free and clear of all Liens, other than Company Permitted Liens.

(b) Except as set forth in Section 3.2(a) above and Section 3.9(g) below, a
Shares that were outstanding on the Company Capitalization Date or that have
Company Capitalization Date and (ii) other than the Company Rights and the
rights, agreements or commitments relating to the issuance of capital stock or
of the Company Subsidiaries to (A) issue, transfer or sell any shares in the cap
equity interests (in each case other than to the Company or a wholly owned Su
securities or other similar right, agreement or commitment; (C) redeem or othe
investment (in the form of a loan, capital contribution or otherwise) in, any Co
from or calculated based on the value of the Company Common Stock or Com
or equity-based award to any of the directors, employees or independent contra

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(c) Neither the Company nor any Company Subsidiary has outstanding bo
exercisable for securities having the right to vote) with the stockholders of the

(d) There are no voting trusts or other agreements or understandings to wh
Company or any Company Subsidiary.

Section 3.3 Corporate Authority Relative to this Agreement; No Violation

(a) The Company has all requisite corporate power and authority to enter i
Stockholder Approval is obtained, to consummate the Transactions, including
authorized by the Company Board of Directors and, assuming the representatio
other corporate proceedings on the part of the Company or any Company Subs
Stockholder Approval. Prior to the execution of this Agreement, the Company
interests of the Company and the stockholders of the Company, (y) approved a
herein, in accordance with the requirements of the DGCL and (z) has adopted
Statement/Prospectus, in each case subject to Section 5.3. This Agreement has
agreement of Parent and Merger Sub, constitutes the valid and binding agreem
applicable bankruptcy, insolvency, examinership, reorganization, moratorium
and injunctive and other forms of equitable relief may be subject to equitable d

(b) Other than in connection with or in compliance with (i) the provisions
set forth on Section 3.3(b) of the Company Disclosure Letter, (vi) any applicab
consent or approval of, or filing with, any Governmental Entity is necessary, u

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approvals or filings that, if not obtained or made, would not reasonably be exp

(c) The execution and delivery by the Company of this Agreement do not, correct, the consummation of the Transactions and compliance with the provis time, or both) under, or give rise to a right of, or result in, termination, modific Indebtedness or credit agreement, note, bond, mortgage, indenture, lease, perm upon any of the properties, rights or assets of the Company or any Company S any violation of any provision of the Company Governing Documents or any o of the Company Subsidiaries or any of their respective properties or assets, oth violation, conflict, default, termination, cancellation, acceleration, right, loss o

Section 3.4 Reports and Financial Statements.

(a) From January 1, 2012 through the date of this Agreement, the Compan Documents) required to be filed or furnished prior to the date hereof by it wit registration statements and proxy statements, on the date of effectiveness and t the Securities Act, the Exchange Act and the Sarbanes-Oxley Act, as the case untrue statement of a material fact or omitted to state any material fact require misleading. None of the Company SEC Documents is, as of the date of this Ag Company has, prior to the date hereof, provided Parent or its Representatives the SEC with respect to the Company SEC Documents, within the year prior to

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(b) The consolidated financial statements (including all related notes and s
applicable accounting requirements and the published rules and regulations of
position of the Company and its consolidated Subsidiaries, as at the respective
(subject, in the case of the unaudited statements, to normal year-end audit adju
Accepted Accounting Principles (GAAP) (except, in the case of the unaudit
therein or in the notes thereto).

Section 3.5 Internal Controls and Procedures. The Company has establishe
(e) and (f), respectively, of Rule 13a-15 under the Exchange Act) as required b
material information required to be disclosed by the Company in the reports th
rules and forms of the SEC, and that all such material information is accumula
the certifications required pursuant to Sections 302 and 906 of the Sarbanes-O

Section 3.6 No Undisclosed Liabilities. Except (a) as disclosed, reflected o
SEC Documents filed or furnished and publicly available prior to the date here
this Agreement and (d) for liabilities which have been discharged or paid in fu
accrued, contingent or otherwise, that would be required by GAAP to be reflec
individually or in the aggregate, would not reasonably be expected to have a C
any Company Subsidiaries to perform under or comply with any applicable La
comply by the Company or any Company Subsidiaries with any such Law, act
expected to result in a monetary obligation.

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Section 3.7 Compliance with Laws; Permits.

(a) The Company and each Company Subsidiary is in compliance with and
or assets, except where such non-compliance, default or violation would not re

(b) The Company and the Company Subsidiaries are in possession of all fr
Governmental Entity necessary for the Company and the Company Subsidiarie
Permits), except where the failure to have any of the Company Permits would
full force and effect, except where the failure to be in full force and effect wou
Company Subsidiary is in compliance with all Company Permits, except where
Adverse Effect.

(c) Notwithstanding anything contained in this Section 3.7, no representati
Section 3.13, or in respect of environmental, Tax, employee benefits or labor I

Section 3.8 Environmental Laws and Regulations. Except for such matters a
its Subsidiaries are now and have been since January 1, 2012 in compliance wi
Company or any of its Subsidiaries (including soils, groundwater, surface wate
Hazardous Substance in a manner that is or is reasonably likely to be required
Environmental Liability; (c) since January 1, 2012, neither the Company nor a
Subsidiaries may be in violation of or subject to liability under any Environme
subject to any order, decree, injunction or agreement with any Governmental E
any Hazardous Substance; and (e) the Company has all of the material Environ
in good standing.

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Section 3.9 Employee Benefit Plans.

(a) Section 3.9(a) of the Company Disclosure Letter sets forth, as of the da
other equity-based compensation arrangement or plan, incentive, deferred com
pension, vacation, cafeteria, dependent care, medical care, employee assistance
arrangement, in each case for the benefit of current employees, directors or cor
any Company Subsidiary may have any obligation or liability (whether actual
Parent correct and complete copies of (or, to the extent no such copy exists, a d
modifications, and amendments related to such plans and any related trust agre
material filings and correspondence with any Governmental Entity; and (v) all

(b) (i) Except as would not, individually or in the aggregate, reasonably be
material compliance in accordance with applicable Laws, including, but not lim
of ERISA or Section 412 or 4971 of the Code; (iii) no Company Benefit Plan p
of the Company or its Subsidiaries beyond their retirement or other termination
comparable U.S. state Law; (iv) no liability under Title IV of ERISA has been
exists that is likely to cause the Company, its Subsidiaries or any of their ERIS
Section 3(37) of ERISA) or a plan that has two or more contributing sponsors a
individually or in the aggregate, reasonably be expected to have a Company M
Plan in respect of current or prior plan years have been timely paid or accrued
reasonably be expected to have a Company Material Adverse Effect, neither th

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its Subsidiaries could be subject to either a civil penalty assessed pursuant to S
individually or in the aggregate, reasonably be expected to have a Company M
investigations or audits (other than routine claims for benefits) by, on behalf of

(c) Except as would not, individually or in the aggregate, reasonably be ex
of Section 401(a) of the Code has received a favorable determination letter or c
be expected to adversely affect the qualified status of any such plan. Each such

(d) Except as would not reasonably be expected to have a Company Mater
conjunction with any other event) will (i) result in any payment (including seve
Indebtedness or otherwise) becoming due to any current or former director or a
otherwise payable under any Company Benefit Plan or (iii) result in any accele

(e) Except as would not, individually or in the aggregate, reasonably be ex
States has been operated in conformance with the applicable statutes or govern
to the extent relevant, the United States.

(f) Each Company Benefit Plan has been maintained and operated in docu
Company is not a party to nor does it have any obligation under any Company
pursuant to Section 409A of the Code.

(g) Section 3.9(g) of the Company Disclosure Letter sets forth (i) the aggr
subject to performance-based Company RSUs, (iii) the aggregate number of C
schedule, the Company Equity Schedule), in each case as of the Company C

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provide Parent with an updated Company Equity Schedule within three (3) bus
delivery.

(h) Except as would not reasonably be expected to have a Company Mater
employment and employment practices and those Laws relating to terms and c
(ii) has no charges or complaints relating to unfair labor practices or unlawful

Section 3.10 Absence of Certain Changes or Events.

(a) From December 31, 2013 through the date of this Agreement, there has
Adverse Effect.

(b) From September 30, 2014 through the date of this Agreement, (i) the b
Company nor any Company Subsidiary has taken any action that would have c
(o) thereof)) had such action been taken after the execution of this Agreement

Section 3.11 Investigation; Litigation. As of the date of this Agreement, (a) t
to the Company or any Company Subsidiary or any of their respective properti
against the Company or any Company Subsidiary or any of their respective pro
(a) or (b), would reasonably be expected to have, individually or in the aggrega

Section 3.12 Information Supplied. The information relating to the Company
Meeting and the Parent Special Meeting, which will be used as a prospectus of
Statement/Prospectus), and the registration statement on Form S-4 pursuant t
Proxy Statement/Prospectus will be included as a prospectus of Parent (togethe
amendment or supplement thereto) is first mailed to the

stockholders of the Company and Parent, or at the time the Form S-4 (and any

supplement thereto) is filed and the date it is declared effective or any post-eff
(each, as it may be adjourned or postponed in accordance with the terms hereo
to make the statements therein, at the time and in light of the circumstances un
to the meeting of the shareholders of Parent) will comply in all material respec
federal securities Laws. Notwithstanding the foregoing provisions of this Secti
reference in the Joint Proxy Statement/Prospectus or the Form S-4 which were

Section 3.13 Regulatory Matters.

(a) Except as has not had and would not reasonably be expected to have, i
Company Permits, including (x) all permits, licenses, franchises, approvals, cl
Public Health Service Act, as amended (the PHSA), the regulations of the U
franchises, approvals, clearances, registrations, certificates and authorizations
labeling, manufacturing, marketing, promotion, distribution, sale, pricing, imp
the lawful operating of the businesses of the Company or any Company Subsi
are valid and in full force and effect; and (iii) the Company is in compliance w

(b) Except as would not, individually or in the aggregate, reasonably be ex
conducted in compliance with all applicable Laws, including (i) the FDCA; (ii
the foregoing applicable in jurisdictions in which material quantities of any of
healthcare Laws (including the federal Anti-Kickback Statute (42 U.S.C. §132
U.S.C. § 1320a-7), the civil monetary penalties law (42 U.S.C. § 1320a-7a), al

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to 18 U.S.C. Sections 286 and 287, and the health care fraud criminal provisio
Health Information Technology for Economic and Clinical Health Act (HITE
quantities of any of the Company Products or Company Product candidates are
information security, including all HIPAA and HITECH provisions pertaining
processing of any applicable rebate, chargeback or adjustment under the Medic
U.S.C. § 1395w-3a), the Public Health Service Act (42 U.S.C. § 256b), the VA
Affairs agreement, and any successor government programs; and (viii) the rule
Healthcare and Data Protection Laws). Since January 1, 2012, neither the Co
including the FDA, the Drug Enforcement Administration, the United States D
of Inspector General and Office for Civil Rights, the Centers for Medicare and
Company Subsidiaries under, any Company Healthcare and Data Protection La
Company Material Adverse Effect.

(c) Except as would not, individually or in the aggregate, reasonably be ex
are, as applicable, cause for false claims liability, civil penalties or mandatory
Subsidiary is a party to any material corporate integrity agreements, deferred p
Governmental Entity.

(d) All pre-clinical and clinical investigations in respect of a Company Pro
conducted in compliance with all applicable Laws administered or issued by th
recording, analysis and reporting of clinical trials contained in Title 21 parts 5
Laws restricting the collection, use and disclosure of individually identifiable h
had and would not reasonably be expected to have a Company Material Adver

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(e) Since January 1, 2012, neither the Company nor any Company Subsidi
Body with jurisdiction over the development, marketing, labeling, sale, use ha
reasonably be expected to lead to the denial, limitation, revocation, or rescissio
pending before the FDA or such other Company Regulatory Agency.

(f) Since January 1, 2012, all reports, documents, claims, permits and noti
Company Subsidiaries have been so filed, maintained or furnished, except whe
individually or in the aggregate, a Company Material Adverse Effect. All such
in or supplemented by a subsequent filing). Since January 1, 2012 neither the
Company or any of the Company Subsidiaries, has made an untrue statement o
required to be disclosed to the FDA or any other Company Regulatory Agency
of the Company Subsidiaries, that, at the time such disclosure was made, woul
Bribery, and Illegal Gratuities , set forth in 56 Fed. Reg. 46191 (September 1
to make a statement that, individually or in the aggregate, has not had and wou
nor, to the knowledge of the Company, any officer, employee, agent or distribu
which debarment is mandated by 21 U.S.C. § 335a(a) or any similar Law or au
Products or Company Product candidates are sold or intended by the Company
any officer, employee, agent or distributor of the Company or any of the Comp
any crime or engaged in any conduct for which such Person could be excluded
Company Healthcare Law or program.

(g) As to each Company Product or Company Product candidate subject to

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Law in any foreign jurisdiction in which material quantities of any of the Com
manufactured, tested, distributed or marketed by or on behalf of the Company
Material Adverse Effect, each such Company Product or Company Product ca
including those relating to investigational use, marketing approval, current goo
pending or, to the knowledge of the Company, threatened, including any prose
Product or Company Product candidate by the Company or any of the Compar
Adverse Effect.

(h) Except as would not, individually or in the aggregate, reasonably be ex
have voluntarily or involuntarily initiated, conducted or issued, or caused to be
letter, investigator notice, or other notice or action to wholesalers, distributors,
Product. To the knowledge of Company, there are no facts which are reasonab
regarding (i) the recall, removal, correction, market withdrawal or replacement
corrections, market withdrawals or replacements that are not material to the Co
labeling of any such Company Products, (iii) a termination or suspension of th
Company Product.

(i) Except as would not reasonably be expected to have a Company Materi
the unauthorized access, use, or disclosure of data or information that is linked

(j) Notwithstanding anything contained in this Section 3.13, no representat
matters.

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Section 3.14 Tax Matters. Except as would not, individually or in the aggreg

(a) all Tax Returns that are required to be filed by or with respect to the Co
Tax Returns are true, complete and accurate;

(b) the Company and its Subsidiaries have paid all Taxes due and owing b
whether or not shown on any Tax Return), other than Taxes for which adequat

(c) there is no pending or threatened in writing any audit, examination, inv

(d) neither the Company nor any of its Subsidiaries has waived any statute

(e) neither the Company nor any of its Subsidiaries has constituted a dist
intended to qualify for tax-free treatment under Section 355 of the Code (or an

(f) none of the Company or any of its Subsidiaries is a party to any Tax all
ordinary course commercial agreements or arrangements that are not primarily
Regulations Section 1.1502-6 (or any similar provision of state, local, or non-U

(g) there are no Liens for Taxes upon any property or assets of the Compa

(h) neither the Company nor any of its Subsidiaries has entered into any
non-U.S. Law).

Section 3.15 Labor Matters.

(a) As of the date hereof, neither the Company nor any Company Subsidia
organization. Neither the Company nor any Company Subsidiary is

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subject to a labor dispute, strike or work stoppage except as would not have, in
efforts with respect to the formation of a collective bargaining unit presently be
would not have or reasonably be expected to have, individually or in the aggre

(b) The Transactions will not require the consent of, or advance notificatio
other than any such consents the failure of which to obtain or advance notificat
Adverse Effect.

(c) Except as would not reasonably be expected to have a Company Mater
Laws pertaining to the privacy, data protection, and information security of em

Section 3.16 Intellectual Property. Except as would not reasonably be expect
is licensed or otherwise possesses legally enforceable rights to use, all Intellect
threatened claims against the Company or its Subsidiaries by any Person allegi
conducted that would reasonably be expected to have, individually or in the ag
Company Material Adverse Effect, to the knowledge of the Company, the con
proprietary right of any Person. As of the date hereof, neither the Company no
Property used in their respective businesses which violation or infringement w

Section 3.17 Real Property.

(a) With respect to the real property owned by the Company or any Compa
property collectively, the Company Owned Real Property), except as would
Company Subsidiary has good and valid title to such the Company Owned Rea

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of payment not yet due and payable, being contested in good faith or for which other similar Lien arising in the ordinary course of business, (iii) which is disc reflected on such balance sheet, (iv) which was incurred in the ordinary course indebtedness for borrowed money or any financial guaranty thereof, which wo is currently being used (any such Lien described in any of clauses (i) through (pending, and to the knowledge of the Company there is no threatened, condem have, individually or in the aggregate, a Company Material Adverse Effect.

(b) Except as would not reasonably be expected to have, individually or in any of its Subsidiaries uses or occupies or has the right to use or occupy any m Company Leased Real Property), is valid, binding and in full force and effe similar Laws, now or hereafter in effect, relating to creditors rights generally and to the discretion of the court before which any proceeding therefor may be of the Company, the landlord thereunder exists with respect to any Company L Adverse Effect, the Company and each of its Subsidiaries has a good and valid thereto, the Company Leased Real Property, free and clear of all Liens, except

Section 3.18 Opinions of Financial Advisors. The Company Board of Direct this Agreement, and subject to the assumptions made, matters considered and l received by the stockholders (other than Parent and its affiliates) of the Compa accurate and complete copy of each such opinion to Parent (it being understoo Merger Sub).

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Section 3.19 Required Vote; State Takeover Statutes.

(a) Assuming the accuracy of Parent s representations and warranties in S Agreement and to consummate the Transactions.

(b) Assuming the accuracy of Parent s representations and warranties in t Agreement and the Transactions Section 203 of the DGCL and any similar pro Statutes) and (ii) to the knowledge of the Company, no other Takeover Statute

Section 3.20 Material Contracts.

(a) Except for this Agreement, Section 3.20 of the Company Disclosure Le which the Company or any Company Subsidiary has any current or future righ or assets is subject, in each case as of the date of this Agreement (all Contracts

(i) each Contract that limits in any material respect the freedom of the Com Contract that requires the Company and its affiliates to work exclusively with a the Effective Time;

(ii) any partnership, joint venture, strategic alliance, collaboration, co-pron

(iii) each Contract not otherwise described in any other subsection of this S than $50,000,000 in the one-year period following the date hereof and (B) cann other than ordinary course product or active ingredient purchase contracts;

(iv) each acquisition or divestiture Contract or material licensing agreemen that would reasonably be expected to result in the receipt or making of future p

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(v) each Contract relating to outstanding Indebtedness of the Company or
in an amount in excess of $30,000,000 other than (A) Contracts solely among
consistent with past practice not exceeding $2,500,000, individually or in the a
in each case to the extent not drawn upon), and (C) any Contracts relating to In
available prior to the date hereof in unredacted form as an exhibit to such Com

(vi) each Contract between the Company or any Company Subsidiary, on
Subsidiary or any of their respective associates or immediate family mem
which the Company or any Company Subsidiary has an obligation to indemnif

(vii) any Contract (excluding (A) licenses for commercial off the shelf com
development of any medicine to the extent the licenses contained therein are in
Company Subsidiary is granted any license, option or other right or immunity
party, which Contract is material to the Company and the Company Subsidiari

(viii) any Contract (excluding licenses contained in service Contracts related
immaterial, non-exclusive and granted in the ordinary course of business) unde
covenant not to be sued or right to enforce or prosecute any patents) with respe

(ix) any stockholders, investors rights, registration rights or similar agreem

(x) any Contract (A) pursuant to which a third party supplies the Company

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Contract is material to the Company and the Parent Subsidiaries, taken as a wh
product candidate that is reasonably expected to involve future expenditures by

(xi) any Contract pursuant to which the Company or any Company Subsid
achievement of regulatory or commercial milestones, or (B) payment of royalt
payments after the date hereof would reasonably be expected to be more than $
Company Subsidiary without penalty without more than sixty (60) days notic

(xii) any Contract that relates to any swap, forward, futures, or other similar

(xiii) any material collective bargaining agreement or other material Contra

(xiv) any Contract involving the settlement of any claim, action or proceedi
after the date hereof, or involved payments, in excess of $30,000,000 or (y) wi
restrictions on the Company or any Company Subsidiary or (B) with respect to

(xv) any Contract with any Governmental Entity, excluding settlement agre
Documents in unredacted form, sales or supply agreements entered into in the
Entities; and

(xvi) any Contract not otherwise described in any other subsection of this S
respect to the Company.

(b) Except as described in Section 3.20(b)(xvii) of the Company Disclosur
Contract as in effect on the date of this Agreement. Neither

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the Company nor any Company Subsidiary is in breach of or default under the
aggregate, a Company Material Adverse Effect. To the knowledge of the Com
terms of any Company Material Contract where such breach or default would
expected to have, individually or in the aggregate, a Company Material Adver
thereto and, to the knowledge of the Company, of each other party thereto, and
reorganization, moratorium or other similar Laws, now or hereafter in effect, r
may be subject to equitable defenses and to the discretion of the court before w

Section 3.21 Insurance. Except as would not reasonably be expected to have,
and Contracts of the Company and its Subsidiaries are in full force and effect a
same or similar lines of business and (b) all premiums due thereunder have bee
third party insurance policies or Contracts (other than in connection with norm
individually or in the aggregate, a Company Material Adverse Effect.

Section 3.22 Finders and Brokers. Neither the Company nor any Company S
broker, finder or similar Person in connection with the Transactions, other than
connection with or upon consummation of the Merger. The Company has mad
Company Subsidiary and each of the Persons set forth in Section 3.22 of the C

Section 3.23 FCPA and Anti-Corruption. Except for those matters which, inc

(a) neither the Company nor any Company Subsidiary, nor any director, m

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connection with the business of the Company or any Company Subsidiary, itse
on behalf of the Company or any Company Subsidiary, taken any action in vio

(b) neither the Company nor any Company Subsidiary, nor any director, m
pending, or threatened civil, criminal, or administrative actions, suits, demands
voluntary disclosures to any Governmental Entity, involving the Company or a

(c) the Company and each Company Subsidiary has made and kept books
assets of the Company and each Company Subsidiary as required by the FCPA

(d) the Company and each Company Subsidiary has instituted policies and
policies and procedures in force; and

(e) no officer, director, or employee of the Company or any Company Sub

Section 3.24 Sanctions. Except for those matters, which individually or in the
Subsidiary, nor any of their respective directors, managers, or employees (a) is
with any Sanctioned Person or in any Sanctioned Country on behalf of the Com
engaged in any conduct sanctionable under, any Sanctions Law, nor to the kno

Section 3.25 No Other Representations. Except for the representations and w
Merger Sub makes, and the Company acknowledges that it has not relied upon
with respect to any other information provided or made available to the Compa
the Company or to the Company s Representatives in certain data rooms or

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Except as disclosed in the Parent SEC Documents and forms, documents and r
information incorporated by reference therein) and publicly available prior to t
set forth in any risk factors section, any disclosures in any forward looking
applicable section of the disclosure letter delivered by Parent to the Company i
section of the Parent Disclosure Letter shall be deemed disclosure with respect
severally represent and warrant to the Company as set forth below.

Section 4.1 Qualification, Organization, Subsidiaries, etc.

(a) Each of Parent, Merger Sub and the Parent Subsidiaries is a legal entity
has all requisite corporate or similar power and authority to own, lease and ope
a foreign corporation or other entity in each jurisdiction where the ownership,
organized, validly existing, qualified or, where relevant, in good standing, or to
Effect. Parent has filed with the SEC, prior to the date of this Agreement, comp
Parent Articles of Association are in full force and effect and Parent is not in v

(b) All the issued and outstanding shares of capital stock of, or other equity
indirectly, by Parent free and clear of all Liens, other than Parent Permitted Lie

Section 4.2 Share Capital

(a) The authorized share capital of Parent consists of 1,000,000,000 Parent
value $0.0001 per share (Parent Preferred Shares).

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As of November 13, 2014 (the Parent Capitalization Date), (i)(A) 265,204,6
for issuance pursuant to the Parent Equity Plans, (iii) not more than 40,000 Par
Parent Stock are, and all Parent Stock reserved for issuance as noted above sha
free of pre-emptive rights. All issued and outstanding shares in the capital of, c
Liens, other than Parent Permitted Liens.

(b) Except as set forth in Section 4.2(a) above, as of the date hereof: (i) Pa
Parent Capitalization Date, but were reserved for issuance as set forth in Sectio
other similar rights, agreements or commitments relating to the issuance of sha
transfer or sell any shares of capital stock or other equity interests of Parent or
Parent or a wholly owned Subsidiary of Parent); (B) grant, extend or enter into
commitment; (C) redeem or otherwise acquire any such shares of capital stock
contribution or otherwise) in, any Parent Subsidiary that is not wholly owned.

(c) Neither Parent nor any Parent Subsidiary has outstanding bonds, deben
securities having the right to vote) with the shareholders of Parent on any matt

(d) There are no voting trusts or other agreements or understandings to wh
Subsidiaries.

Section 4.3 Corporate Authority Relative to this Agreement; No Violation.

(a) Parent and Merger Sub have all requisite corporate power and authority
of the Parent Shareholder Approval, to consummate the Transactions, includin
authorized by the Parent Board of Directors and, except for (i) the filing of the
receipt of the Parent Shareholder Approval, no other corporate proceedings on

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Parent or any Parent Subsidiary are necessary to authorize the consummation o
the Transactions, including the Merger, are fair to and in the best interests of P
the terms and subject to the conditions set forth herein and (z) adopted a resolu
with the Merger, in each case, subject to Section 5.4 (the Parent Board Recor
Merger Sub, has duly executed and delivered to Merger Sub a written consent
This Agreement has been duly and validly executed and delivered by Parent an
binding agreement of Parent and Merger Sub, enforceable against Parent and M
examinership, reorganization, moratorium or other similar Laws, now or herea
equitable relief may be subject to equitable defenses and to the discretion of th

(b) Other than in connection with or in compliance with (i) the DGCL, (ii)
requirements of the NYSE and (vii) the consents set forth on Section 4.3(b) of
applicable Law, for the consummation by Parent and Merger Sub of the Transa
have, individually or in the aggregate, a Parent Material Adverse Effect.

(c) The execution and delivery by Parent and Merger Sub of this Agreeme
will not (i) result in any violation or breach of, or default or change of control
acceleration of any material obligation or to the loss of a material benefit unde
or right binding upon Parent or any of Parent s Subsidiaries or result in the cre
(ii) subject to obtaining the Parent Shareholder Approval, conflict with or resu
Merger Sub or (iii) conflict with or violate any Laws applicable to Parent or an

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(ii) (with respect to Parent Subsidiaries that are not Significant Subsidiaries or reasonably be expected to have, individually or in the aggregate, a Parent Mate

Section 4.4 Reports and Financial Statements.

(a) From January 1, 2012 through the date of this Agreement, each of Pare it with the SEC (the Parent SEC Documents). As of their respective dates, c with the requirements of the Securities Act and the Exchange Act, as the case statement of a material fact or omitted to state any material fact required to be

(b) The consolidated financial statements (including all related notes and s respects with the applicable accounting requirements and the published rules a consolidated financial position of Parent or Actavis, Inc., as applicable, and its flows for the respective periods then ended (subject, in the case of the unaudite conformity with GAAP (except, in the case of the unaudited statements, to the notes thereto).

Section 4.5 Internal Controls and Procedures. Parent has established and ma (f), respectively, of Rule 13a-15 under the Exchange Act) as required by Rule information required to be disclosed by Parent in the reports that it files or furn of the SEC, and that all such material information is accumulated and commun required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act.

Section 4.6 No Undisclosed Liabilities. Except (a) as disclosed, reflected or Documents filed or furnished prior to the date

hereof, (b) for liabilities incurred in the ordinary course of business since Septe
in full in the ordinary course of business, neither Parent nor any Parent Subsidi
a consolidated balance sheet of Parent and its consolidated Subsidiaries (or in t
Adverse Effect. For purposes of this Section 4.6, the term liabilities shall no
Contract, but would include such liabilities and obligations if there has been a
default or failure would, with or without the giving of notice or passage of time

Section 4.7 Compliance with Law; Permits.

(a) Parent and each of Parent s Subsidiaries are in compliance with and ar
except where such non-compliance, default or violation would not reasonably

(b) Parent and Parent s Subsidiaries are in possession of all franchises, gr
Entity necessary for Parent and Parent s Subsidiaries to own, lease and operat
to have any of the Parent Permits would not reasonably be expected to have, in
to be in full force and effect would not reasonably be expected to have, individ

(c) Notwithstanding anything contained in this Section 4.7, no representati
Section 4.13, or in respect of environmental, Tax, employee benefits or labor L

Section 4.8 Environmental Laws and Regulations. Except for such matters as
Subsidiaries are now and have been since January 1, 2012 in compliance with
Parent or any of its Subsidiaries (including soils, groundwater, surface water, b

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Substance in a manner that is or is reasonably likely to be required to be remed
(c) since January 1, 2012, neither Parent nor any of its Subsidiaries has receive
subject to liability under any Environmental Law or are allegedly subject to an
agreement with any Governmental Entity, or any indemnity or other agreemen
has all of the material Environmental Permits necessary for the conduct and op

Section 4.9 Employee Benefit Plans.

(a) Section 4.9(a) of the Parent Disclosure Letter sets forth, as of the date h
equity-based compensation arrangement or plan, incentive, deferred compensa
vacation, cafeteria, dependent care, medical care, employee assistance program
arrangement, in each case for the benefit of current employees, directors or cor
Subsidiary may have any obligation or liability (whether actual or contingent)
complete copies of (or, to the extent no such copy exists, a description of), in e
amendments related to such plans and any related trust agreement; (ii) the mos
correspondence with any Governmental Entity; and (v) all material related agr

(b) (i) Except as would not, individually or in the aggregate, reasonably be
compliance in accordance with applicable Laws, including, but not limited to,
or Section 412 or 4971 of the Code; (iii) no Parent Benefit Plan provides benef
Subsidiaries beyond their retirement or other termination of service, other than
any of their respective ERISA Affiliates that has

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not been satisfied in full, and no condition exists that is likely to cause Parent, plan (as such term is defined in Section 3(37) of ERISA) or a plan that has tw (vi) except as would not, individually or in the aggregate, reasonably be expect Parent Benefit Plan in respect of current or prior plan years have been timely p the aggregate, reasonably be expected to have a Parent Material Adverse Effec subject to either a civil penalty assessed pursuant to Section 409 or 502(i) of E reasonably be expected to have a Parent Material Adverse Effect, there are no benefits) by, on behalf of or against any of the Parent Benefit Plans or any trus

(c) Except as would not, individually or in the aggregate, reasonably be ex Section 401(a) of the Code has received a favorable determination letter or opi expected to adversely affect the qualified status of any such plan. Each such fa

(d) Except as would not, individually or in the aggregate, reasonably be ex Transactions (either alone or in conjunction with any other event) will (i) resul the Code), forgiveness of Indebtedness or otherwise) becoming due to any curr benefits otherwise payable under any Parent Benefit Plan or (iii) result in any a

(e) Except as would not reasonably be expected to have a Parent Material with the applicable statutes or governmental regulations and rulings relating to

(f) Each Parent Benefit Plan has been maintained and operated in documer

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available exemption therefrom. Parent is not a party to nor does it have any ob
additional Taxes payable pursuant to Section 409A of the Code.

(g) Except as would not, individually or in the aggregate, reasonably be ex
Laws regarding employment and employment practices and those Laws relatin
compensation, and (ii) has no charges or complaints relating to unfair labor pra

Section 4.10 Absence of Certain Changes or Events.

(a) From December 31, 2013 through the date of this Agreement, there has
the aggregate, a Parent Material Adverse Effect.

(b) From September 30, 2014 through the date of this Agreement, (i) the b
Subsidiary has taken any action that would constitute a breach of Section 5.2(i
execution of this Agreement.

Section 4.11 Investigations; Litigation. As of the date hereof, (a) there is no i
Parent s Subsidiaries or any of their respective properties, rights or assets, and
Subsidiaries or any of their respective properties, rights or assets before, and th
expected to have, individually or in the aggregate, a Parent Material Adverse E

Section 4.12 Information Supplied. The information relating to Parent and its
Statement/Prospectus (and any amendment or supplement thereto) is first mail
effective or any post-effective amendment thereto is filed or is declared effecti
to state any material fact required to be stated therein or necessary in order to r
Proxy Statement/Prospectus (other than the portions thereof

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relating solely to the meeting of the stockholders of the Company) and the For
thereunder and any other applicable federal securities laws. Notwithstanding th
or statements made or incorporated by reference in the Joint Proxy Statement/

Section 4.13 Regulatory Matters.

(a) Except as has not had and would not reasonably be expected to have, i
licenses, franchises, approvals, clearances, registrations, and authorizations un
franchises, approvals, clearances, registrations, certificates and authorizations
labeling, manufacturing, marketing, promotion, distribution, sale, pricing, imp
lawful operating of the businesses of Parent or any of the Parent Subsidiaries a
and in full force and effect; and (iii) Parent is in compliance with the terms of

(b) Except as would not, individually or in the aggregate, reasonably be ex
compliance with all applicable Laws, including (i) the FDCA; (ii) the PHSA; (
applicable in jurisdictions in which material quantities of any of the Parent Pro
the federal Anti-Kickback Statute (42 U.S.C. §1320a-7(b)), False Claims Act (
monetary penalties law (42 U.S.C. § 1320a-7a), all criminal laws relating to he
under HIPAA, as amended by the HITECH Act, and any comparable federal, s
or Parent Product candidates are manufactures or sold); (vi) all applicable fore
provisions pertaining to privacy, information security and breach notification;
adjustment under the Medicaid Drug Rebate Program (42 U.S.C. § 1396r-8) an

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rebate program, Medicare average sales price reporting (42 U.S.C. § 1395w-3a
pharmaceutical assistance program or U.S. Department of Veterans Affairs agr
each as amended from time to time (collectively, Parent Healthcare and Data
communication from any Parent Regulatory Agency, including the FDA, the D
States Department of Health and Human Services Office of Inspector General
Services, of noncompliance by, or liability of Parent or the Parent Subsidiaries
expected to have, individually or in the aggregate, a Parent Material Adverse E

(c) Except as would not, individually or in the aggregate, reasonably be ex
applicable, cause for false claims liability, civil penalties or mandatory or perm
a party to any material corporate integrity agreements, deferred prosecution ag
Agency.

(d) All pre-clinical and clinical investigations in respect of a Parent Produc
with all applicable Laws administered or issued by the applicable Parent Regul
reporting of clinical trials contained in Title 21 parts 50, 54, 56, 312, 314 and 3
disclosure of individually identifiable health information and personal informa
expected to have a Parent Material Adverse Effect.

(e) Since January 1, 2012, neither Parent nor any of the Parent Subsidiarie
labeling, sale, use handling and control, safety, efficacy, reliability, or manufac
Permits or of any application for marketing approval already granted or curren

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(f) Since January 1, 2012, all reports, documents, claims, permits and noti
Subsidiaries have been so filed, maintained or furnished, except where failure
in the aggregate, a Parent Material Adverse Effect. All such reports, document
by a subsequent filing). Since January 1, 2012, neither Parent nor any of the Pa
has made an untrue statement of a material fact or a fraudulent statement to the
Regulatory Agency, or committed an act, made a statement, or failed to make a
made, would reasonably be expected to provide a basis for the FDA to invoke
(September 10, 1991) or for the FDA or any other Parent Regulatory Agency t
had and would not reasonably be expected to have a Parent Material Adverse E
Parent or any of the Parent Subsidiaries, has been debarred or convicted of any
U.S.C. § 335a(b) or any similar Law applicable in other jurisdictions in which
January 1, 2011, neither Parent nor any of the Parent Subsidiaries, nor, to the k
or excluded from participation in any government health care program or conv
program under Section 1128 of the Social Security Act of 1935, as amended, o

(g) As to each Parent Product or Parent Product candidate subject to the F
quantities of any of the Parent Products or Parent Product candidates are sold c
Parent or any of the Parent Subsidiaries, except as would not, individually or in
is being or has been developed, manufactured, stored, distributed and marketed
practices, packaging, labeling, advertising, record keeping, reporting, and secu
civil

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fine, debarment, suspension or recall, in each case alleging any violation appli
individually or in the aggregate, reasonably be expected to have a Parent Mate

(h) Except as would not, individually or in the aggregate, reasonably be ex
voluntarily or involuntarily initiated, conducted or issued, or caused to be initi
investigator notice, or other notice or action to wholesalers, distributors, retaile
the knowledge of Parent, there are no facts which are reasonably likely to caus
withdrawal or replacement of any Company Product sold or intended to be sol
Subsidiaries, taken as a whole), (ii) a material change in the marketing classifi
or distribution of such Parent Products, or (iv) a material negative change in re

(i) Except as would not reasonably be expected to have a Parent Material A
unauthorized access, use or disclosure of data or information that is linked to a
that term is defined in the HIPAA regulations at 45 C.F.R. § 160.103.

(j) Notwithstanding anything contained in this Section 4.13, no representation

Section 4.14 Tax Matters. (a) Except as would not, individually or in the agg

(i) all Tax Returns that are required to be filed by or with respect to Parent
Returns are true, complete and accurate;

(ii) Parent and its Subsidiaries have paid all Taxes due and owing by any c
whether or not shown on any Tax Return), other than Taxes for which adequat

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(iii) there is no pending or threatened in writing any audit, examination, in

(iv) neither Parent nor any of its Subsidiaries has waived any statute of lim

(v) neither Parent nor any of its Subsidiaries has constituted a distributing qualify for tax-free treatment under Section 355 of the Code (or any similar pr

(vi) none of Parent or any of its Subsidiaries is a party to any Tax allocatio ordinary course commercial agreements or arrangements that are not primarily Regulations Section 1.1502-6 (or any similar provision of state, local, or non-U

(vii) there are no Liens for Taxes upon any property or assets of Parent or

(viii) neither Parent nor any of its Subsidiaries has entered into any listed Law).

(b) Parent is, and at all times since its formation has been, treated as a fore

Section 4.15 Labor Matters.

(a) As of the date hereof, neither Parent nor any Parent Subsidiary is a part Neither Parent nor any Parent Subsidiary is subject to a labor dispute, strike or Parent, there are no organizational efforts with respect to the formation of a co formation of which would not have or reasonably be expected to have, individ

(b) The Transactions will not require the consent of, or advance notificatio

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or any Parent Subsidiary, other than any such consents the failure of which to o
aggregate, a Parent Material Adverse Effect.

(c) Except as would not reasonably be expected to have a Parent Material
pertaining to the privacy, data protection and information security of employee

Section 4.16 Intellectual Property. Except as would not reasonably be expect
otherwise possesses legally enforceable rights to use, all Intellectual Property u
Parent or its Subsidiaries by any Person alleging infringement by Parent or its
expected to have, individually or in the aggregate, a Parent Material Adverse E
knowledge of Parent, the conduct of the businesses of Parent and its Subsidiari
Parent nor any of its Subsidiaries has made any claim of a violation or infringe
infringement would reasonably be expected to have, individually or in the aggr

Section 4.17 Real Property.

(a) With respect to the real property owned by Parent or any Parent Subsid
collectively, the Parent Owned Real Property), except as would not reasona
and valid title to such Parent Owned Real Property, free and clear of all Liens,
contested in good faith or for which adequate accruals or reserves have been es
course of business, (iii) which is disclosed on the most recent consolidated bala
of business since the date of the most recent consolidated balance sheet of Pare
which the property is currently being used (any such Lien described in any of c
pending, and to the knowledge of Parent there is no

threatened, condemnation proceeding with respect to any Parent Owned Real P
Adverse Effect.

(b) Except as would not reasonably be expected to have, individually or in
Subsidiaries uses or occupies or has the right to use or occupy any material rea
Property), is valid, binding and in full force and effect, except that (A) enforc
hereafter in effect, relating to creditors rights generally and (B) equitable rem
of the court before which any proceeding therefor may be brought and (ii) no u
thereunder exists with respect to any Parent Leased Real Property. Except as w
Subsidiaries has a good and valid leasehold interest in or contractual right to us
clear of all Liens, except for Parent Permitted Liens.

Section 4.18 Opinion of Financial Advisor. The Parent Board of Directors ha
of the date of the opinion, to Parent of the Merger Consideration being paid by

Section 4.19 Required Vote. The Parent Shareholder Approval is the only vo

Section 4.20 Material Contracts.

(a) Except for this Agreement, Section 4.20 of the Parent Disclosure Lette
which Parent or any Parent Subsidiary has any current or future rights, respons
is subject, in each case as of the date of this Agreement (all Contracts of the ty

(i) each Contract that limits in any material respect the freedom of the Pare
Contract that requires the Parent and its affiliates to work exclusively with any
the Effective Time;

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(ii) any partnership, joint venture, strategic alliance, collaboration, co-pron

(iii) each Contract not otherwise described in any other subsection of this $ $50,000,000 in the one-year period following the date hereof and (B) cannot be ordinary course product or active ingredient purchase contracts;

(iv) each acquisition or divestiture Contract or material licensing agreemen that would reasonably be expected to result in the receipt or making of future p

(v) each Contract relating to outstanding Indebtedness of Parent or its Sub amount in excess of $30,000,000 other than (A) Contracts solely among Paren practice not exceeding $2,500,000, individually or in the aggregate (other than practice in each case to the extent not drawn upon), and (C) any Contracts rela

(vi) each Contract between Parent or any Parent Subsidiary, on the one ha respective associates or immediate family members (as such terms are de Subsidiary has an obligation to indemnify such officer, director, affiliate or fa

(vii) any Contract (excluding (A) licenses for commercial off the shelf con clinical development of any medicine to the extent the licenses contained there Parent Subsidiary is granted any license, option or other right or immunity (inc which Contract is material to Parent and the Parent Subsidiaries, taken as a wh

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(viii) any Contract (excluding licenses contained in service Contracts relat
immaterial, non-exclusive and granted in the ordinary course of business) unde
not to be sued or right to enforce or prosecute any patents) with respect to any

(ix) any stockholders, investors rights, registration rights or similar agreem

(x) any Contract (A) pursuant to which a third party supplies Parent or the
taken as a whole or (B) requiring Parent or any Parent Subsidiary to purchase a
Parent or any of the Parent Subsidiaries of more than $50,000,000 in the one-y

(xi) any Contract pursuant to which Parent or any Parent Subsidiary has co
regulatory or commercial milestones, or (B) payment of royalties or other amo
hereof would reasonably be expected to be more than $50,000,000 in the twelv
without more than sixty (60) days notice without material payment or penalty

(xii) any Contract that relates to any swap, forward, futures, or other simila

(xiii) any material collective bargaining agreement or other material Contr

(xiv) any Contract involving the settlement of any claim, action or proceed
after the date hereof, or involved payments, in excess of $30,000,000 or (y) wi
restrictions on Parent or any Parent Subsidiary or (B) with respect to which ma

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(xv) any Contract with any Governmental Entity, excluding settlement agr
material and tolling agreements entered into in connection with investigations

(xvi) any Contract not otherwise described in any other subsection of this
respect to Parent.

(b) Except as described in Section 4.20(b)(xvii) of the Parent Disclosure L
Contract as in effect on the date of this Agreement. Neither Parent nor any Par
be expected to have, individually or in the aggregate, a Parent Material Advers
under the terms of any Parent Material Contract where such breach or default
reasonably be expected to have, individually or in the aggregate, a Parent Mate
thereto and, to the knowledge of Parent, of each other party thereto, and is in f
moratorium or other similar Laws, now or hereafter in effect, relating to credit
to equitable defenses and to the discretion of the court before which any proce

Section 4.21 Insurance. Except as would not reasonably be expected to have,
Contracts of Parent and its Subsidiaries are in full force and effect and are vali
lines of business and (b) all premiums due thereunder have been paid. Neither
policies or Contracts (other than in connection with normal renewals of any su
aggregate, a Parent Material Adverse Effect.

Section 4.22 Finders and Brokers. Neither Parent nor any of its Subsidiaries
Parent Disclosure Letter, who might be entitled to any fee or any commission i

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Section 4.23 Financing.

(a) Parent has delivered to the Company a true and complete copy of the e
and provisions specified in any such fee letter (including any provisions relatin
or the Financing Conditions). The Debt Commitment Letter has not been amen
agreement, side letter or other arrangement relating to the financing of the Tran
and the fee letters and engagement letters related to the Debt Commitment Lett
in any respect. As of the date of this Agreement, the Debt Commitment Letter
party thereto, to provide the financing contemplated thereby subject only to the
bankruptcy, insolvency, reorganization or other laws of general application rela
ordered. Parent has fully paid (or caused to be paid) any and all commitment fe
of this Agreement, assuming the accuracy of the representations and warranties
notice, lapse of time or both, would reasonably constitute a breach or default o
Agreement, assuming the accuracy of the representations and warranties set fo
Section 7.2(b) and Section 7.2(c) and performance by the Company of its oblig
a timely basis its obligations under the Debt Commitment Letter. There are no
accuracy of the representations and warranties set forth in Article III such that
and performance by the Company of its obligations under Section 6.13 of this
or (ii) the Financing will not be made available to Parent on the Closing Date.

(b) Assuming the accuracy of the representations and warranties set forth i
and Section 7.2(c) and performance by the Company of its obligations under S

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directly or through one or more affiliates, all funds necessary to consummate t
Consideration and Fractional Share Consideration and all other amounts to be
the contrary contained herein, in no event shall the receipt or availability of an

Section 4.24 FCPA and Anti-Corruption. Except for those matters which, inc

(a) neither Parent nor any Parent Subsidiary, nor any director, manager or
Subsidiary, itself or, to Parent s knowledge, any of its agents, representatives,
violation of the FCPA or other applicable Bribery Legislation (in each case to

(b) neither Parent nor any Parent Subsidiary, nor any director, manager or
civil, criminal, or administrative actions, suits, demands, claims, hearings, noti
any Governmental Entity, involving Parent or any Parent Subsidiary in any wa

(c) Parent and each Parent Subsidiary has made and kept books and record
the Parent and each Parent Subsidiary as required by the FCPA in all material

(d) Parent and each Parent Subsidiary has instituted policies and procedure
procedures in force; and

(e) no officer, director, or employee of Parent or any Parent Subsidiary is

Section 4.25 Stock Ownership. Neither Parent, Merger Sub or any of their re
interested stockholder of the Company as defined either in the Company Ce
three years, neither Parent nor any Parent Subsidiaries has owned, beneficially

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Section 4.26 No Merger Sub Activity. Since the date of its formation, Merge

Section 4.27 No Other Representations. Except for the representations and w
Parent acknowledges that it has not relied upon or otherwise been induced by,
other information provided or made available to Parent in connection with the
Representatives in certain data rooms or management presentations in expe

Section 5.1 Conduct of Business by the Company Pending the Closing. The
terminated pursuant to Section 8.1, except (a) as set forth in Section 5.1 of the
Parent (which consent shall not be unreasonably withheld, delayed or conditio
course of business consistent with past practice, including by using reasonable
Governmental Entities and with customers, suppliers and other Persons with w
(a) through (p) of Section 5.1(ii) shall be deemed a breach of this clause (i) and
pursuant to Section 8.1, the Company shall not, and shall not permit any Comp

(a) authorize or pay any dividends on or make any distribution with respec
Subsidiary), except dividends and distributions paid or made on a pro rata basi
to the Company or another wholly owned Company Subsidiary;

(b) split, combine, reduce or reclassify any of its capital stock, or issue or
transaction by a wholly owned Company Subsidiary which remains a wholly o

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(c) except as required by applicable Law or the terms and conditions of an
of its directors, officers, employees or individual independent contractors othe
consistent with past practice, provided, that in no event shall the Company incr
Officer, an ordinary course base salary increase of up to 3%, or (y) the base sa
(ii) grant to any of its directors, officers, employees or individual independent
promoted employees in the ordinary course of business consistent with past pra
than as set forth in Section 5.1(c) of the Company Disclosure Letter, (iv) enter
in control or retention benefits) with any of its directors, officers, employees o
with respect to new hires and promoted employees (other than the Section 16
change in control or retention benefits provided to similarly situated employee
Company and its Subsidiaries who are formal participants, as of the date hereo
Company s CIC Policy, except with respect to new-hires and promoted emplo
bargaining agreement or Company Benefit Plan except as otherwise permitted
contravene the other covenants set forth in this clause (c) or, materially increas
or benefit, or the funding of any payment or benefit, payable or to become pay
the Company Executive Team, other than for cause, or (ix) hire any employee

(d) make any change in financial accounting policies, principles, practices
required by GAAP, applicable Law or SEC policy;

(e) authorize or announce an intention to authorize, or enter into agreemen

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any Person or any business or division thereof, in each case whether by merger
(i) such transactions for consideration (including assumption of liabilities) that
between wholly owned Company Subsidiaries;

(f) amend the Company Governing Documents or permit any Significant S

(g) other than in accordance with the Rights Plan, issue, deliver, grant, sell
capital stock, voting securities or other equity interest in the Company or any C
rights, warrants or options to acquire any such shares in its capital stock, voting
take any action to cause to be exercisable any otherwise unexercisable Compan
Award outstanding on the date hereof), other than (i) issuances of Company Sh
date hereof and in accordance with their respective present terms or (ii) transac

(h) directly or indirectly, purchase, redeem or otherwise acquire any shares
(and associated Company Rights) tendered by holders of Company Equity Aw
by the Company of Company Equity Awards in connection with the forfeiture
Company Subsidiaries;

(i) redeem, repurchase, prepay (other than prepayments of revolving loans
respect the terms of any Indebtedness for borrowed money or issue or sell any
(i) any Indebtedness for borrowed money among the Company and its wholly
renew, extend, refinance or refund any existing Indebtedness for borrowed mo
refinancing, in each case in an amount not to exceed the

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amount of the Indebtedness replaced, renewed, extended, refinanced or refunde
renewed, extended, refinanced or refunded, (iii) guarantees by the Company of
Indebtedness for borrowed money of the Company or any wholly owned Comp
Indebtedness and required amortization or mandatory prepayments and (v) Ind
other than in accordance with clauses (i) through (iv), inclusive; *provided* that
credit or surety bonds for the benefit of commercial counterparties in the ordin

(j) make any loans to any other Person, except for loans among the Compa

(k) sell, lease, license, transfer, exchange, swap or otherwise dispose of, or
other equity interests of the Company or any of the Company Subsidiaries), ex
connection with any Indebtedness permitted to be incurred pursuant to Section
(iv) licenses of non-material Intellectual Property (A) in the ordinary course of
by Section 5.1(ii)(l), (v) such transactions with neither a fair market value of th
Company and its wholly owned Company Subsidiaries or among wholly owne

(l) (x) compromise or settle any material claim, litigation, investigation or
including any compromise or settlement with respect to matters in which any c
of claims, litigation, investigations or proceedings that: (i) are for an amount (i
admission of guilt or impose any injunctive relief or a material restriction on th
(y) commence any material claim, litigation, investigation or proceeding, other

(m) make or change any material Tax election, change any Tax accounting

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amended Tax Return, settle or compromise any audit or proceeding relating to respect to a material amount of Taxes, enter into any closing agreement wit surrender any right to claim a material Tax refund, or take any action that wou the Code) to avoid current recognition of a material amount of income or gain

(n) except for capital expenditures incurred in the ordinary course of busin expenditure or expenditures;

(o) except in the ordinary course of business or in connection with any tra entered into prior to the date hereof, be a Company Material Contract, or (ii) m thereunder; or

(p) agree, in writing or otherwise, to take any of the foregoing actions.

Section 5.2 Conduct of Business by Parent Pending the Closing. Parent agre Section 8.1, except (a) as set forth in Section 5.2 of the Parent Disclosure Lett consent shall not be unreasonably withheld, delayed or conditioned), Parent (i) with past practice, including by using reasonable best efforts to preserve intact customers, suppliers and other Persons with whom it and they have material bu be deemed a breach of this clause (i), and (ii) agrees that between the date of th and shall not permit any Parent Subsidiary to:

(a) authorize or pay any dividends on or make any distribution with respec distributions paid or made on a pro rata basis by Parent Subsidiaries in the ordi Subsidiary;

(b) split, combine, reduce or reclassify any of its issued or unissued shares

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for, its shares, except for any such transaction by a wholly owned Parent Subsi

(c) authorize or announce an intention to authorize, or enter into agreemen division thereof, in each case whether by merger, consolidation, combination, materially delay or impede the consummation of the Transactions;

(d) amend the Parent Governing Documents or permit Merger Sub or any

(e) issue, deliver, grant, sell, pledge, dispose of or encumber, or authorize Parent or any Parent Subsidiary or any securities convertible into or exchangea securities or equity interest or any phantom stock, phantom stock rights, options or the vesting or settlement of Parent Equity Awards, (ii) transactions Awards, (iv) other issuances of shares of Parent Stock for an amount not excee

(f) directly or indirectly, purchase, redeem or otherwise acquire any shares tendered by holders of Parent Equity Awards in order to satisfy obligations to in connection with the forfeiture of such awards, (iii) transactions between the Parent Stock for an amount not exceeding $100,000,000 in the aggregate;

(g) make or change any material Tax election, change any Tax accounting compromise any audit or proceeding relating to a material amount of Taxes, ex Taxes, enter into any closing agreement within the meaning of Section 712 material Tax refund;

(h) convene any meeting of the holders of Parent Stock for the purpose of

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(i) agree, in writing or otherwise, to take any of the foregoing actions.

Section 5.3 Solicitation by the Company.

(a) From and after the date of this Agreement until the earlier of the Effect
provided for in this Section 5.3, the Company agrees that it shall not (and that
officers and employees not to, and that it shall use its reasonable best efforts to
(including by way of furnishing information), or engage in any discussions or
submission, modification or amendment or announcement of any inquiry, prop
Company Competing Proposal, (ii) participate in any negotiations regarding, o
proposal or offer which constitutes or would be reasonably expected to lead to
constitutes or would be reasonably expected to lead to any Company Competi
outside legal counsel that the failure to take such action would constitute a bre
or release any Person (other than Parent, Merger Sub and their respective affili
obligation, (v) approve or recommend, propose publicly to approve or recomm
otherwise propose publicly to withdraw, change, amend, modify or qualify, in
relating to, or any agreement or commitment providing for, any Company Con
Change of Recommendation). The Company shall immediately cease, and ca
cease, any and all existing discussions or negotiations with any parties (or prov
Company Competing Proposal. The Company shall, and shall cause its affiliat
confidentiality or non-disclosure agreement in connection with any actual or p
information in the possession of such person or its Representatives. The Comp

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execution of this Agreement inform its Representatives of the Company s obli
of the Exchange Act, other than, with respect to the Company, Parent or any P
any similar provision contained in any applicable Takeover Statute or the Com
accordance with its terms and not related to a Company Competing Proposal))
any determination under, the Rights Plan that would interfere with Parent cons
Agreement. Notwithstanding anything to the contrary contained in this Agreen
understand the terms and conditions of any Company Competing Proposal (or
to a Company Superior Proposal and (B) inform a Person that has made a Com
Company s Representatives otherwise comply with this Section 5.3 in connec

(b) Notwithstanding the limitations set forth in Section 5.3(a), if the Comp
Person, which the Company Board of Directors determines in good faith after
reasonably be expected to result, after the taking of any of the actions referred
the provisions of this Section 5.3 (1) with respect to such Company Competing
the following actions: (x) furnish nonpublic information to the Person making
executed Acceptable Confidentiality Agreement and (y) engage in discussions

(c) The Company shall notify Parent promptly (but in no event later than t
to lead to a Company Competing Proposal, or any inquiry or request for nonpu
make any Company Competing Proposal. Such notice shall be made orally and
whom the Company is engaging in discussions or negotiations, and the materia

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information requested pursuant to such inquiry or request. In addition, the Con documentation material to understanding a Company Competing Proposal or p Person) making such Company Competing Proposal or with whom discussions informed of the status and material terms and conditions (including any amend Competing Proposal and keep Parent reasonably informed as to the nature of a The Company shall promptly (but in any event within twenty-four (24) hours) Company Competing Proposal that was not previously provided to Parent. Nei any information to Parent in accordance with, or otherwise complying with, th

(d) Notwithstanding anything in this Section 5.3 or Section 5.4 to the cont Change of Recommendation (i) in response to a Company Intervening Event, o good faith after consultation with the Company s outside legal and financial a Representatives solicited, encouraged or facilitated such Company Competing clauses (i) and (ii), the Company Board of Directors has determined in good fa fiduciary duties of the members of the Company Board of Directors under app

(e) Prior to the Company taking any action permitted (i) under Section 5.3 Change of Recommendation and specifying, in reasonable detail, the reasons t (4) business day period, (x) the Company shall negotiate, and cause its Repres determine whether to propose revisions to the terms of this Agreement such tha shall consider in good faith any proposal by Parent to amend the terms and con Section 5.3(d)(ii), the Company

shall provide Parent with four (4) business days prior written notice (it being additional three (3) business day period) advising Parent that the Company Bo copy of any proposed agreements for such Company Superior Proposal (includ Representatives, a written summary of the terms thereof), and during such four negotiate, with Parent and its Representatives in good faith (to the extent Paren related to the Transactions such that such Company Competing Proposal woul the terms and conditions of this Agreement or any other agreement related to t

(f) Nothing contained in this Agreement shall prohibit the Company or the promulgated under the Exchange Act or (ii) making any disclosure to its stockh counsel that the failure to do so would constitute a breach of the fiduciary duti the Company Board of Directors to make a Company Change of Recommenda Proposal or inquiry, proposal or offer that constitutes or would reasonably be e Section 5.3.

(g) References in this Section 5.3 to the Company Board of Directors s

Section 5.4 Parent Change of Recommendation.

(a) From and after the date of this Agreement until the earlier of the Effect provided for in this Section 5.4, Parent agrees that it shall not (and that the Par amend, modify or qualify, in a manner adverse to the Company, the Parent Bo

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(b) Notwithstanding anything in this Section 5.4 or Section 5.5 to the cont
Recommendation in response to a Parent Intervening Event if the Parent Board
constitute a breach of the duties of the members of the Parent Board of Directo

(c) Prior to Parent taking any action permitted under Section 5.4(b), Paren
Change of Recommendation and specifying, in reasonable detail, the reasons t
(4) business day period, (i) Parent shall negotiate, and cause its Representative
Company to determine whether to propose revisions to the terms of this Agree
shall consider in good faith any proposal by the Company to amend the terms a

(d) Nothing contained in this Agreement shall prohibit Parent or the Paren
faith after consultation with Parent s outside legal counsel that the failure to d
is otherwise required under applicable Law; provided that this Section 5.4(d) s
and Section 5.4(c).

(e) References in this Section 5.4 to the Parent Board of Directors shall

Section 5.5 Preparation of the Form S-4 and the Joint Proxy Statement/Pro

(a) As promptly as reasonably practicable following the date of this Agree
preliminary form, and (ii) Parent shall prepare and cause to be filed with the SE
respect to the Company Special Meeting and Parent Special Meeting. Each of
promptly as practicable after such filing, (B) ensure that the Form S-4 complie
long as necessary to complete the Merger. Each of the Company and

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Parent shall furnish all information concerning itself, its affiliates and the holde
and distribution of the Form S-4 and Joint Proxy Statement/Prospectus. The Fo
therein. Each of the Company and Parent shall promptly notify the other upon
Statement/Prospectus or any other proxy or consent solicitation statement with
provide the other with copies of all correspondence between it and its Represen
the Form S-4 or any other proxy or consent solicitation statement with respect
comments with respect to the Joint Proxy Statement/Prospectus or the Form S-
Each of the Company and Parent shall use its reasonable best efforts to respon
its reasonable best efforts to respond as promptly as practicable to any commen
supplement thereto) or mailing the Joint Proxy Statement/Prospectus (or any a
stockholders or Parent shareholders or responding to any comments of the SEC
comment on such document or response in advance (including the proposed fi
respective Representatives with respect thereto. Parent shall advise the Compa
or the suspension of the qualification of the Parent Stock issuable in connectio
suspension lifted, reversed or otherwise terminated. Parent shall also use its rea
state securities or blue sky Laws and the rules and regulations thereunder in
the Company Subsidiaries and the holders of the Company Common Stock as

(b) If, at any time prior to the receipt of the Company Stockholder Approv
affiliates, should be discovered by the Company or Parent which, in the reason
or the Joint Proxy

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Statement/Prospectus, so that any of such documents would not include any m
under which they were made, not misleading, the Party which discovers such i
necessary amendment of, or supplement to, the Joint Proxy Statement/Prospec
stockholders of the Company and the shareholders of Parent. Nothing in this S
or related to the Company, its affiliates or the Company Special Meeting will b
Special Meeting will be deemed to have been provided by Parent.

(c) As promptly as practicable following the date of this Agreement, the C
notice of, convene and hold the Company Special Meeting. The Company shal
to vote at the Company Special Meeting and to hold the Company Special Mee
The Company shall, through the Company Board of Directors, recommend to
Statement/Prospectus and solicit and use its reasonable best efforts to obtain th
Change of Recommendation as permitted by Section 5.3. Notwithstanding the
received proxies representing a sufficient number of shares of Company Comm
one or more successive postponements or adjournments of the Company Speci
(30) days after the date for which the Company Special Meeting was originally
adjournments or postponements to the extent required under applicable Law to
Company stockholders or to permit dissemination of information which is mat
supplement or amendment or other information, provided that in no event shal
number of days by which the Company Special Meeting has been adjourned or
Special Meeting, the Company shall not change such record date or establish

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a different record date for the Company Special Meeting without the prior writ
Documents. Without the prior written consent of Parent, the adoption of this A
Company s stockholders in connection with the adoption of this Agreement) t

(d) As promptly as practicable following the date of this Agreement, Paren
convene and hold the Parent Special Meeting. Parent shall use its reasonable b
Meeting and to hold the Parent Special Meeting as soon as practicable after the
Board of Directors, recommend to its shareholders that they give the Parent Sh
efforts to obtain the Parent Shareholder Approval, except in each case to the ex
Notwithstanding the foregoing provisions of this Section 5.5(d), if, on a date fo
Stock to obtain the Parent Shareholder Approval, whether or not a quorum is p
provided that the Parent Special Meeting is not postponed or adjourned to a da
than, following consultation with the Company, any adjournments or postpone
that any required supplement or amendment to the Joint Proxy Statement/Prosp
stockholders voting at the Parent Special Meeting and to give the Parent shareh
of days by which such Parent Special Meeting is adjourned or postponed excee
order to obtain the Parent Shareholder Approval). Once Parent has established
Special Meeting without the prior written consent of the Company, unless, foll
written consent of Parent, the issuance of the Parent Stock in connection with t
Parent s shareholders in connection with the approval of this Agreement and t

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(e) The Company and Parent will use their respective reasonable best effo
date of this Agreement.

Section 5.6 Consultation as to Certain Tax Matters. Except as set forth in Se
(h), (i), (j) or (k) of Section 5.1(ii) and (ii) is not subject to Parent s consent ri
solely Company Subsidiaries, or (b) altering any intercompany arrangements c
Subsidiaries, the Company shall consult with Parent reasonably prior to consu
Parent s consent (not to be unreasonably conditioned, withheld or delayed) if
(including, after the Effective Time, the Company or any of its Subsidiaries), r
Company Subsidiaries or, after the Effective Time, to Parent and the Parent Su

Section 6.1 Access; Confidentiality; Notice of Certain Events.

(a) From the date of this Agreement until the Effective Time or the date, if
and Parent shall, and shall cause each of the Parent Subsidiaries and the Comp
business hours and upon reasonable advance notice to all of their respective pr
and shall cause each of the Company Subsidiaries and the Parent Subsidiaries,
properties and personnel as such other Party may reasonably request. Notwiths
Representatives of such other Party with access to or to disclose information (
entered into prior to the date of this Agreement or entered into after the date of
withholding Party shall use its reasonable best efforts to obtain the required co
(*provided*, *however*, that the withholding Party shall

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use its reasonable best efforts to make appropriate substitute arrangements to p
or other legal privilege (*provided*, *however*, that the withholding Party shall us
attorney-client, attorney work product or other legal privilege); *provided*, *howe*
required for the purpose of complying with applicable Antitrust Laws or obtain
authorizations, orders or approvals under Antitrust Laws as contemplated by S
Company and Parent will use its commercially reasonable efforts to minimize

(b) Each of the Company and Parent will hold, and will cause its Represen
confidence to the extent required by and in accordance with the terms of the C

(c) No inspection by either Party or any of its respective Representatives s

(d) The Company shall give prompt notice to Parent, and Parent shall give
connection with this Agreement, the Merger or other Transactions, or from any
subject matter of such communication or the failure of such Party to obtain suc
Party s knowledge, threatened against, such Party or any of its Subsidiaries or
arising from or otherwise relating to the Merger or any other Transaction, (iii)
of such Party and (iv) upon becoming aware of the occurrence or impending oc
would reasonably be expected to have, individually or in the aggregate, a Com
prevent or materially delay or impede the consummation of the Transactions; *p*
warranty requiring disclosure of such matter prior to the date of this Agreemen

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the conditions set forth in Article VII or give rise to any right to terminate unde

Section 6.2 Reasonable Best Efforts.

(a) Subject to the terms and conditions of this Agreement, each Party will advisable under applicable Laws to consummate the Merger and the other Tran promptly as practicable and advisable after the date hereof, all documentation promptly as practicable all waiting period expirations or terminations, consents Party from any third party and/or any Governmental Entity in order to consum all such waiting period expirations or terminations, consents, clearances, waive agrees to make an appropriate filing of a Notification and Report Form pursua execution of this Agreement (unless a later date is mutually agreed between the requested pursuant to the HSR Act and to take all other actions necessary to ca

(b) Each of Parent and the Company shall, in connection with the efforts r registrations, approvals, permits, and authorizations for the Transactions under submission and in connection with any investigation or other inquiry, includin opportunity to review in advance and comment on drafts of filings and submiss Division of the Department of Justice (the DOJ), the Federal Trade Commis such written communications, and of any material communication received or *provided*, *however*, that materials may be redacted (A) to remove references co (C) as necessary to address reasonable privilege or confidentiality concerns; an

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communication that it gives to, and consult with each other in advance of any
matter of this Section 6.2(b), or, in connection with any proceeding by a privat
concerning the valuation of Parent, Company or any of their Subsidiaries, (B)
and to the extent permitted by the DOJ, the FTC or any other applicable Gover
participate in any in-person meetings with the DOJ, the FTC or any other Gov
and lead all communications and strategy relating to the Antitrust Laws (provi
cooperate with one another, and consider in good faith the views of one anothe
made or submitted by or on behalf of either Party in connection with proceedi
notwithstanding anything to the contrary set forth in this Agreement (but subje
effect and agree to any sale, divestiture, license, holding separate or other simi
assets or interests therein, and take such action or actions that would in the agg
future operations or otherwise taking actions that would limit their respective f
interests therein, in each case, solely to the minimum extent necessary so as to
anything in this Agreement to the contrary, in no event shall Parent or any Par
or accept any such restriction or take any such action or actions prior to the Cl
requirement for non-action, a waiver, consent or approval of the FTC, the DOJ
injunction, temporary restraining order or any other order in any suit or proce
condition set forth in Section 7.1(d) by the Outside Date. The Company shall a
practicable after the date of this Agreement (but in any event not later than the
disposition of or restriction on, any of its businesses,

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product lines, divisions or assets or interests therein, and take such action or ac
contrary, any such sale, divestiture, license, holding separate, other similar arra
become effective only from and after, the Closing.

(c) Each of Parent and the Company shall use its reasonable best efforts to
including Governmental Entities, necessary, proper or advisable for the consur
without the prior written consent of Parent, the Company shall not incur any si
contractual arrangement to obtain such consents or certificates in each case, tha

Section 6.3 Publicity. So long as this Agreement is in effect, neither the Co
announcement with respect to the Merger or this Agreement without the prior
by any listing agreement with or the listing rules of a national securities exchan
Agreement or the other Transactions, in which event such Party shall endeavor
such press release or other announcement as far in advance as practicable and s
limiting any of its obligations under Section 5.3, the Company shall not be req
Competing Proposal or a Company Change of Recommendation and matters re
any such review or comment to the Company in connection with a Parent Chan
that substantially reiterate (and are not inconsistent with) previous press releas

Section 6.4 Directors and Officers Insurance and Indemnification. For n
all past and present directors and officers of the Company and the Company Su
expenses in advance of the final disposition of any actual or threatened claim, s

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Indemnified Party to the fullest extent permitted by Law; provided such Indem
nonappealable judgment such Indemnified Party is not ultimately entitled), jud
action, investigation, suit or proceeding in respect of acts or omissions occurri

Time (including acts or omissions occurring in connection with the approval o
the Effective Time, in connection with such persons serving as an officer or di
Company Subsidiaries as a director, officer, employee or agent of another Pers
of any Company Subsidiary or any indemnification agreements, if any, in exist
liability, indemnification and advancement of expenses for acts or omissions o
now existing in favor of the Indemnified Parties as provided in their respective
continue in full force and effect. For six years after the Effective Time, the Sur
organizational documents of any Company Subsidiary and (ii) any other agree
liability, indemnification of officers, directors, employees and agents or other f
modified or repealed in any manner that would adversely affect the rights or pr
the Effective Time (including acts or omissions occurring in connection with t
Indemnified Party. Parent shall cause the Surviving Corporation to provide, fo
indemnification policy that provides coverage for events occurring prior to the
insurance coverage that is no less favorable is unavailable, the best available c
excess of three hundred percent (300%) of the last annual premium paid prior t
the date of this Agreement; *provided*, *further*, that the Company may prior to t
three hundred percent (300%) of the last annual premium paid prior to the date

anything in this Section 6.4 to the contrary, if any Indemnified Party notifies P
pursuant to this Section 6.4, the provisions of this Section 6.4 that require the S
of all claims, actions, investigations, suits and proceedings relating thereto. In
other Person and shall not be the continuing or surviving corporation or entity
case, proper provision shall be made so that the successors and assigns of Pare
under this Section 6.4 shall survive consummation of the Merger and shall not

Section 6.5 Takeover Statutes. The Parties shall (a) take all action necessa
becomes applicable to the Merger or any of the other Transactions and (b) if an
applicable to any of the foregoing, to take all action necessary so that the Merg
otherwise to eliminate or minimize the effect of such Takeover Statute on the M

Section 6.6 Obligations of Merger Sub. Parent shall take all action necessa
Merger Sub to consummate the Transactions, including the Merger, upon the te

Section 6.7 Employee Benefits Matters.

(a) Parent shall, or shall cause the Surviving Corporation to, assume, hono
or as subsequently amended as permitted pursuant to the terms of such Compa
employee of the Company and/or its Subsidiaries who continues to be employe
immediately following the Effective Time, base salary (or wages) that is not le
Effective Time through December 31, 2015 (x) annual cash bonus opportunitie
than those provided by the Company immediately prior to the Effective Time.

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thereafter, Parent shall provide, or shall cause the Surviving Corporation to pro
Company to the extent recognized by the Company) shall be taken into accoun
Employees, including vacation or other paid-time-off plans or arrangements, 4
accrued benefit under any defined benefit pension plan or as would result in a

(b) Effective as of the Effective Time and thereafter, Parent shall, and shal
condition limitations or exclusions shall apply with respect to the Continuing E
Company Benefit Plans immediately prior to the Effective Time), (ii) waive an
requirements were not applicable to the Continuing Employees under the Com
out-of-pocket or other co-payments paid by such employee under the Company
any such employee has satisfied his or her deductible and whether he or she ha
not affect any Continuing Employee s accrual of, or right to use, in accordanc
but unused by such Continuing Employee immediately prior to the Effective T

(c) If requested by Parent in writing delivered to the Company not less tha
resolutions and take such corporate action as is necessary to terminate any 401
the Closing Date. Following the Effective Time and as soon as practicable foll
be distributed to the participants, and Parent or the Surviving Corporation shal
the Continuing Employees who are then actively employed to make rollover co
form of cash, in an amount equal to the full account balance (excluding loans)

(d) Nothing in this Agreement shall confer upon any Continuing Employe

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of Parent, or shall interfere with or restrict in any way the rights of Parent, the
Continuing Employee at any time for any reason whatsoever, with or without c
or any affiliate of Parent and the Continuing Employee or any severance, bene
contrary, nothing in this Section 6.7 shall (i) be deemed or construed to be an a
in any current or former service provider of the Company or its affiliates (or ar
affiliates to amend, modify or terminate any Company Benefit Plan or other en

(e) No later than thirty (30) business days following the date of this Agree
and its Subsidiaries and (i) the Company s reasonable, good faith estimate of t
such disqualified individual as a result of any of the transactions contemplated
for each such disqualified individual and (iii) underlying documentation on wh
to the anticipated Closing Date.

(f) The Company shall provide Parent with a copy of any material written
Company Subsidiaries if such communications relate to any of the Transaction

Section 6.8 Rule 16b-3. Prior to the Effective Time, the Company and Par
equity securities (including derivative securities) and acquisitions of Parent equ
Company subject to the reporting requirements of Section 16(a) of the Exchan

Section 6.9 Security Holder Litigation. Each Party shall provide the other
that Party against such Party, any of its Subsidiaries and/or any of their respect
respect to the Company, the

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Company Board of Directors has made a Company Change of Recommendatio
such litigation, and the Company shall not offer to settle any such litigation, no
overlap between the provisions of this Section 6.9 and Section 5.1 or Section 6

Section 6.10 Delisting. Each of the Parties agrees to cooperate with the other
registration under the Exchange Act, *provided* that such delisting and terminati

Section 6.11 Director Resignations. The Company shall use its reasonable be
the Effective Time and effective upon the Effective Time.

Section 6.12 Stock Exchange Listing. Parent shall use its reasonable best effo
issuance, prior to the Effective Time.

Section 6.13 The Company s Financing Cooperation. The Company agrees
and their respective personnel and advisors to provide such assistance) with res
and assistance with, the marketing efforts related to the Financing; (ii) delivery
its Financing Sources with (A)(I) audited consolidated balance sheets and relat
prior to the Closing Date, (II) unaudited consolidated balance sheets and relate
Closing Date (but excluding the fourth quarter of any fiscal year); and (III) as p
acquired by the Company required by Rule 3-05(b)(2) of Regulation S-X unde
the Transactions); and (B) as promptly as practical after requested by Parent, a
required by Regulation S-X and Regulation S-K under the Securities Act and c
registration statements filed with the SEC on Form S-1 by Parent (assuming th
Information); (iv) cause its independent auditors to cooperate with the Financ

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with their customary practice, including by participating in a reasonable numbe
due diligence activities of Parent and the Financing Sources (including by part
relevant marketing materials, registration statements and related government fi
(vi) assisting Parent and the Financing Sources in the preparation of (A) offerin
(confidential and public), private placement memoranda, offering memoranda,
similar documents in connection with the Financing; (vii) executing and delive
to the extent reasonably requested by Parent and (viii) providing customary pro
Parent to prepare customary projected financial information relating to Parent
for the syndication of credit facilities similar to those described in the Debt Co
shall be subject to the consummation of the Merger. The Company hereby con
manner that is not intended to or reasonably likely to harm or disparage the Co
other provision set forth herein or in any other agreement between the Compan
Company and its business with the Financing Sources identified in the Debt C
Sources in connection with any marketing efforts in connection with the Finan
contrary in this Agreement, none of the Company, any of its Subsidiaries or an
any assistance that unreasonably interferes with the ongoing operations of the
Debt Financing Documents prior to the Effective Time (other than customary a
document, instrument or agreement that is effective prior to the Closing or agr
(other than a payoff letter with respect to the Credit Agreement). Parent shall (
(including reasonable attorneys fees)

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incurred by the Company or any Company Subsidiary in connection with prov
and its and their respective directors, officers, personnel and advisors from and
penalties suffered or incurred in connection with the Financing or any assistan
the part of the Company or any of its affiliates or (y) written historical informa
any of its affiliates).

Section 6.14 Parent s Financing Obligation.

(a) Parent shall take, or use its reasonable best efforts to cause to be taken,
Closing Date on the terms and conditions set forth in the Debt Commitment Le
provided, that the Debt Commitment Letter may be amended, supplemented, n
with, the preparation of rating agency presentations and meetings with rating a
Commitment Letter that are within Parent s control; (d) negotiating, executing
provisions related thereto); and (e) subject to Section 1.5, drawing the full amo
satisfied or upon funding would be satisfied. Parent shall give the Company pr
limiting Parent s other obligations under this Section 6.14, if a Financing Failu
consultation with the Company, use its reasonable best efforts to obtain alterna
less beneficial to the Company and Parent, with lenders reasonably satisfactory
and (iii) obtain, and when obtained, provide the Company with a copy of, a ne
agree to any amendment or modification to, or any waiver of any provision or
modified or waived, are in the aggregate at least as favorable to the Company a
Sub may, without the Company s prior written consent, (x) enter into any ame

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other modification to or waiver of any provision of the Debt Commitment Lett
the Merger, (y) replace or amend the Debt Commitment Letter solely to add le
date hereof and (z) implement or exercise the flex provisions contained in o
be expected to prevent, materially delay or materially impede the timely consu
such amendment, modification or waiver results in conditions that are in the ag
that reduces the amount of the Financing or (iii) any amendment, modification
Commitment Letter. Parent shall keep the Company reasonably informed on a

(b) Notwithstanding any other provision in this Agreement, Parent shall ha
(including unsecured notes) for all or any portion of the Financing by reducing
redemption right, such right is not exercisable prior to the earlier of the consun
of doubt as it may be extended pursuant to this Agreement). Further, Parent sh
and/or alternative bona fide third-party financing sources so long as (i) all cond
funding of such debt financing are in the aggregate, in respect of certainty of fu
loans thereunder, the commitments in respect of such debt financing are subjec
corresponding restrictions set forth in the Debt Commitment Letter (any such c
any such Replacement Financing, the Replacement Financing Documents).
Financing and the Debt Commitment Letter shall apply equally to any Replace

Section 6.15 Parent Board Representation. Parent shall take such actions as a
Time to become members of the Parent Board of Directors immediately after t

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Board of Directors in accordance with this Section 6.15 shall be selected by the process set forth in Parent s proxy statement on Schedule 14A filed with the S accordance with the Parent Governing Documents, and who shall also be nomi shareholders in accordance with the Parent Governing Documents, to serve un

Section 6.16 Irish Stamp Duty. Parent shall seek confirmation from the Irish Portion of the Merger Consideration shall occur by operation of the DGCL, no Consideration pursuant to the Merger.

CO

Section 7.1 Conditions to Each Party s Obligations to Effect the Merger. Th conditions, any and all of which may be waived in whole or in part by Parent a

(a) Stockholder Approval. Each of the Company Stockholder Approval an

(b) Registration Statement. The Form S-4 shall have become effective in a issued by the SEC and remain in effect and no proceeding to that effect shall h

(c) Adverse Laws or Orders. No Adverse Law or Order shall have occurre

(d) Required Antitrust Clearances. (i) All applicable waiting periods (or ex expired or been terminated, and all pre-closing approvals or clearances reasona proceeding shall have been threatened in writing by or pending before, a Gove

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the United States or any Requisite Jurisdiction, in each case, against the Comp
Merger; and

(e) Listing. The shares of Parent Stock to be issued in the Merger shall hav

Section 7.2 Conditions to Obligations of Parent and Merger Sub. The obli
Effective Time of each of the following additional conditions:

(a) Representations and Warranties. (i) The representations and warranties
Company set forth in Section 3.1, Section 3.2(a), Section 3.2(b), Section 3.2(c
Effect contained therein) shall be true and correct in all material respects as of
that by their terms speak specifically as of the date of this Agreement or anothe
Company set forth in this Agreement shall be true and correct as of the date of
terms speak specifically as of the date of this Agreement or another date shall
to be true and correct (without giving effect to any qualification as to materiali
Company Material Adverse Effect; and Parent shall have received a certificate

(b) Performance of Obligations of the Company. The Company shall have
this Agreement at or prior to the Effective Time; and Parent shall have receive

(c) No Company Material Adverse Effect. Since the date of this Agreemer

Section 7.3 Conditions to Obligations of the Company. The obligations of t
each of the following additional conditions:

(a) Representations and Warranties. (i) The representations and warranties

representations and warranties of Parent and Merger Sub set forth in Section 4
as to materiality or Parent Material Adverse Effect contained therein) shall be
(except that representations and warranties that by their terms speak specificall
other representations and warranties of Parent and Merger Sub set forth in this
(except that representations and warranties that by their terms speak specificall
any failures of any such representations and warranties to be true and correct (
expected to have, individually or in the aggregate, a Parent Material Adverse E
the foregoing effect;

(b) Performance of Obligations of Parent and Merger Sub. Parent and Mer
complied with by them under this Agreement at or prior to the Effective Time,
effect; and

(c) No Parent Material Adverse Effect. Since the date of this Agreement n

Section 8.1 Termination. This Agreement may be terminated and the Merg

(a) by mutual written consent of Parent and the Company;

(b) by either Parent or the Company, prior to the Effective Time, if there h
covenant or agreement set forth in this Agreement, which breach would result
Parent and Merger Sub, in each case, not being satisfied (and such breach is no
days after the receipt of notice thereof by the breaching Party from the non-bre
to this Section 8.1(b) by any Party if such Party is then in material breach of ar

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(c) by either Parent or the Company, if the Effective Time shall not have o
forth in Article VII have been satisfied or waived (other than the conditions set
extended to 5:00 p.m. Eastern Time on the first anniversary of the date of this A
Party whose breach of any representation, warranty, covenant or agreement set

(d) by Parent, if, at any time prior to the receipt of the Company Stockhold
to terminate this Agreement pursuant to this Section 8.1(d) shall expire at 5:00
occurs;

(e) by the Company, if, at any time prior to the receipt of the Parent Shareh
right to terminate this Agreement pursuant to this Section 8.1(e) shall expire at
occurs;

(f) by either the Company or Parent if a Governmental Entity of competen
enjoining or otherwise prohibiting the consummation of the Merger;

(g) by either the Company or Parent, if the Company Stockholder Approva
vote on such approval was taken;

(h) by either Parent or the Company, if the Parent Shareholder Approval sh
on such approval was taken; or

(i) by the Company, if, at any time prior to the receipt of the Company Sto
Section 5.3(d)(ii) in order to accept a Company Superior Proposal, (ii) entered
this Agreement in accordance with this Section 8.1(i) and (iii) paid the Compa

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Section 8.2 Effect of Termination.

(a) In the event of the termination of this Agreement as provided in Sectio termination is made, and this Agreement shall forthwith become null and void Section 8.2 and Section 9.3 through Section 9.13, Section 9.14(d) and Section liability for a Willful Breach of its representations, warranties, covenants or ag reimbursement of expenses or out-of pocket costs, and may, if proven by the consideration relevant matters, including the total amount payable to such stoc awarded by the court, to be damages of the Company, or (y) Parent, taking int

(b) Company Termination Fee.

(i) If (A) Parent or the Company terminates this Agreement pursuant to Se withdrawn prior to the date of termination (in the case of Section 8.1(c)) or pri consummated within twelve (12) months of such termination or (2) the Compa such Company Competing Proposal is subsequently consummated, within one $2,100,000,000 in cash (the Company Termination Fee). Solely for purpose all references to 20% therein shall be deemed to be 40% and all referenc

(ii) If the Company terminates this Agreement pursuant to Section 8.1(i),

(iii) If Parent terminates this Agreement pursuant to Section 8.1(d), within

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(iv) If Parent or the Company terminates this Agreement pursuant to Secti
but not to exceed $680,000,000. As used herein, Parent Expenses shall mea
Sources, investment bankers and other Representatives of Parent or its affiliate
performance of this Agreement or any other matter related to the Transactions,

(v) In the event any amount is payable pursuant to the preceding clauses (i
Parent.

(vi) For the avoidance of doubt, in no event shall the Company be obligate
Expenses pursuant to Section 8.2(b)(iv) and thereafter the Company Terminati
reduce, the amount of the Company Termination Fee.

(c) Parent Termination Fee.

(i) If the Company or Parent terminates this Agreement pursuant to (x) Sec
conditions set forth in Section 7.1(d) or those conditions that by their nature ca
Jurisdictions and the Company is not otherwise in material breach of this Agre
in cash (the Parent Termination Fee).

(ii) If the Company terminates this Agreement pursuant to Section 8.1(e),

(iii) If the Company or Parent terminates this Agreement pursuant to Secti
$1,300,000,000 in cash.

(iv) In the event any amount is payable pursuant to the preceding clauses (
Company.

(v) For the avoidance of doubt, in no event shall Parent be obligated to pay

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(d) Each of the Parties acknowledges that the agreements contained in this Section 8.2(b)(iv) is a penalty, but rather is a reasonable amount that will comp opportunities foregone while negotiating this Agreement and in reliance on thi payable under Section 8.2(c)(iii) is a penalty, but rather is a reasonable amount opportunities foregone while negotiating this Agreement and in reliance on thi calculate with precision. In addition, if any Party fails to pay in a timely manne costs and expenses (including disbursements and fees of counsel) incurred in t Party shall pay to the other Party interest on the amount payable pursuant to Se at the prime rate set forth in The Wall Street Journal in effect on the date such Breach, (A) upon payment of the Company Termination Fee pursuant to this S stockholders, managers, members, affiliates or agents shall have any further lia pursuant to this Section 8.2, none of Parent, any of its Subsidiaries or any of th further liability or obligation relating to or arising out of this Agreement or the

Section 9.1 Amendment and Modification; Waiver.

(a) Subject to applicable Law and except as otherwise provided in this Agr Approval or the Parent Shareholder Approval, as applicable, by written agreem by the stockholders of the Company or the approval of the issuance of shares c requires further approval by such stockholders without obtaining such further a

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(b) At any time and from time to time prior to the Effective Time, either th
forth herein, (i) extend the time for the performance of any of the obligations o
Parent or the Company, as applicable, contained herein or in any document del
Company, as applicable, contained herein. Any agreement on the part of a Pare
Parent or the Company, as applicable. Any delay in exercising any right under

(c) Notwithstanding anything to the contrary contained herein, (i) Section
Sources and (ii) this Section 9.1(c), Section 9.11(a), Section 9.11(b) and Sectio
Agreement be otherwise modified in a manner that in substance constitutes suc

Section 9.2 Non-Survival of Representations and Warranties. None of the re
shall survive the Effective Time. This Section 9.2 shall not limit any covenant

Section 9.3 Expenses. Except as otherwise expressly provided in this Agree

Section 9.4 Notices. All notices and other communications hereunder shall
upon confirmation of receipt) or sent by a nationally recognized overnight cou
at such other address for a Party as shall be specified by like notice):

if to Parent or Merger Sub, to:

Actavis plc

1 Grand Canal Square

Docklands

Dublin 2

Ireland

Attention: Chief Legal Officer and Secretary

Facsimile: +1 (862) 261-8043

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with a copy to (which shall not constitute notice):

Actavis plc

Morris Corporate Center III

400 Interspace Parkway

Parsippany, New Jersey 07054

Attention: Chief Legal Officer and Secretary

Facsimile: +1 (862) 261-8043

and

Cleary Gottlieb Steen & Hamilton LLP

One Liberty Plaza

New York, New York 10006

Attention: Victor I. Lewkow, Esq.

Paul J. Shim, Esq.

James E. Langston, Esq.

Facsimile: +1 (212) 225-3999

and

if to the Company, to:

Allergan, Inc.

2525 Dupont Drive

Irvine, California 92612

Attention: General Counsel and Assistant Secretary

Facsimile: +1 (714) 246-6987

with copies to (which shall not constitute notice):

Latham & Watkins LLP

650 Town Center Drive, 20th Floor

Costa Mesa, California 92625

Attention: Cary K. Hyden, Esq.

Paul D. Tosetti, Esq.

Michael A. Treska, Esq.

Facsimile: +1 (714) 755-8290

and

Wachtell, Lipton, Rosen & Katz

51 West 52nd Street

New York, New York 10019

Attention: David A. Katz, Esq.

Facsimile: +1 (212) 403-2000

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Section 9.5 Certain Definitions. For the purposes of this Agreement, the te

Acceptable Confidentiality Agreement means a confidentiality agreement th
Confidentiality Agreement; provided, however, that an Acceptable Confidentia

Adverse Law or Order means (i) any statute, rule, regulation or other Law (
prohibits or makes illegal the consummation of the Merger or (ii) there shall be

Antitrust Laws mean any antitrust, competition or trade regulation Laws tha
lessening competition through merger or acquisition, including the HSR Act.

Bribery Legislation means all and any of the following: the United States Fo
Foreign Public Officials in International Business Transactions and related imp
Public Bodies Corrupt Practices Act 1889; the Prevention of Corruption Act 19
2010; the Proceeds of Crime Act 2002; and any anti-bribery or anti-corruption
jurisdiction in which Parent or the Company operates.

business days has the meaning set forth in Rule 14d-1(g)(3) of the Exchang
close shall not be a business day .

2012 RSUs means the award of restricted stock units subject to performanc

CERCLA means the Comprehensive Environmental Response, Compensati

CIC Policy means the Company s Change in Control Policy, effective as o

Code means the Internal Revenue Code of 1986, as amended.

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Company Bylaws means the bylaws of the Company, as amended and resta

Company Certificate means the Certificate of Incorporation of the Company

Company Competing Proposal means any proposal or offer made by a Pers any existing proposal or offer, which is structured to permit (i) such Person or (whether pursuant to a merger, consolidation or other business combination, sa series of related transactions), or (ii) a merger, consolidation, recapitalization o percent (80%) of the equity interests of the surviving or resulting entity of such

Company Equity Plans means 2011 Incentive Award Plan, 2008 Incentive A Fee Program and the Allergan Pharmaceuticals (Ireland) Ltd., Inc. Savings Rel

Company Executive Team means (i) the Section 16 Officers and (ii) the em of calendar year 2014.

Company Governing Documents means the Company Bylaws and the Com

Company Intervening Event means an Effect (a) that was not known to the as of the date of this Agreement) were not reasonably foreseeable, as of the dat

Company Material Adverse Effect means any Effect that, individually or in the Company and the Company Subsidiaries, taken as a whole; *provided, howe* Company Material Adverse Effect or shall be taken into account when determi general United States or global economic conditions, (b) conditions (or change

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political and/or regulatory conditions (or changes therein), including any chang
(e) any adoption, implementation, promulgation, repeal, modification, amendm
(f) the execution and delivery of this Agreement or the consummation of the T
clause (f) shall not apply with respect to any representation or warranty contain
execution and delivery of this Agreement or the consummation of the Transact
understood that the Effects giving rise or contributing to such changes that are
Company to meet any internal or published projections, estimates or expectatio
failure by the Company to meet its internal budgets, plans or forecasts of its re
or contributing to such failure that are not otherwise excluded from the definiti
of terrorism or sabotage, war (whether or not declared), the commencement, co
material worsening of such conditions threatened or existing as of the date of t
compliance with Section 5.1 and it being understood that this clause (j) shall n
warranty is to address the consequences resulting from the execution and deliv
failure to take any action that is expressly consented to or requested by Parent
the Effects giving rise or contributing to such reduction that are not otherwise
by any Governmental Entity in reimbursement or payor rules or policies applic
Disclosure Letter, except, in the case of clauses (a) - (e), (i) or (m), to the exten
operating in the same industry or industries in which the Company and the Co
whether there has been a Company Material Adverse Effect).

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Company Product means all products that are being researched, tested, deve
which the Company or any Company Subsidiary has royalty rights.

Company Related Party means the Company, its Subsidiaries and their resp

Company Special Meeting means the meeting of the holders of shares of Co
thereof.

Company Stockholder Approval means the affirmative vote of the holders o
Meeting.

Company Subsidiaries means the Subsidiaries of the Company.

Company Superior Proposal means a bona fide written Company Competin
determines in good faith after consultation with the Company s outside legal a
into account all relevant factors (including all the terms and conditions of such
response to such Company Competing Proposal or otherwise)) and (b) reasona
financial, legal, regulatory and other aspects of such Company Competing Pro
Competing Proposal and whether such Company Competing Proposal is fully

Compliant means, without giving effect to any supplements or updates othe
Required Financial Information does not contain any untrue statement of a mat
necessary in order to make such Required Financial Information, in light of the
information necessary to constitute Required Financial Information that is Com
the Marketing Period and (iii) the financial statements contained in the Require
negative assurance) with respect to financial information regarding the Compa

independent registered accounting firm has delivered draft comfort letters in cu
securities offering during the Marketing Period.

Confidentiality Agreement means the Confidentiality Agreement, dated No

Continuing Service Providers mean all non-employee service providers of t
other than any such service providers who are ineligible to be included on a reg

Contract means any written or oral agreement, contract, subcontract, settlem
license, sublicense, insurance policy or other legally binding commitment or u

Credit Agreement means the Amended and Restated Credit Agreement, dat
Chase Bank, N.A., as administrative agent, Citibank N.A., as syndication agen

Debt Commitment Letter means the debt commitment letter among Parent,
Securities, LLC, dated as of the date hereof, as amended, supplemented or repl
financial institutions party thereto have agreed, subject only to the conditions s

Debt Financing Documents means the agreements, documents and certificat
indentures, debentures, notes and intercreditor agreements pursuant to which th
certificates, legal opinions, corporate organizational documents, good standing
(c) all documentation and other information required by bank regulatory autho

DSOS means the Secretary of State of the State of Delaware.

Effect means any change, effect, development, circumstance, condition, stat

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Environmental Law means any and all applicable Laws which (a) regulate c
Hazardous Substances, the preservation or protection of waterways, groundwa
the health and safety of employees; or (b) impose liability or responsibility wit
9601 et seq.), or any other Law of similar effect.

Environmental Liability means any obligations or liabilities (including any
off-site contamination by Hazardous Substances of surface or subsurface soil c
issued or otherwise imposed by any Governmental Entity and includes: fines, p
disbursements relating to environmental matters; defense and other responses t
environmental matters; and financial responsibility for (x) clean-up costs and i
Environmental Laws.

Environmental Permits means any material permit, license, authorization or

ERISA means the Employee Retirement Income Security Act of 1974, as ar

ERISA Affiliate means, with respect to any entity, trade or business, any oth
ERISA that includes the first entity, trade or business, or that is a member of th

Exchange Act means the United States Securities Exchange Act of 1934, as

Expenses means all reasonable out-of-pocket expenses (including all fees ar
a Party or on its behalf in connection with or related to the authorization, prepa
Statement/Prospectus, the solicitation of equityholders and equityholder approv

FCPA means the Foreign Corrupt Practices Act of 1977, as amended.

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Financing means the debt financing incurred or intended to be incurred purs
the Debt Commitment Letter and any related engagement letter and including a
of such financing.

Financing Conditions means the conditions precedent set forth in Section 5

Financing Deliverables means the following: (a) a customary payoff letter r
receipt of the funds therefor from Parent; and (b) documentation and other info
applicable know-your-customer and anti-money laundering rules and regula
Control and the FCPA.

Financing Failure Event shall mean any of the following: (a) the commitme
becoming unavailable, or (c) a breach or repudiation by any party to the Debt C

Financing Sources means the agents, arrangers, lenders and other entities th
Debt Commitment Letter, any joinder agreements, indentures or credit agreem
former or future officers, directors, employees, partners, trustees, shareholders
assigns of the foregoing Persons.

Government Official means (a) any official, officer, employee, or represent
(c) any political party or party official.

Governmental Entity means (a) any national, federal, state, county, municip
pertaining to government, including any arbitral body, (b) any public internatio
or organization described in the foregoing clauses (a) or (b) of this definition.

Hazardous Substances means any pollutant, chemical, substance and any to

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compound, hazardous substance, material or waste, whether solid, liquid or ga
byproduct, solvent, flammable or explosive material, radioactive material, asbe
mycotoxins.

HSR Act means the United States Hart-Scott-Rodino Antitrust Improvemen

Indebtedness means with respect to any Person,

(a) all obligations of such Person for borrowed money and all obligations of su

(b) all direct or contingent obligations of such Person arising under letters of c

(c) net obligations of such Person under any interest rate, swap, currency swap

(d) all obligations of such Person to pay the deferred purchase price of property

(e) indebtedness (excluding prepaid interest thereon) secured by a Lien on prop
agreements), whether or not such indebtedness will have been assumed by such

(f) all obligations of such Person as lessee under leases that have been or shoul

(g) synthetic lease obligations;

(h) obligations outstanding under securitization facilities; and

(i) any guarantee (other than customary non-recourse carve-out or badboy g
Indebtedness shall not include any performance guarantee or any other guarant

Intellectual Property means all rights in or to all U.S. or foreign: (a) inventio
industrial designs, (b) trademarks, service marks, trade dress, logos, brand nam
registrations and

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applications for registration thereof, (c) copyrights, whether registered or unreg
know-how, concepts, methods, processes, designs, schematics, drawings, form
data collections (including knowledge databases, customer lists and customer c

Key Product means, with respect to the Company, those products set forth o
Disclosure Letter.

knowledge will be deemed to be, as the case may be, the actual knowledge
Section 9.5 of the Company Disclosure Letter with respect to the Company.

Law means any law, statute, code, rule, regulation, order, ordinance, judgm

Lien means any lien, pledge, hypothecation, mortgage, security interest, enc
restriction on the voting of any security, any restriction on the transfer of any s

Marketing Period means the first period of fifteen (15) consecutive business
Required Financial Information and the Required Financial Information is Cor
which by their terms cannot be satisfied until the Closing); provided that (1) th
made available to Parent to complete the Merger and (2) for purposes of the M
2015, (y) if such period has not ended on or before December 19, 2014, such p
not commence before September 8, 2015. Notwithstanding the foregoing, the M
(15) consecutive business days, (i) the Company s independent registered acc
Required Financial Information, in which case the Marketing Period shall not b
respect to the consolidated

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financial statements for the applicable periods by the Company s independent
restate any financial statements or material financial information included in th
and last day of such period; then, in each case, a new fifteen (15) consecutive b
and the other conditions set forth in this definition of Marketing Period being n

Notified Body means an entity licensed, authorized or approved by the appl
concerning medical devices, as amended from time to time, and applicable har

NYSE means the New York Stock Exchange.

Parent Competing Proposal means any proposal or offer made by a Person o
any existing proposal or offer, which is structured to permit such Person or gro
pursuant to a merger, consolidation or other business combination, sale of shar
related transactions), in each case other than the Merger.

Parent Entities means Parent and Merger Sub.

Parent Equity Award means any form of compensation (including deferred

Parent Equity Plans means Parent s 2013 Incentive Award Plan and the W

Parent Governing Documents means (a) the Parent Articles of Association a
the date of this Agreement.

Parent Intervening Event means a material Effect relating to Parent that (a)
or reasonably expected to be known to members of the Parent Board of Directo
Parent Competing Proposal.

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Parent Material Adverse Effect means any Effect that, individually or in the Parent and the Parent Subsidiaries, taken as a whole; provided, however, that n Material Adverse Effect or shall be taken into account when determining whet States or global economic conditions, (b) conditions (or changes therein) in an therein), including any changes affecting financial, credit or capital market con implementation, promulgation, repeal, modification, amendment, reinterpretati and delivery of this Agreement or the consummation of the Transactions or co apply with respect to any representation or warranty contained in this Agreeme of this Agreement or the consummation of the Transactions or the compliance or contributing to such changes that are not otherwise excluded from the defini projections, estimates or expectations of Parent s revenue, earnings or other fi forecasts of its revenues, earnings or other financial performance or results of from the definition of a Parent Material Adverse Effect may be taken into ac commencement, continuation or escalation of a war, acts of armed hostility, wo the date of this Agreement, (j) the negotiation, pendency or public announceme (j) shall not apply with respect to any representation or warranty contained in t and delivery of this Agreement or the consummation of the Transactions or the Company in writing, (l) any reduction in the credit rating of Parent or the Paren excluded from the definition of a Parent Material Adverse Effect may be tak applicable to products or product candidates of

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Parent; except, in the case of clauses (a) - (e), (i) or (m), to the extent Parent ar
industry or industries in which Parent and Parent Subsidiaries operate (in whic
Material Adverse Effect).

Parent Product means all products that are being researched, tested, develop
any Parent Subsidiary has royalty rights.

Parent Shareholder Approval means the affirmative vote of the holders of a
provided in this Agreement at the Parent Special Meeting.

Parent Special Meeting means the meeting of the holders of shares of Paren

Parent Stock or Parent Shares means the ordinary shares of $0.0001 par

Parent Subsidiaries means the Subsidiaries of Parent.

Person means a natural person, partnership, corporation, limited liability co
organization.

RCRA means the Resource Conservation and Recovery Act, as amended, a

Release means any spilling, leaking, pumping, pouring, emitting, emptying,
placing, discarding or abandonment of any barrel, container or other receptacle

Removal, Remedial or Response actions include the types of activities cove
Governmental Entity or those which a Governmental Entity or any other Perso
recyclers, reusers, disposers, or other Persons under removal, remedial, c

Representatives means, when used with respect to Parent, Merger Sub or th
agents, advisors and representatives of Parent or the Company, as applicable, a

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Requisite Jurisdictions shall mean the jurisdictions set forth in Section A an
that it has determined to remove from Section B of Section 7.1(d) of the Comp

Sanctioned Country means any of Cuba, Iran, North Korea, Sudan, and Syr

Sanctioned Person means any Person with whom dealings are restricted or p
(a) any Person identified in any list of sanctioned Persons maintained by (i) the
Industry and Security, or the United States Department of State; (ii) Her Majes
Person located, organized, or resident in, organized in, or a Governmental Enti
by, or acting for the benefit or on behalf of, a Person described in (a) or (b).

Sanctions Laws means all Laws concerning economic sanctions, including e
the ability to engage in transactions with specified persons or countries, or the
impose economic sanctions on any person for engaging in proscribed behavior

SEC means the United States Securities and Exchange Commission.

Section 16 Officers means the executive officers of the Company and/or its

Securities Act means the United States Securities Act of 1933, as amended.

Significant Subsidiary means any Subsidiary of the Company or Parent, as a
of Regulation S-X promulgated under the Securities Act.

Stock Award Exchange Ratio means the sum of the Stock Consideration Po

Subsidiary or Subsidiaries means with respect to any Person, any corpora
the outstanding shares of capital stock of, or

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other equity interests, having by their terms ordinary voting power to elect a m
or indirectly owned or controlled by such Person or by any one or more of its S
Subsidiary of such Person is a general partner of such partnership.

Superior Proposal Acquisition Agreement shall mean a written definitive ac
Company Superior Proposal.

Takeover Statutes mean any business combination, control share acquis

Tax or Taxes means any and all taxes, levies, duties, tariffs, imposts and
windfall or other profits, gross receipts, premiums, property, sales, use, net wo
valorem, stamp, transfer, value-added, gains tax and license, registration and d
alternative or add-on minimum, or estimated tax, including any interest, penalt

Tax Return means any report, return, certificate, claim for refund, election,
Taxes, including any schedule or attachment thereto, and including any amend

VWAP of Parent Stock means the volume weighted average price of Parent
the closing of trading on the second to last trading day prior to the Closing Dat

Willful Breach means with respect to any representation, warranty, agreeme
result in a breach, of such representation, warranty, agreement or covenant.

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Section 9.6 Terms Defined Elsewhere. The following terms are defined els

Agreement

Book-Entry Shares

Cash Consideration Portion

Certificate of Merger

Certificates

Closing

Closing Date

COBRA

Company

Company 401(k) Plans

Company Benefit Plans

Company Board of Directors

Company Board Recommendation

Company Capitalization Date

Company Change of Recommendation

Company Common Stock

Company Disclosure Letter

Company Equity Awards

Company Equity Schedule

Company Healthcare and Data Protection Laws

Company Leased Real Property

Company Material Contracts

Company Owned Real Property

Company Permits

Company Permitted Liens

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Company Preferred Stock

Company Regulatory Agency

Company Regulatory Permits

Company Restricted Shares

Company Rights

Company RSUs

Company SEC Documents

Company Shares

Company Stock Option

Company Termination Fee

Continuing Employees

D&O Insurance

DGCL

Dissenting Shares

DOJ

Effective Time

EMA

Exchange Agent

Exchange Fund

FDA

FDCA

Form S-4

Fractional Share Consideration

FTC

GAAP

HIPAA

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HITECH Act

Indemnified Parties

Joint Proxy Statement/Prospectus

Merger

Merger Consideration

Merger Sub

Merger Sub Common Stock

Non-Employee Option Consideration

Option Consideration

Outside Date

Parent

Parent 401(k) Plan

Parent Articles of Association

Parent Benefit Plans

Parent Board of Directors

Parent Board Recommendation

Parent Capitalization Date

Parent Deferred Shares

Parent Disclosure Letter

Parent Healthcare and Data Protection Laws

Parent Leased Real Property

Parent Material Contracts

Parent Owned Real Property

Parent Permits

Parent Permitted Lien

Parent Preferred Shares

Table of Contents

Parent Regulatory Agency

Parent Regulatory Permits

Parent Restricted Shares

Parent RSUs

Parent SEC Documents

Parent Stock Option

Parent Termination Fee

Party

PHSA

Replacement Financing

Replacement Financing Documents

Required Financial Information

Rights Plan

Sarbanes-Oxley Act

Section 262

Stock Consideration Portion

Surviving Corporation

Transactions

Section 9.7 Interpretation. When a reference is made in this Agreement to
including are used in this Agreement they shall be deemed to be followed b
Exchange Act. The table of contents and headings set forth in this Agreement a
this Agreement or any term or provision hereof. When reference is made herei
the context otherwise requires. All references herein to the Subsidiaries of a Pe
requires. The Parties agree that they have been represented by counsel during t

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rule of construction providing that ambiguities in an agreement or other docum
similar import when used in this Agreement shall refer to this Agreement as a
Agreement are applicable to the singular as well as the plural forms of such ter
specific provisions of laws shall include all rules and regulations promulgated
from time to time amended, modified or supplemented, including by successio
ordinary course of business consistent with past practice . The term dollars

Section 9.8 Counterparts. This Agreement may be executed manually or b
become effective when a counterpart hereof shall have been signed by each of
transmission or by e-mail of a .pdf attachment shall be effective as delivery of

Section 9.9 Entire Agreement; Third-Party Beneficiaries.

(a) This Agreement (including the Company Disclosure Letter and the Par
matter hereof and thereof and supersede all other prior agreements (except that
Section 8.1 hereof, Parent and Merger Sub shall be permitted to take the action
subject matter hereof and thereof.

(b) Except as (i) provided in Section 6.4 (but only following the Effective
awarded by the court, damages based on loss of the economic benefit of the Tr
any claim against Parent or otherwise enforce this Agreement) in the event of
Parent Disclosure Letter) nor the Confidentiality Agreement are intended to co
party beneficiaries of this Section 9.9(b) and Section 9.1(c), Section 9.11(a), S
the Financing Sources shall be entitled to rely on and enforce the provisions of

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Section 9.10 Severability. If any term or other provision of this Agreemen shall nevertheless remain in full force and effect so long as the economic or leg is invalid, illegal or incapable of being enforced, the Parties shall negotiate in g end that the Merger are fulfilled to the extent possible.

Section 9.11 Governing Law; Jurisdiction.

(a) This Agreement shall be governed by, and construed in accordance wit of any other state. Notwithstanding anything herein to the contrary, the Compa dispute of any kind or nature (whether based upon contract, tort or otherwise) a dispute arising out of or relating in any way to the Financing, shall be governe Sections 5-1401 and 5-1402 of the New York General Obligations Law); *provi* Effect has occurred, (ii) the determination of the accuracy of any Merger Agre Parent, Merger Sub or their respective affiliates have the right to terminate its c whether the Transactions have been consummated in accordance with the term Delaware without giving effect to conflicts of laws principles that would result

(b) Each of the Parties hereby irrevocably and unconditionally submits, fo finds it lacks subject matter jurisdiction, the Superior Court of the State of Del vested exclusively in the federal courts of the United States of America, the fe proceeding arising out of or relating to this Agreement or the agreements deliv relating thereto, and each of the Parties hereby irrevocably and unconditionally such court finds it lacks subject

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matter jurisdiction, the Superior Court of the State of Delaware (Complex Com
the federal courts of the United States of America, the federal court of the Unit
in respect of any such action or proceeding may be heard and determined in the
of the State of Delaware (Complex Commercial Division) or, if subject matter
of America, the federal court of the United States of America sitting in the dist
do so, any objection that it may now or hereafter have to the jurisdiction or lay
inconvenient forum to the maintenance of such action or proceeding in such co
other jurisdictions by suit on the judgment or in any other manner provided by
referred to in this Section 9.11(b) in the manner provided for notices in Section
Law. Notwithstanding anything herein to the contrary, the Company (on behal
cause of action, claim, cross-claim or third-party claim of any kind or descripti
Agreement, the Merger or any of the other Transactions, including any dispute
other than exclusively in the Supreme Court of the State of New York, County
Southern District of New York (and appellate courts thereof), (B) submits for i
summons, notice or document by registered mail addressed to it at its address p
hereby irrevocably waives, to the fullest extent permitted by Law, any objectio
maintenance of, any such action in any such court and (E) agrees that a final ju
provided by Law.

Section 9.12 Waiver of Jury Trial. EACH PARTY HEREBY IRREVOCA
LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELA

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DELIVERED IN CONNECTION HEREWITH OR THE MERGER, THE FIN
PROCEEDING OR COUNTERCLAIM AGAINST ANY FINANCING SOU
ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWI
WAIVERS, (B) IT UNDERSTANDS AND HAS CONSIDERED THE IMPL
ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE M

Section 9.13 Assignment. This Agreement shall not be assigned by any of
prior to the mailing of the Joint Proxy Statement/Prospectus, assign, in their so
(ii) Parent and one or more direct or indirect wholly owned Subsidiaries of Par
without the prior written consent of the other Parties if such assignment could
agreements set forth in this Agreement or adversely affect the Company; provi
preceding sentence, but without relieving any Party of any obligation hereunde
assigns.

Section 9.14 Enforcement; Remedies.

(a) Except as otherwise expressly provided herein, any and all remedies he
Law or equity upon such Party, and the exercise by a Party of any one remedy

(b) The Parties agree that irreparable injury will occur in the event that any
prior to the termination of this Agreement pursuant to Article VIII, each Party
Party, to a decree or order of specific performance to specifically enforce the te

(c) The Parties rights in this Section 9.14 are an integral part of the Trans
that there is an adequate remedy at Law or that an award of such remedy is not

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avoidance of doubt, each Party agrees that there is not an adequate remedy at L
shall not be required to obtain, furnish, post or provide any bond or other secur

(d) Notwithstanding anything in this Agreement to the contrary, in the eve
performance or other equitable remedies in accordance with this Section 9.14,
unavailable or an inappropriate remedy for such breach, in which case the Con

Section 9.15 Liability of Financing Sources. Notwithstanding anything to
agrees that neither it nor any other Company Related Party nor any Company s
Agreement, the Financing or the transactions contemplated hereby or thereby,
connection with this Agreement, the Financing or the transactions contemplate
foregoing will not limit the rights of the parties to the Financing under the Deb

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IN WITNESS WHEREOF, Parent, Merger Sub and the Company have caused

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November 15, 2014

The Board of Directors

Actavis plc

1 Grand Canal Square,

Docklands Dublin 2, Ireland

Members of the Board of Directors:

You have requested our opinion as to the fairness, from a financial point of
wholly-owned subsidiary of the Company with Allergan, Inc. (the Merger Pa
the Merger Partner, Merger Sub will merge with and into the Merger Partner, a
$0.01, of the Merger Partner (the Merger Partner Common Stock), other t
indirect wholly owned subsidiaries and Dissenting Shares (as defined in the
0.3683 ordinary shares, par value $0.0001 per share (the Company Shares),

In connection with preparing our opinion, we have (i) reviewed a draft dated N
Partner and the Company and the industries in which they operate; (iii) con
companies we deemed relevant and the consideration paid for such companie
concerning certain other companies we deemed relevant and reviewed the cur
such other companies; (v) reviewed certain internal financial analyses and fore
and reviewed the estimated amount and timing of the cost savings and related
(vi) performed such other financial studies and analyses and considered such o

In addition, we have held discussions with certain members of the managemen

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operations of the Merger Partner and the Company, the financial condition an
future prospects of the Company, and certain other matters we believed necess

In giving our opinion, we have relied upon and assumed the accuracy and com
or otherwise reviewed by or for us, and we have not independently verified (
have not conducted or been provided with any valuation or appraisal of any a
bankruptcy, insolvency or similar matters. In relying on financial analyses and
on assumptions reflecting the best currently available estimates and judgments
such analyses or forecasts relate. We express no view as to such analyses or fo
transactions contemplated by the Agreement will have the tax consequences d
the Agreement, and that the definitive Agreement will not differ in any mater
and the Merger Partner in the Agreement and the related agreements are an
assessments made by the Company and its advisors with respect to such issues
the Transaction will be obtained without any adverse effect on the Merger Part

Our opinion is necessarily based on economic, market and other conditions as
affect this opinion and that we do not have any obligation to update, revise,
Company in the proposed Transaction and we express no opinion as to the
underlying decision by the Company to engage in the Transaction.

Furthermore, we express no opinion with respect to the amount or nature of
Consideration to be paid by the Company in the Transaction or with respect to
Partner Common Stock will trade at any future time.

We have acted as financial advisor to the Company with respect to the propos
proposed Transaction is consummated. In addition, the Company has agreed to

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letter, we and our affiliates have had commercial or investment banking relatio
during such period have included acting as financial advisor to the Company
facility in October 2013, acting as joint lead arranger and joint bookrunner o
2013. In addition, our commercial banking affiliate is an agent bank and a le
financial benefits. We anticipate that we and our affiliates will arrange and/
businesses, we and our affiliates may actively trade the debt and equity secur
hold long or short positions in such securities.

On the basis of and subject to the foregoing, it is our opinion as of the date
Company.

The issuance of this opinion has been approved by a fairness opinion committe
with and for the purposes of its evaluation of the Transaction. This opinion do
Transaction or any other matter. This opinion may not be disclosed, referred
opinion may be reproduced in full in any proxy or information statement maile

Very truly yours,

/s/ J.P. MORGAN SECURITIES LLC

J.P. MORGAN SECURITIES LLC

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Merrill Lynch, Pierce, Fenner & Smith Incorporated

November 16, 2014

The Board of Directors

Allergan, Inc.

2525 Dupont Drive

Irvine, California 92612

Members of the Board of Directors:

We understand that Allergan, Inc. (Allergan) proposes to enter into an Agre
subsidiary of Actavis (Merger Sub), and Allergan, pursuant to which, amon
$0.01 per share, of Allergan (Allergan Common Stock) (other than shares o
Dissenting Shares (as defined in the Agreement)) will be converted into the rig
the Share Consideration Portion) and (ii) $129.22 in cash, without interest (
the Merger are more fully set forth in the Agreement.

You have requested our opinion as to the fairness, from a financial point of vie

In connection with this opinion, we have, among other things:

(i) reviewed certain publicly available business a

(ii) reviewed certain internal financial and operati
of Allergan, including certain financial forecas

(iii) reviewed certain internal financial and operati
Actavis, including certain financial forecasts r
Forecasts);

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(iv) reviewed certain estimates as to the amount an
management of Allergan;

(v) discussed the past and current business, operat
past and current business, operations, financia

(vi) reviewed the potential pro forma financial imp
earnings per share;

(vii) reviewed the trading histories for Allergan Co
deemed relevant;

(viii) compared certain financial and stock market in

(ix) compared certain financial terms of the Merge

(x) reviewed a draft, dated November 16, 2014, o

(xi) performed such other analyses and studies and

In arriving at our opinion, we have assumed and relied upon, without independ
otherwise reviewed by or discussed with us and have relied upon the assurance
or data inaccurate or misleading in any material respect. With respect to the Al
best currently available estimates and good faith judgments of the managemen
advised by Actavis, and have assumed, with the consent of Allergan, that they
Actavis as to the future financial performance of Actavis and other matters cov
of our analyses and opinion. We have not made or been provided with any ind
physical inspection of the properties or assets of Allergan or Actavis. We have
or similar matters. We have assumed, at the direction of Allergan, that the Mer
agreement and that, in the course of obtaining the necessary governmental, reg
divestiture requirements or amendments or modifications, will be imposed that
of Allergan, that the final executed Agreement will not differ in any material re

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We express no view or opinion as to any terms or other aspects of the Merger (Merger. As you are aware, we were not requested to, and we did not, solicit inc to the fairness, from a financial point of view, of the Merger Consideration to b connection with the Merger by the holders of any class of securities, creditors the amount, nature or any other aspect of any compensation to any of the offic opinion or view is expressed as to the relative merits of the Merger in compari business decision of Allergan to proceed with or effect the Merger. We are not Common Stock or Actavis Ordinary Shares will trade at any time, including fo stockholder should vote or act in connection with the Merger or any related ma

We have acted as financial advisor to Allergan in connection with its considera Common Stock, as amended (the Offer), and the Merger and have received not the Offer is withdrawn, a fee payable upon delivery of this opinion and a c against certain liabilities arising out of our engagement.

We and our affiliates comprise a full service securities firm and commercial ba as well as providing investment, corporate and private banking, asset and inves governments and individuals. In the ordinary course of our businesses, we and positions, finance positions or trade or otherwise effect transactions in equity, of their respective affiliates.

We and our affiliates in the past have provided, currently are providing, and in have received or in the future may receive compensation for the rendering of th as a book runner for a debt offering of Allergan, (iii) having acted or acting as having provided or providing certain treasury and management services and pr

In addition, we and our affiliates in the past have provided, currently are provi and have received or in the future may receive compensation for the rendering mergers and acquisitions transactions, (ii) having acted as a book runner on va book runner for, and/or a lender (including, in some cases a letter of credit lend certain treasury and management services and products to Actavis and/or certa

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It is understood that this letter is for the benefit and use of the Board of Directo

Our opinion is necessarily based on financial, economic, monetary, market and understood that subsequent developments may affect this opinion, and we do n Opinion Review Committee.

Based upon and subject to the foregoing, including the various assumptions an holders of Allergan Common Stock is fair, from a financial point of view, to su

Very truly yours,

/s/ MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

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November 16, 2014

Board of Directors

Allergan, Inc.

2525 Dupont Drive

Irvine, CA 92612

Lady and Gentlemen:

You have requested our opinion as to the fairness from a financial point of vie
(the Shares), of Allergan, Inc. (the Company) of the Consideration (as de
and among Actavis, Avocado Acquisition Inc., an indirect wholly owned subsi
Company and each outstanding Share (other than Shares held by the Company
into $129.22 in cash, without interest (the Cash Consideration) and 0.3683
the Consideration).

Goldman, Sachs & Co. and its affiliates are engaged in advisory, underwriting
and services for various persons and entities. Goldman, Sachs & Co. and its af
they co-invest, may at any time purchase, sell, hold or vote long or short positi
Company, Actavis, any of their respective affiliates and third parties, or any cu
financial advisor to the Company in connection with, and have participated in
substantial portion of which is contingent upon consummation of the Transacti
out of our engagement. We have provided certain financial advisory and/or un
may receive, compensation, including having acted as financial advisor to the
offering of the Company s 1.350% Notes due 2018 (aggregate principal amou
Company with respect to the sale of the Company s obesity intervention busi
International, Inc., AGMS Inc., Pershing Square Capital Management, L.P. an
services to the Company, Actavis, and their respective affiliates for which our

In connection with this opinion, we have reviewed, among other things, the Ag
ended December 31, 2013; the annual report to shareholders of Actavis and the
and the Annual Report on Form 10-K of Actavis, Inc. for the fiscal year ended
(File No. 333-194781);

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certain interim reports to stockholders of the Company and Actavis, Inc., certa
other communications from the Company to its stockholders and from Actavis
analyses and forecasts for the Company prepared by its management and for A
synergies projected by the managements of the Company and Actavis to result
senior managements of the Company and Actavis regarding their assessment o
condition and future prospects of the Company and Actavis; reviewed the repo
Company and Actavis with similar information for certain other companies the
industry; and performed such other studies and analyses, and considered such

For purposes of rendering this opinion, we have, with your consent, relied upo
discussed with or reviewed by, us, without assuming any responsibility for ind
reasonably prepared on a basis reflecting the best currently available estimates
liabilities (including any contingent, derivative or other off-balance-sheet asset
evaluation or appraisal. We have assumed that all governmental, regulatory or
Company or Actavis or on the expected benefits of the Transaction in any way
without the waiver or modification of any term or condition the effect of which

Our opinion does not address the underlying business decision of the Company
the Company; nor does it address any legal, regulatory, tax or accounting matte
combination with, the Company or any other alternative transaction. This opin
hereof, of the Consideration to be paid to such holders pursuant to the Agreem
term or aspect of any other agreement or instrument contemplated by the Agre
received in connection therewith by, the holders of any other class of securities
payable to any of the officers, directors or employees of the Company, or class
and its affiliates) pursuant to the Agreement or otherwise. We are not expressi
or viability of the Company or Actavis or the ability of the Company, or Actav
conditions as in effect on, and the information made available to us as of, the d
events occurring after the date hereof. Our advisory services and the opinion e

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connection with its consideration of the Transaction and such opinion does not
opinion has been approved by a fairness committee of Goldman, Sachs & Co.

Based upon and subject to the foregoing, it is our opinion that, as of the date he
financial point of view to such holders.

Very truly yours,

/s/ GOLDMAN, SACHS & CO.

GOLDMAN, SACHS & CO.

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Section

§ 262. Appraisal rights.

(a) Any stockholder of a corporation of this State who holds shares of stock or
shares through the effective date of the merger or consolidation, who has other
thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal
(c) of this section. As used in this section, the word stockholder means a ho
depository receipt mean a receipt or other instrument issued by a depository
depository.

(b) Appraisal rights shall be available for the shares of any class or series of st
251(g) of this title and, subject to paragraph (b)(3) of this section, § 251(h) of t

(1) Provided, however, that, except as expressly provided in § 363(b) of this ti
receipts in respect thereof, at the record date fixed to determine the stockholde
a national securities exchange or (ii) held of record by more than 2,000 holders
if the merger did not require for its approval the vote of the stockholders of the

(2) Notwithstanding paragraph (b)(1) of this section, appraisal rights under thi
the terms of an agreement of merger or consolidation pursuant to §§ 251, 252,

a. Shares of stock of the corporation surviving or resulting from such merger c

b. Shares of stock of any other corporation, or depository receipts in respect th
consolidation will be either listed on a national securities exchange or held of r

c. Cash in lieu of fractional shares or fractional depository receipts described i

d. Any combination of the shares of stock, depository receipts and cash in lieu

(3) In the event all of the stock of a subsidiary Delaware corporation party to a
shall be available for the shares of the subsidiary Delaware corporation.

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(4) In the event of an amendment to a corporation s certificate of incorporatio this section, including those set forth in subsections (d) and (e) of this section, corporation substituted for the words constituent corporation and/or sur

(c) Any corporation may provide in its certificate of incorporation that apprais of incorporation, any merger or consolidation in which the corporation is a con provision, the procedures of this section, including those set forth in subsection

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provid meeting, shall notify each of its stockholders who was such on the record date which appraisal rights are available pursuant to subsection (b) or (c) of this sec of this section and, if 1 of the constituent corporations is a nonstock corporatio corporation, before the taking of the vote on the merger or consolidation, a wri identity of the stockholder and that the stockholder intends thereby to demand stockholder electing to take such action must do so by a separate written dema shall notify each stockholder of each constituent corporation who has complied consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to § 228, § 251(h), § or resulting corporation within 10 days thereafter shall notify each of the holde consolidation and that appraisal rights are available for any or all shares of suc constituent corporations is a nonstock corporation, a copy of § 114 of this title effective date of the merger or consolidation. Any stockholder entitled to appra title, within the later of the consummation of the tender or exchange offer cont corporation the appraisal of such holder s shares. Such demand will be sufficie appraisal of such holder s shares. If such notice did not notify stockholders of effective date of the merger or consolidation notifying each of the holders of a consolidation or (ii) the surviving or resulting corporation shall send such a sec than 20 days following the sending of the first notice or, in the case of a merge

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§ 251(h) of this title, later than the later of the consummation of the tender or e
be sent to each stockholder who is entitled to appraisal rights and who has dem
transfer agent of the corporation that is required to give either notice that such
stockholders entitled to receive either notice, each constituent corporation may
on or after the effective date of the merger or consolidation, the record date sha
business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the
otherwise entitled to appraisal rights, may commence an appraisal proceeding
Notwithstanding the foregoing, at any time within 60 days after the effective d
named party shall have the right to withdraw such stockholder s demand for a
consolidation, any stockholder who has complied with the requirements of sub
resulting from the consolidation a statement setting forth the aggregate numbe
aggregate number of holders of such shares. Such written statement shall be m
resulting corporation or within 10 days after expiration of the period for delive
a person who is the beneficial owner of shares of such stock held either in a vo
statement described in this subsection.

(f) Upon the filing of any such petition by a stockholder, service of a copy the
Register in Chancery in which the petition was filed a duly verified list contain
of their shares have not been reached by the surviving or resulting corporation.
Register in Chancery, if so ordered by the Court, shall give notice of the time a
stockholders shown on the list at the addresses therein stated. Such notice shall
the City of Wilmington, Delaware or such publication as the Court deems advi
surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders
have demanded an appraisal for their shares and who hold stock represented by
proceedings; and if any stockholder fails to comply with such direction, the Co

(h) After the Court determines the stockholders entitled to an appraisal, the ap

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appraisal proceedings. Through such proceeding the Court shall determine the
consolidation, together with interest, if any, to be paid upon the amount determ
discretion determines otherwise for good cause shown, interest from the effect
Federal Reserve discount rate (including any surcharge) as established from tir
surviving or resulting corporation or by any stockholder entitled to participate
stockholders entitled to an appraisal. Any stockholder whose name appears on
certificates of stock to the Register in Chancery, if such is required, may partic

(i) The Court shall direct the payment of the fair value of the shares, together
stockholder, in the case of holders of uncertificated stock forthwith, and the ca
Court s decree may be enforced as other decrees in the Court of Chancery ma

(j) The costs of the proceeding may be determined by the Court and taxed upo
of the expenses incurred by any stockholder in connection with the appraisal p
the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockh
or to receive payment of dividends or other distributions on the stock (except d
consolidation); provided, however, that if no petition for an appraisal shall be f
corporation a written withdrawal of such stockholder s demand for an apprais
provided in subsection (e) of this section or thereafter with the written approva
proceeding in the Court of Chancery shall be dismissed as to any stockholder v
that this provision shall not affect the right of any stockholder who has not con
accept the terms offered upon the merger or consolidation within 60 days after

(l) The shares of the surviving or resulting corporation to which the shares of s
authorized and unissued shares of the surviving or resulting corporation.

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