

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

JEFF MICHELSON, ELEANOR
TURBERG,

Plaintiffs-Appellants,

v.

HOWARD SOLOMON, KENNETH E.
GOODMAN, JOHN E. EGGERS,
ELAINE HOCHBERG, LAWRENCE S.
OLANOFF, WILLIAM J. CANDEE,
GEORGE S. COHAN, DAN L.
GOLDWASSER, LESTER B. SALANS
PHILLIP M. SATOW, and FOREST
LABORATORIES, INC.,

Defendants-Appellees.

C.A. Docket No. 06-4774-CV

**UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

IN RE FOREST LABORATORIES, INC.
DERIVATIVE LITIGATION

Lead Civil Action No. 05-CV-3489

This Document Relates To:

ALL ACTIONS.

STIPULATION OF SETTLEMENT

This Stipulation of Settlement, dated March 11, 2011 (the “Stipulation”) is made and entered into by and among the following Settling Parties (as defined in ¶1.21): (i) the Derivative Plaintiffs¹ (as defined in ¶1.6), individually and derivatively on behalf of Forest Laboratories, Inc. (“Forest” or the “Company”), by and through their counsel of record in the Derivative Actions (as defined in ¶1.5); (ii) the Individual Defendants (as defined in ¶1.13), by and through their counsel of record in the Derivative Actions; and (iii) Forest, by and through its counsel of record in the Derivative Actions. This Stipulation is intended by the Settling Parties to fully, finally, and forever resolve, discharge, and settle the Released Claims (as defined in ¶1.17), upon and subject to the terms and conditions thereof.

I. LITIGATION BACKGROUND

On April 4 and April 6, 2005, respectively, two shareholder derivative actions were filed on behalf of Forest in the U.S. District Court for the Southern District of New York. On August 5, 2005, the actions were consolidated under the caption *In re Forest Laboratories, Inc. Derivative Litigation*, 05-CV-3489 (the “Federal Derivative Action”). On the same date, the law firms of Faruqi & Faruqi, LLP and Robbins Umeda LLP² (“Co-Lead Counsel”) were designated co-lead counsel in the Federal Derivative Action.

On October 7, 2005, Federal Derivative Plaintiffs (as defined in ¶1.10) filed a 205-paragraph Verified Consolidated Shareholder Derivative Complaint (the “Consolidated Complaint”) which alleged that certain of Forest’s officers and directors breached their fiduciary duties to the Company by, *inter alia*, causing or allowing the Company to: (i) conceal adverse clinical trials or tests regarding two anti-depression drugs, Celexa and Lexapro, as to their efficacy in the treatment of adolescent and pediatric depression; (ii) engage in unlawful “off-label” promotional activities for Celexa and Lexapro; and (iii) make misleading statements or omissions in its public filings regarding the timing and chances of success of Forest’s application

¹ Federal derivative plaintiff Jeff Michelson no longer owns his Forest stock and therefore enters into this Stipulation for the purpose of dismissing his action with prejudice.

² The law firm of Robbins Umeda LLP was formerly known as Robbins Umeda & Fink, LLP.

with the U.S. Drug Administration (“FDA”) for approval of its Alzheimer’s drug, Memantine/Namenda, in the treatment of mild to moderate cases of the disease. The Consolidated Complaint alleged that these and other acts or omissions by the Individual Defendants caused Forest to become the target of investigations by the U.S. Inspector General and the New York Attorney General involving allegedly concealed clinical trials or tests, off-label promotion and possible kickbacks in marketing Forest’s drugs. The Consolidated Complaint further alleged that, while in possession of material, undisclosed adverse information regarding Forest’s business and operations, certain of the Individual Defendants sold more than 6 million shares of personally held Forest stock for proceeds in excess of \$407 million. The Consolidated Complaint asserted claims for breach of fiduciary duty, abuse of control, gross mismanagement, waste of corporate assets, and unjust enrichment relating to the alleged misconduct.

On December 9, 2005, Forest and the Individual Defendants filed a motion pursuant to FRCP 23.1 to dismiss the Consolidated Complaint for failure to plead the futility of pre-suit demand. Federal Derivative Plaintiffs filed their opposition to the motion to dismiss on February 7, 2006, and Forest and the Individual Defendants filed their reply memorandum on March 9, 2006. On May 4, 2006, the Court heard oral argument on the motion to dismiss. By Memorandum Opinion and Order entered on September 20, 2006, the Court granted the motion to dismiss and dismissed the Federal Derivative Action in its entirety.

On October 13, 2006, Federal Derivative Plaintiffs filed a notice of appeal to the U.S. Court of Appeals for the Second Circuit. In connection with the appeal, on November 17, 2006, Co-Lead Counsel and counsel for Forest and the Individual Defendants attended a pre-argument conference before staff counsel, Stanley A. Bass, Esq. Shortly thereafter, the parties to the Federal Derivative Action agreed to suspend the appeal, without prejudice to reactivating the appeal, in light of ongoing litigation in a related securities class action (the “Securities Class Action”). In December 2008, the parties to the Securities Class Action reached an agreement to

settle that action. On May 15, 2009, the settlement of the Securities Class Action was granted final approval by the Court.

In December 2008, the parties to the Federal Derivative Action began discussions concerning possible resolution of the Federal Derivative Action. In connection with those discussions, Co-Lead Counsel sent to counsel for Forest and the Individual Defendants two comprehensive settlement proposals seeking to resolve the Federal Derivative Action. The parties agreed to extend the suspension of the appeal pending the outcome of the settlement discussions.

On April 16, 2009, Arnold Wandel (“State Derivative Plaintiff”) filed a shareholder derivative action in New York Supreme Court, County of New York (“State Derivative Action”), based upon similar facts and claims as those alleged in the Federal Derivative Action. The State Derivative Action also pled claims based on facts regarding the recent settlement of the Securities Class Action and a lawsuit filed against Forest on February 25, 2009 by the U.S. Department of Justice, captioned *United States v. Forest Laboratories, Inc.*, Civil Action No. 03-10395-NMG (D. Mass.) (the “DOJ Action”). The DOJ Action was filed in connection with two whistleblower cases already pending which had been filed against the Company under the *qui tam* provisions of the False Claims Act (“FCA”). The DOJ Action alleged that the Company had willfully violated the FCA, 31 U.S.C. § 3729, including by engaging in off-label marketing of Celexa and Lexapro, misleading doctors by promoting the results of a positive study on the use of Celexa on children while concealing the results of a negative study, and paying illegal kickbacks to doctors in an effort to induce them to prescribe Forest’s drugs.

In June 2009, Co-Lead Counsel and counsel for the State Derivative Plaintiff (collectively, “Derivative Plaintiffs’ Counsel”) sent to counsel for Forest and the Individual Defendants a third supplemental settlement proposal containing detailed corporate governance reforms targeted at, *inter alia*, Board level oversight of the Company’s sales and marketing activities, the Company’s disclosure of negative clinical trials and studies, implementation of a robust insider trading policy, duties of the Company’s Chief of Compliance and Chief Medical

Officer, implementation of a compliance monitoring function, maintenance of a database tracking off-label inquiries, and adoption by the Forest Board of Directors of resolutions affirming compliance with, among other things, the federal anti-kickback law and all other federal and state statutes and regulations governing gifts and compensation to health care providers.

Over the course of more than one year, the parties engaged in extensive, arm's length negotiations in an effort to resolve the Derivative Actions (as defined in ¶1.4). During this period, the parties held highly detailed discussions regarding corporate governance and compliance issues and counsel for Forest and the Individual Defendants produced to Derivative Plaintiffs' Counsel certain confidential documents, including Forest's then-current "Compass" Compliance Manual relating to promotional efforts as well as the Company's Legal and Ethical Conduct Program. In May 2010, the parties agreed upon the core terms of the corporate governance reforms to be implemented or maintained by Forest.

In order to allow Derivative Plaintiffs to confirm the fairness, reasonableness and adequacy of the proposed settlement terms, Forest and the Individual Defendants have or will produce to Derivative Plaintiffs' Counsel document discovery including, but not limited to: (1) transcripts and exhibits of depositions taken in the Securities Class Action; and (2) non-privileged materials provided to or created by Forest's Board of Directors' ("Board") concerning: (a) clinical trials, tests, and alleged "off label" promotion activities for Celexa or Lexapro; (b) payments to health care providers; (c) the manufacturing and distribution of Levothroid; (d) the efficacy and likelihood of FDA approval of Namenda and Milnacipran; (e) product warnings for SSRI's, including but not limited to Celexa or Lexapro, provided by the Company's European-based licensor H. Lundbeck; (f) any investigation, whether internal or external, regarding the foregoing matters; and (g) Forest's officers' and directors' sales of personally held stock of Forest. In addition, Derivative Plaintiffs' Counsel may conduct depositions of certain officers and/or directors of Forest.

As a result of these efforts, the Settling Parties have reached an agreement to settle the Derivative Actions. The terms and conditions of the proposed settlement (the “Settlement”) are contained in this Stipulation of Settlement.

II. CLAIMS OF DERIVATIVE PLAINTIFFS AND BENEFITS OF SETTLEMENT

Derivative Plaintiffs believe that the claims alleged in the Derivative Actions have merit. Derivative Plaintiffs and Derivative Plaintiffs’ Counsel recognize and acknowledge, however, the significant risk, expense, and length of continued proceedings necessary to prosecute the Derivative Actions against the Individual Defendants through trial and through appeal. Derivative Plaintiffs’ Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Derivative Actions, as well as the difficulties and delays inherent in such litigation. Derivative Plaintiffs’ Counsel are also mindful of the inherent problems of proof and possible defenses to the claims asserted in such actions. Derivative Plaintiffs’ Counsel have conducted a thorough review and analysis of the relevant facts, allegations, defenses, and controlling legal principles, and believe that the Settlement set forth in this Stipulation is fair, reasonable, and adequate, and confers substantial benefits upon Forest and its shareholders. Based upon Derivative Plaintiffs’ Counsel’s evaluation, Derivative Plaintiffs believe that the Settlement is in the best interests of Forest and Current Forest Shareholders and have agreed to settle the Derivative Actions upon the terms and subject to the conditions set forth herein.

III. DEFENDANTS’ DENIALS OF WRONGDOING AND LIABILITY

Each Individual Defendant has denied and continues to deny each and all of the claims and contentions alleged against each of them in the Derivative Actions. Each Individual Defendant has expressly denied and continues to deny all charges of wrongdoing or liability against each of them arising out of any of the conduct, statements, acts, or omissions alleged, or that could have been alleged, in the Derivative Actions. The Individual Defendants also have denied and continue to deny, *inter alia*, the allegations that Forest, the Derivative Plaintiffs, or

the Current Forest Shareholders (as defined in ¶1.3) have suffered damages or were harmed by the conduct alleged in the Derivative Actions.

Nonetheless, the Individual Defendants and Forest have concluded that further conduct of the Derivative Actions would be protracted and expensive, and that it is desirable that the Derivative Actions be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation. The Individual Defendants and Forest also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like the Derivative Actions. The Individual Defendants and Forest have, therefore, determined that it is desirable and beneficial to them that the Derivative Actions be settled in the manner and upon the terms and conditions set forth in this Stipulation. Moreover, Forest believes that the Settlement is in the best interests of Forest and its shareholders.

For the avoidance of doubt, none of the Individual Defendants or Forest intends or understands the denials set forth in this Section or elsewhere in this Agreement to be inconsistent with the admissions of guilt referenced in (a) the September 15, 2010 Plea Agreement entered into between the United States and Forest Pharmaceuticals, Inc., and (b) the September 15, 2010 Side Letter Agreement entered into between the United States and Forest Laboratories, Inc.

IV. TERMS OF STIPULATION AND AGREEMENT OF SETTLEMENT

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the Derivative Plaintiffs, individually and derivatively on behalf of Forest, the Individual Defendants, and Forest, by and through their respective counsel or attorneys of record, that, subject to all necessary court approvals, the Derivative Actions and Released Claims shall be finally and fully compromised, settled, and released, and the Derivative Actions shall be dismissed with prejudice, as to all Settling Parties, upon the terms and subject to the conditions of the Stipulation, as follows:

1. Definitions

As used in this Stipulation, the following terms have the meanings specified below:

1.1 “Co-Lead Counsel” means collectively, Faruqi & Faruqi, LLP, 369 Lexington Avenue, 10th Floor, New York, NY 10017 and Robbins Umeda LLP, 600 B Street, Suite 1900, San Diego, CA 92101.

1.2 “Court” means the U.S. District Court for the Southern District of New York.

1.3 “Current Forest Shareholders” means all persons who are record or beneficial owners of Forest common stock as of the date of the execution of this Stipulation, together with their respective representatives, trustees, executors, heirs, administrators, transferees, agents, successors, or assigns, but excluding the Individual Defendants, the officers and directors of Forest, members of their immediate families, and their legal representatives, heirs, successors, or assigns, and any entity in which Individual Defendants have or had a controlling interest.

1.4 “Defendants’ Counsel” means Debevoise & Plimpton LLP, 919 Third Avenue, New York, NY 10022.

1.5 “Derivative Actions” means collectively, the Federal Derivative Action and the State Derivative Action.

1.6 “Derivative Plaintiffs” means collectively, Federal Derivative Plaintiffs and State Derivative Plaintiff.

1.7 “Derivative Plaintiffs’ Counsel” means collectively, Co-Lead Counsel and State Derivative Plaintiff’s Counsel.

1.8 “Effective Date” means the first date by which all of the events and conditions specified in ¶5.1 of this Stipulation have been met and have occurred.

1.9 “Federal Derivative Action” means *In re Forest Laboratories, Inc. Derivative Litigation*, Lead Case No. 05-CV-3489.

1.10 “Federal Derivative Plaintiffs” means collectively Eleanor Turburg and Jeff Michelson.

1.11 “Final” means (i) having been finally affirmed on appeal or any appeal having been dismissed; or (ii) if no appeal is filed, the time for filing or noticing any appeal having expired. For purposes of this paragraph, an “appeal” shall include any petition for a writ of

certiorari, petition for review, or other writ that may be filed in connection with approval or disapproval of the settlement, but shall not include any appeal which concerns only the issue of Derivative Plaintiffs' Counsel's attorneys' fees and reimbursement of expenses.

1.12 "Forest" or the "Company" means nominal defendant Forest Laboratories, Inc.

1.13 "Individual Defendants" means collectively, Howard Solomon, Kenneth E. Goodman, John E. Eggers, Elaine Hochberg, Lawrence S. Olanoff, William J. Candee, George S. Cohan, Dan L. Goldwasser, Lester B. Salans, Phillip M. Satow, Nesli Basgoz, Mary E. Prehn, Raymond Stafford, and Charles E. Triano.

1.14 "Judgment" means the proposed Final Judgment and Order of Dismissal with Prejudice to be entered by the Court, substantially in the form attached hereto as Exhibit A.

1.15 "Person" means an individual, corporation, limited liability corporation, professional corporation, partnership, limited partnership, limited liability partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their respective spouses, heirs, predecessors, successors, representatives, or assignees.

1.16 "Related Persons" means the past or present directors, officers, employees, partners, members, principals, agents, insurers, co-insurers, reinsurers, controlling shareholders, attorneys, accountants or auditors, personal or legal representatives, predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs and related or affiliated entities of each of the Released Parties (as defined in ¶1.18), any entity in which any of the Released Parties has a controlling interest, any members of any Individual Defendant's immediate family, and any trust of which any Individual Defendant or Forest is the settlor or which is for the benefit of Forest or any Individual Defendant and/or member(s) of any Individual Defendant's family.

1.17 "Released Claims" shall collectively mean any and all claims for relief, debts, demands, rights, and causes of action or liabilities whatsoever (including, but not limited to, any claims for compensatory damages, punitive damages, interest, attorneys' fees, expert or

consulting fees, and any other costs, expenses, liability or relief, monetary, injunctive, or otherwise), whether based on federal, state, local, foreign, statutory, or common law or any other law, rule, or regulation, whether fixed or contingent, matured or unmatured, pleaded or unpleaded, known or unknown, suspected or unsuspected (including Unknown Claims as defined in ¶1.25 below), arising out of or relating to any claims that have been or could have been asserted by Derivative Plaintiffs or shareholders of Forest derivatively on behalf of Forest against the Released Persons (as defined in ¶1.18 below) concerning or arising out of the facts, allegations, transactions, events, matters, occurrences, acts, disclosures, statements, representations, omissions or failures to act that were alleged or could have been alleged in the Derivative Actions, including, but not limited to, clinical trials, tests, and alleged “off label” promotion activities for Celexa or Lexapro; payments to health care providers; the manufacturing and distribution of Levothroid; the efficacy and likelihood of FDA approval of Namenda and Milnacipran; product warnings for SSRI’s, including but not limited to Celexa or Lexapro; and Forest’s officers’ and directors’ sales of personally held stock of Forest.

1.18 “Released Parties” means collectively, Forest and each of the Individual Defendants.

1.19 “Released Persons” means collectively, each and all of the Released Parties and each of their Related Persons.

1.20 “Settlement Hearing” means the hearing on final approval of the proposed settlement contemplated by the Stipulation, made upon noticed motion and at which the Derivative Plaintiffs will seek entry of the Judgment.

1.21 “Settling Parties” means, collectively, Forest, the Individual Defendants, Eleanor Turburg and State Derivative Plaintiff, individually and derivatively on behalf of Forest.

1.22 “State Derivative Action” means *Wandel v. Solomon, et al.*, Index No. 09/601154 (Sup. Ct., New York Cty).

1.23 “State Derivative Plaintiff” means Arnold Wandel.

1.24 “State Derivative Plaintiff’s Counsel” means Rigrodsky & Long, P.A., 585 Stewart Avenue, Suite 304, Garden City, NY 11530.

1.25 “Unknown Claims” means any Released Claims that any Settling Party or Related Person does not know or suspect to exist in his, her, or its favor at the time of the settlement including, without limitation, those claims which, if known, might have affected the decision to enter into, or not object to, this Settlement. The Settling Parties expressly waive, relinquish, and release any and all provisions, rights, and benefits conferred by or under California Civil Code Section 1542 (“§1542”) or any other law of the United States or any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to §1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

The Settling Parties acknowledge that they may hereafter discover facts in addition to or different from those now known or believed to be true by them, with respect to the subject matter of the Released Claims, but it is the intention of the Settling Parties to completely, fully, finally, and forever compromise, settle, release, discharge, and extinguish any and all Released Claims, known or unknown, suspect or unsuspected, contingent or absolute, accrued or unaccrued, apparent or unapparent, which do now exist, or heretofore existed, or may hereafter exist, and without regard to the subsequent discovery of additional or different facts. The Settling Parties each acknowledge that the foregoing waiver was separately bargained for and a key element of the Settlement of which this release is a part.

2. Settlement of the Derivative Actions

2.1 Forest has implemented and/or will maintain the corporate governance measures described in Exhibit B attached hereto for at least five years from the Effective Date, subject to modification of specific measures if required or approved by a governmental agency with regulatory authority over Forest. Forest and the Individual Defendants acknowledge and agree

that the pendency and prosecution of the Derivative Actions were a material cause of the agreement to implement or maintain the corporate governance measures described in Exhibit B. Forest and the Individual Defendants further acknowledge and agree that the institution of the corporate governance measures in Exhibit B will be effective in preventing the types of wrongdoing alleged in the Derivative Actions.

2.2 As soon as practicable after execution of this Stipulation, the parties to the Federal Derivative Action shall file with the U.S. Court of Appeals for the Second Circuit a request for entry of an order dismissing Federal Derivative Plaintiffs' appeal without prejudice and remanding the Federal Derivative Action to the Court in order to permit the Settling Parties to seek the Court's approval of the settlement. However, the parties to the Federal Derivative Action agree that dismissal of the appeal shall be without prejudice and that the appeal may be reinstated within thirty days of any ruling by the Court fully and finally denying approval of the Settlement; ***provided however***, that any ruling by the Court concerning Derivative Plaintiffs' Counsel's attorneys' fees or expenses shall not be grounds for reinstating the appeal.

2.3 As soon as practicable after the Federal Derivative Action is remanded from the U.S. Court of Appeals for the Second Circuit to the Court, Federal Derivative Plaintiffs shall file this Stipulation together with its exhibits with the Court, and shall apply for entry of an order preliminarily approving the derivative settlement and providing for notice (the "Notice Order"), substantially in the form of Exhibit E attached hereto, requesting: (i) preliminary approval of the Settlement; (ii) approval of the form and content of the Summary Notice of Pendency and Proposed Settlement of Shareholder Derivative Actions ("Summary Notice"), attached hereto as Exhibit C, and the Notice of Pendency and Proposed Settlement of Shareholder Derivative Actions ("Notice"), attached hereto as Exhibit D; and (iii) setting of a date for the Settlement Hearing.

2.4 Not later than ten business days following entry of the Notice Order, the Summary Notice shall be published once in *Investor's Business Daily*. The Summary Notice shall refer shareholders to the websites of Faruqi & Faruqi, LLP, Robbins Umeda LLP, and

Rigrodsky & Long, P.A. to view the detailed Notice and Stipulation. Forest shall be responsible for all costs associated with publishing the Summary Notice. In addition, Forest shall cause a copy of the Notice to be filed with the U.S. Securities and Exchange Commission (“SEC”) via a Form 8-K. The Summary Notice shall also direct Forest shareholders to the SEC’s website to view the Notice.

3. Attorneys’ Fees and Reimbursement of Expenses

3.1 After negotiating the corporate governance measures to be instituted by Forest in connection with the settlement of the Derivative Actions, the Settling Parties reached an agreement as to a fair and reasonable amount of attorneys’ fees and reimbursement of expenses to be paid to Derivative Plaintiffs’ Counsel. Forest shall or shall cause Forest’s and the Individual Defendants’ insurers to pay to Derivative Plaintiffs’ Counsel the agreed-to amount of \$2,175,000 (the “Fee and Expense Award”) for their attorneys’ fees and reimbursement of expenses, subject to approval of the Court. The Fee and Expense Award shall be wired to Faruqi & Faruqi, LLP, as receiving agent for Derivative Plaintiffs’ Counsel, ten business days after entry of an order granting final approval of the Settlement and approving payment of the Fee and Expense Award, pursuant to wiring instructions provided to Defendants’ Counsel no later than three business days after the entry of such order. In the event payment is not made in accordance with this paragraph, simple interest will be assessed on the full amount due at an annual rate that is 1% higher than the annual U. S. prime interest rate quoted by *The Wall Street Journal* on the day that such payment was due.

3.2 Payment of the Fee and Expense Award is subject to the obligation of Derivative Plaintiffs’ Counsel and their law firms (or their successors) to refund that amount in the event of a reversal or modification on appeal. The Fee and Expense Award shall constitute the final and complete payment for Derivative Plaintiffs’ Counsel’s attorneys’ fees and reimbursement of expenses that have been incurred or will be incurred in connection with the Derivative Actions and the resolution of the claims asserted in the Derivative Actions. Faruqi & Faruqi, LLP, as receiving agent, shall be responsible for the distribution of the Fee and Expense Award to

Derivative Plaintiffs' Counsel. Forest, the Individual Defendants, and each of their Related Persons shall have no responsibility for, and no liability whatsoever with respect to, the division or allocation of the Fee and Expense Award.

4. Releases

4.1 Upon the Effective Date, Forest, Derivative Plaintiffs (individually and derivatively on behalf of Forest), and each of the Current Forest Shareholders (solely in their capacity as Forest shareholders) shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged the Released Claims against the Released Persons and shall be forever enjoined from prosecuting the Released Claims. Nothing herein shall in any way impair or restrict the rights of any Settling Party to enforce the terms of the Stipulation.

4.2 Upon the Effective Date, Forest, each of the Individual Defendants, and the Related Persons shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished, and discharged Derivative Plaintiffs and Derivative Plaintiffs' Counsel from all claims, arising out of, relating to, or in connection with their institution, prosecution, assertion, settlement, or resolution of the Derivative Actions or the Released Claims. Nothing herein shall in any way impair or restrict the rights of any Settling Party to enforce the terms of the Stipulation.

4.3 The Settling Parties will seek entry of the Judgment by the Court, dismissing the Derivative Actions with prejudice, and barring any claims that have been or could be asserted in any court or forum by Forest, or any Forest shareholder, derivatively on behalf of Forest, relating to or arising out of the Released Claims.

5. Conditions of Settlement, Effect of Disapproval, Cancellation, or Termination

5.1 The Effective Date shall be conditioned on the occurrence of all of the following events:

- (a) entry of the Notice Order;

(b) entry of the Judgment granting final approval of the settlement following notice to Current Forest Shareholders as contemplated by this Stipulation and the Settlement Hearing as required by Rule 23.1 of the Federal Rules of Civil Procedure, and dismissing all of the Released Claims with prejudice;

(c) payment of the Fee and Expense Award in accordance with ¶3.1, provided however that the Effective Date shall not be delayed if the other conditions have been satisfied but the Court has not issued an order approving the Fee and Expense Award; and

(d) the Judgment having become Final.

5.2 If the Effective Date does not occur, then this Stipulation shall be canceled and terminated and the Settling Parties will be restored to their respective positions as of the execution date of the Stipulation, unless Derivative Plaintiffs' Counsel and Defendants' Counsel mutually agree in writing to proceed with the Stipulation.

5.3 State Derivative Plaintiff and State Derivative Plaintiff's Counsel shall seek dismissal with prejudice of the State Derivative Action within ten days of entry of Judgment in the Federal Derivative Action and shall use their best efforts to secure such dismissal and entry of judgment in the state court; provided, however, that the claims asserted in the State Derivative Action shall be released pursuant to the Judgment without regard to whether the State Derivative Action is dismissed.

6. Miscellaneous Provisions

6.1 The Settling Parties: (a) acknowledge that it is their intent to consummate this Stipulation; and (b) agree to cooperate to the extent reasonably necessary to effectuate and implement all terms and conditions of this Stipulation and to exercise their best efforts to accomplish the foregoing terms and conditions of the Stipulation.

6.2 The Settling Parties agree that the terms of the settlement were negotiated in good faith by the Settling Parties, and reflect a settlement that was reached voluntarily after consultation with competent legal counsel. The Settling Parties reserve their right to rebut, in a

manner that such party determines to be appropriate, any contention made in any public forum that the Derivative Actions were brought or defended in bad faith or without a reasonable basis.

6.3 Neither this Stipulation nor the Settlement, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement: (a) is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any of the Released Claims, or of any wrongdoing or liability of the Individual Defendants and/or the Related Persons; or (b) is or may be deemed to be or may be used as an admission of, or evidence of, any fault or omission of any of the Individual Defendants and/or the Related Persons in any civil, criminal, or administrative proceeding in any court, administrative agency, or other tribunal. Forest, the Individual Defendants, and/or the Related Persons may file the Stipulation and/or the Judgment in any action that may be brought against them in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

6.4 In the event that any part of the Settlement is found to be unlawful, void, unconscionable, or against public policy by a court of competent jurisdiction, the remaining terms and conditions of the Settlement shall remain intact.

6.5 Any and all agreements made and orders entered during the course of the Derivative Actions relating to the confidentiality of information shall survive the dismissal of the Derivative Actions.

6.6 The exhibits to this Stipulation are material and integral parts hereof and are fully incorporated herein by this reference.

6.7 This Stipulation may be amended or modified only by a written instrument signed by or on behalf of all Settling Parties or their respective successors-in-interest.

6.8 This Stipulation and the exhibits attached hereto represent the complete and final resolution of all disputes between the Settling Parties with respect to the Derivative Actions, constitute the entire agreement among the Settling Parties, and supersede any and all prior

negotiations, discussions, agreements, or undertakings, whether oral or written, with respect to such matters.

6.9 This Stipulation shall be deemed drafted equally by all Settling Parties hereto.

6.10 This Stipulation and the exhibits attached hereto shall be considered to have been negotiated, executed, and delivered, and to be wholly performed, in the State of New York, and the rights and obligations of the Settling Parties to the Stipulation shall be construed and enforced in accordance with, and governed by, the internal, substantive laws of the State of New York without giving effect to that State's choice of law principles.

6.11 No representations, warranties, or inducements have been made to any party concerning the Stipulation or its exhibits other than the representations, warranties, and covenants contained and memorialized in such documents.

6.12 Except as otherwise provided herein and subject to applicable indemnities and policies of insurance, each of the Settling Parties shall bear his, her, or its own costs.

6.13 Each counsel or other Person executing the Stipulation or its exhibits on behalf of any Settling Party hereby warrants that such Person has the full authority to do so.

6.14 This Stipulation shall be binding upon, and inure to the benefit of, the successors and assigns of the Settling Parties and the Released Persons hereto.

6.15 This Stipulation may be executed by facsimile and in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument. A complete set of original executed counterparts shall be filed with the Court.

6.16 The Court shall retain jurisdiction with respect to implementation and enforcement of the terms of the Stipulation, and the Settling Parties submit to the jurisdiction of the Court for purposes of implementing and enforcing the settlement embodied in the Stipulation.

IN WITNESS WHEREOF, the Settling Parties hereto have caused the Stipulation to be executed, by their duly authorized attorneys, dated as of March 11, 2011.

FARUQI & FARUQI, LLP

By: Beth A. Keller
NADEEM FARUQI
BETH A. KELLER

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Counsel for Plaintiff Eleanor Turburg

ROBBINS UMEDA LLP

By: [Signature]
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*Counsel for Nominal Defendant
Forest Laboratories, Inc. and the
Individual Defendants*

Exhibit A

This matter came before the Court for hearing pursuant to the Order of this Court, dated _____, 2011 (“Order”), on the application of the Settling Parties for approval of the Settlement set forth in the Stipulation of Settlement dated March 11, 2011 (the “Stipulation”). Due and adequate notice having been given to the Current Forest Shareholders as required in said Order, and the Court having considered all papers filed and proceedings had herein and otherwise being fully informed in the premises and good cause appearing therefore, IT IS HEREBY ORDERED, ADJUDGED AND DECREED that:

1. This Judgment incorporates by reference the definitions in the Stipulation, and all capitalized terms used herein shall have the same meanings as set forth in the Stipulation.

2. This Court has jurisdiction over the subject matter of the Federal Derivative Action, including all matters necessary to effectuate the Settlement.

3. The Court finds that the Settlement is fair, reasonable, and adequate as to each of the Settling Parties, and hereby finally approves the Settlement in all respects, finds that the Settlement provides substantial benefits to Forest and its shareholders, and orders the Settling Parties to perform its terms to the extent the Settling Parties have not already done so.

4. The Federal Derivative Action and all claims contained therein, as well as all of the Released Claims, are dismissed with prejudice. As between Derivative Plaintiffs, Forest, and the Individual Defendants, the Settling Parties are to bear their own costs, except as otherwise provided in the Stipulation.

5. Upon the Effective Date, Forest, Derivative Plaintiffs (individually and derivatively on behalf of Forest), and each of the Current Forest Shareholders (solely in their capacity as Current Forest Shareholders) shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged the Released Claims against the Released

Persons and shall be forever enjoined from prosecuting the Released Claims. Nothing herein shall in any way impair or restrict the rights of any Settling Party to enforce the terms of the Stipulation.

6. Upon the Effective Date, Forest, each of the Individual Defendants, and the Related Persons shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged Derivative Plaintiffs and Derivative Plaintiffs' Counsel from all claims, arising out of, relating to, or in connection with their institution, prosecution, assertion, settlement, or resolution of the Derivative Actions or the Released Claims. Nothing herein shall in any way impair or restrict the rights of any Settling Party to enforce the terms of the Stipulation.

7. The Court finds that the Summary Notice of Pendency and Proposed Settlement of Shareholder Derivative Actions published in *Investor's Business Daily*, and the Notice of Pendency and Proposed Settlement of Shareholder Derivative Actions posted on the websites of Faruqi & Faruqi, LLP, Robbins Umeda LLP and Rigrudsky & Long, P.A. and filed with the Securities and Exchange Commission by Forest in a Form 8-K, provided the best notice practicable under the circumstances of these proceedings and of the matters set forth therein, including the Settlement set forth in the Stipulation, to all Persons entitled to such notice, and said notices fully satisfied the requirements of Federal Rule of Civil Procedure 23.1 and the requirements of due process.

8. The Court finds that during the course of the Derivative Actions, the Settling Parties and their counsel, at all times, complied with Federal Rule of Civil Procedure 11 and all other similar rules and law.

9. The Court finds that the Fee and Expense Award is fair and reasonable and hereby directs Forest to cause the transfer of the Fee and Expense Award to Derivative Plaintiffs' Counsel in accordance with the terms set forth in the Stipulation.

10. Neither the Stipulation nor the Settlement, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement: (a) is or may be deemed to be or may be used as an admission of, or evidence of, the validity of any Released Claim, or of any wrongdoing or liability of the Individual Defendants and/or the Related Persons; or (b) is or may be deemed to be or may be used as an admission of, or evidence of, any fault or omission of any of the Individual Defendants and/or the Related Persons in any civil, criminal, or administrative proceeding in any court, administrative agency, or other tribunal. Forest, the Individual Defendants, and/or the Related Persons may file the Stipulation and/or the Judgment in any action that may be brought against them in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, release, good faith settlement, judgment bar or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

11. Without affecting the finality of this Judgment in any way, this Court hereby retains continuing jurisdiction over: (a) implementation of the Settlement; and (b) the Settling Parties for the purpose of construing, enforcing, and administering the Stipulation and the Settlement, including, if necessary, setting aside and vacating this Judgment, on motion of a party, to the extent consistent with and in accordance with the Stipulation if the Effective Date fails to occur in accordance with the Stipulation.

12. Without further order of the Court, the Settling Parties may agree to reasonable extensions of time to carry out any of the provisions of the Stipulation.

13. This Judgment is a final, appealable judgment and should be entered forthwith by the Clerk in accordance with Rule 58 of the Federal Rules of Civil Procedure.

IT IS SO ORDERED.

DATED: _____

HONORABLE
UNITED STATES DISTRICT JUDGE

Exhibit B

Exhibit B

Corporate Governance Measures

*In re Forest Labs., Inc. Derivative Litig., Civil Action No. 05-CV-3489(RJH) (S.D.N.Y.)
Wandel v. Solomon, et al., Index No. 09/601154 (N.Y. Sup. Ct., County of New York)*

A. Procedures for Review and Approval of Press Releases

Forest shall maintain the following procedures for the review and approval of press releases concerning the results of clinical drug studies that become available to Forest after the Effective Date (“Clinical Study Press Releases”):

1. Forest’s Chief Medical Officer shall be advised of the efficacy and safety results received by Forest of all double-blind placebo-controlled clinical studies of drugs or indications in development at Forest that are sponsored by Forest or its licensing partners. The Chief Medical Officer shall inform the Chief Financial Officer and Chief Operating Officer¹ (together, the “Executive Review Team”), who together shall determine, in consultation with the Chief Medical Officer and/or legal or other personnel if appropriate, whether Forest should issue a press release with respect to such results.

2. Subject to the provisions of Paragraph A.4 below, if the Executive Review Team determines that a press release should be issued, the Vice President, Investor Relations, with assistance from appropriate members of the project/product teams, shall be responsible for the preparation of a first draft of a Clinical Study Press Release.

3. The members of the Executive Review Team shall review, have the opportunity to comment on, and approve in a writing that Forest retains for at least three (3) years, each Clinical Study Press Release before it is issued to the public.

4. Where a double-blind, placebo-controlled clinical study of a drug or indication in development at Forest is sponsored by a Forest licensing partner and where (a) the results of such a study are deemed by the members of the Executive Review Team, in the reasonable exercise of their judgment, to be important to a reasonable investor’s decision whether to buy or sell Forest securities, and (b) Forest does not have the legal right to disclose the results (whether because of contractual restrictions, intellectual property law or any other reason), Forest shall make reasonable efforts to encourage its licensing partner to disclose publicly and promptly the results of such clinical drug study. In the event that results that are deemed material to a reasonable investor’s decision to buy or sell Forest securities are not publicly disclosed, no Section 16(a) officer or director shall be permitted to buy or sell Forest securities except in compliance with Forest’s securities policy (see Paragraph I).

5. The Company shall continue to register its ongoing clinical trials and provide disclosure of its clinical trial results in a manner consistent with applicable regulatory

¹ Responsibilities assigned herein to the Chief Operating Officer may instead be carried out, at Forest’s discretion, by the Chief Executive Officer.

requirements, including but not limited to the Food and Drug Administration Amendments Act of 2007, even if such disclosure would not be required under such regulations solely because such clinical trials were conducted outside the United States, to the extent the Company has the right to disclose the results. In addition, for at least two years following the Effective Date, the Company shall maintain on a publicly accessible website the information posted as of the Effective Date on the clinical trial registry established by the Company pursuant to the Assurance of Discontinuance between the Company and the Attorney General of the State of New York, dated September 7, 2004.

6. Forest shall use reasonable efforts to exclude from future contracts and licensing agreements with third parties any provisions limiting its ability to disclose the results of double-blind placebo-controlled clinical studies of drugs or indications in development at Forest.

B. Chief of Compliance

1. The Company shall maintain an executive-level position called the Chief of Compliance, who shall be responsible for supervising sales and promotional compliance matters for the U.S.-based operations of Forest and its subsidiaries. The Chief of Compliance shall be a member of the senior management of the Company.

2. The duties of the Chief of Compliance shall include:

- a. Developing, implementing and monitoring compliance with policies, procedures, and practices designed to promote the compliance of Forest's U.S.-based operations with industry best practices and federal health care regulations, including regulations issued by the U.S. Food and Drug Administration ("FDA") relating to the sale and promotion of pharmaceutical products.
- b. Providing an organization-level summary on a quarterly basis to the Chief Operating Officer and Forest's management-level sales and promotional compliance committee (the "Corporate Compliance Committee") regarding sales and promotional compliance-related performance issues and associated disciplinary actions.

3. Periodic Chief of Compliance Reports:

- a. The Chief of Compliance shall report annually to Forest's Board of Directors (or to the Compliance Committee as defined in Paragraph C.1 hereof, if applicable) on the following subjects:
 - i. the allocation of resources to the sales and promotional compliance organization and compliance-related initiatives; and
 - ii. a strategic review of significant developments, emerging trends and regulatory changes affecting the Company's sales and promotional compliance and, as appropriate, plans of action to anticipate and respond to such trends, developments and changes.

- b. The Chief of Compliance shall report quarterly to the Board (or to the Compliance Committee, as applicable) on significant compliance issues pursuant to an agenda developed by the Board (or by the Compliance Committee, as applicable) and the Chief of Compliance. Such reports shall include:
 - i. the implementation of existing compliance programs;
 - ii. the monitoring and adjustment of such programs;
 - iii. an organization-level summary regarding sales and promotional compliance-related performance issues and associated disciplinary actions; and
 - iv. the Company's processes for receiving and investigating complaints related to sales and promotional compliance issues.

C. Board Oversight of Sales and Promotional Compliance

1. The Board of Directors shall exercise reasonable oversight of the implementation and effectiveness of Forest's internal controls over sales and promotional compliance matters, including, but not limited to (i) the marketing of Forest's products in an ethical and legal manner and in compliance with FDA regulations and with statutes and regulations applicable to federal health care programs; and (ii) compliance with the Company's Code of Business Conduct and Ethics. The Board may delegate the responsibility for performing these functions to a new or existing Committee of the Board (the "Compliance Committee"); *provided, however*, that any such Compliance Committee shall consist of at least three members, all of whom shall be independent directors.

2. The Board (or the Compliance Committee, as applicable) shall have the following responsibilities with respect to compliance.

- a. Reviewing annually the effectiveness of Forest's Comprehensive Compliance program, including the performance of the Chief of Compliance.
- b. If the Compliance Committee is not the Audit Committee, coordinating risk disclosure activities with the Audit Committee to assist in ensuring that appropriate disclosures of material risks to the Company's business are included in the Company's public financial disclosures in accordance with applicable laws and regulations.
- c. Overseeing the work of Forest's Corporate Compliance Committee.
- d. Reviewing periodic organization-level summaries to be provided by the Chief of Compliance with respect to sales and promotional compliance-related performance issues and associated disciplinary actions.

- e. If the Board delegates sales and promotional oversight responsibilities to a Compliance Committee:
 - i. the Compliance Committee shall hold at least two meetings per year devoted in substantial part to its responsibilities for its oversight of sales and promotional compliance.
 - ii. if the Compliance Committee is not the Audit Committee, at least one meeting each year shall be a joint session with the Audit Committee to review major non-financial compliance matters.
 - iii. the Compliance Committee shall report to the Board at least semi-annually.
- f. If the Board does not delegate sales and promotional oversight responsibilities to a Compliance Committee, the independent members of the Board shall meet in executive session with the Chief of Compliance at least semi-annually.

D. Compliance Policies and Procedures Concerning Sales and Promotional Activities

1. Forest's Board of Directors shall adopt a resolution affirming that it is the Company's policy (a) to promote Forest's products in a manner consistent with each product's FDA-approved package insert and (b) to comply with the federal anti-kickback law and all other federal and state statutes and regulations governing gifts and compensation to health care providers ("HCPs").

2. Forest shall provide not less than two hours of training annually to its directors regarding Forest's Compliance Program, including at least one hour relating to the Code of Conduct and the Policies and Procedures as they pertain to general compliance issues, FDA regulations governing the marketing of prescription drugs, best practices for marketing prescription drugs and the reporting of clinical studies, and at least one hour relating to the responsibilities of board members and corporate governance.

3. Forest's Compass Manual or other written compliance policies provided to employees shall be revised to state, to the extent they do not already do so, that:

- a. It is a violation of Company policy for any Company employee to promote any Forest product in a manner inconsistent with the product's package insert as approved by the FDA; and
- b. Any Forest employee who improperly promotes any Forest product in a manner inconsistent with the product's FDA-approved package insert shall be subject to disciplinary action, up to and including termination of employment.

4. Each year, Forest shall train all of its employees who promote its drugs and/or supervise other employees' promotion of Forest's drugs on the following subjects:

- a. The products and indications for which Forest has obtained FDA approval;
- b. Forest's policy prohibiting promotion of Forest's products for purposes outside the scope of the FDA-approved package insert;
- c. The consequences of violating that policy, up to and including termination of employment; and
- d. The availability of the mechanism described at Paragraph D.6 below for reporting suspected instances of improper promotional practices by others, which mechanism employees shall be encouraged to utilize.

5. Each person required to receive the training described in Paragraph D.4 shall certify, in writing or electronically, that he or she (a) has received the required training, (b) understands the products and indications for which Forest has obtained FDA approval, and (c) understands that Company policy prohibits the promotion of Forest products in a manner inconsistent with each product's FDA-approved package insert. Forest shall maintain employees' certifications for five (5) years following the date on which each is provided.

6. The Company shall continue to maintain the Promotional and Marketing Practices Hotline, which shall be available to report any suspicion or knowledge of non-compliance with any law, regulation or Forest policy related to the sales and marketing of Forest-promoted products. All reports to the Hotline shall be treated as confidential, and all allegations shall be investigated by the Company. Forest policy shall strictly prohibit any adverse action against individuals as a result of their having reported actual or potential compliance issues in good faith, whether or not the reports ultimately prove to be well-founded.

E. Compliance Monitoring

1. Survey of Interactions with HCPs

- a. At least once a year, Forest shall obtain non-Forest records generated by an independent entity ("Survey Entity") reflecting the content and subject matter of detailing interactions between Forest's sales representatives and HCPs that have occurred during two separate one-week periods each year for not fewer than three of Forest's products (the "Covered Products"). The three Covered Products for the first year following the Effective Date shall be Lexapro, Namenda and Savella. The Covered Products may be changed in any year after the first year following the Effective Date to reflect changes under the Corporate Integrity Agreement ("CIA") entered into between Forest and the Office of the Inspector General of the Department of Health and Human Services (the "OIG").
- b. Forest may obtain alternative survey records to be consistent with the type of records required under the CIA from time to time.
- c. Forest shall review the records obtained from the Survey Entity and shall identify any instances in which the records appear to indicate that

employees may have discussed and/or disseminated information about off-label uses of the Covered Product. Forest shall make findings based on its review and shall take any remedial or disciplinary action it deems necessary.

- d. The results of the surveys shall be reported at least annually to the Board of Directors (or to the Compliance Committee, if applicable).

2. Database Tracking Off-Label Inquiries

- a. The Medical Information and Communication Department shall maintain a database to track requests for information about Forest's products that are submitted by HCPs, health care institutions ("HCIs") or any other person or entity.
- b. Internal Review of Database
 - i. On a semi-annual basis, the Chief of Compliance or his designee shall generate a report from the database summarizing the information derived therefrom for the preceding two quarters and shall review the report to assess whether the information contained therein suggests that improper off-label promotion may have occurred in connection with any inquiry.
 - ii. If review of the report suggests to the Chief of Compliance or his designee that improper off-label promotion may have occurred in connection with any inquiry, the Chief of Compliance or his designee shall undertake a follow-up review of any information yielded from the analysis, make specific findings based upon that follow-up review, and take any appropriate remedial action, including any disciplinary action that the Company finds is warranted under the circumstances.

3. Sales Force Monitoring Program

- a. Forest shall maintain a Sales Force Monitoring Program to monitor and evaluate a sample of sales representatives' interactions with HCPs to observe the appropriateness thereof and to identify potential off-label promotional activities.
- b. In the event that a compliance issue, including but not limited to off-label promotion or noncompliance with Forest's compliance program or policies and procedures, is identified, Forest shall investigate the incident and take appropriate remedial action, including any disciplinary action warranted under the circumstances.

4. Forest-Sponsored Speaker Monitoring Program

- a. The Compliance Committee shall maintain a Forest-Sponsored Speaker Monitoring Program to monitor a sample of presentations given by HCP speakers on Forest's behalf, to observe the appropriateness of the presentations, and to identify and remediate off-label promotional activities.

5. Continuing Medical Education

- a. Forest shall maintain a Continuing Medical Education ("CME") grant review program to ensure that funding of CME events by Forest complies with all ACCME Guidelines and FDA guidance on appropriate scientific exchange, including by only funding CME events where the sponsor undertakes to disclose adequately Forest's financial support of and relationship with the CME speakers and/or organizers.

F. Regulatory Product Status and Reporting

1. To ensure the accuracy of the product-related information that it reports to the Centers for Medicare & Medicaid Services ("CMS"), Forest shall annually review all product information reported to CMS for purposes of Medicare and the Medicaid Drug Rebate Program, including information about the status of each product as a covered outpatient drug and the DESI (Drug Efficacy Study Implementation) status of each product.

2. Forest shall document the status of each review described in Paragraph F.1 and maintain such documentation for at least three years after the conclusion of each such review. In addition, the Chief of Compliance shall convey the outcome of each such report to the Board of Directors in a timely manner.

G. Chief Medical Officer

1. Forest shall maintain the position of Chief Medical Officer and shall make reasonable efforts to fill this position with a highly qualified and experienced medical doctor at all times. The Chief Medical Officer shall be a member of senior management and shall have oversight responsibility for all product safety functions, including pharmacovigilance, and for the design and implementation of policies and procedures to ensure that Forest's communications to external parties are "fair balanced" and otherwise in accordance with FDA requirements. The Chief Medical Officer shall report at least quarterly to the Chief Operating Officer concerning these matters. The Chief Operating Officer, with the assistance of the Chief Medical Officer, shall keep the Board apprised of the regulatory status of Forest's products (including the status as reviewed in the report described in Section F, above) and any significant safety issues.

2. The Chief Medical Officer shall be responsible for monitoring the continuing development and implementation of Forest's policies, procedures, systems and controls designed to ensure adherence to principles of objective scientific inquiry, analysis and communication in matters affecting patient benefit and safety. The Chief Medical Officer shall assist the Chief of Compliance, where appropriate, in carrying out his/her responsibilities under Paragraphs B.2.a and B.3.a hereof.

3. The Chief Medical Officer shall work with the Executive Review Team responsible for determining, pursuant to Paragraph A.1 hereof, whether Forest should issue a press release in connection with clinical study results.

H. Compliance Performance and Compensation

1. The Compensation Committee of the Board of Directors shall retain primary responsibility regarding executive officer compensation. The Chief Executive Officer shall discuss the compliance performance of the Company's executive officers with the Compensation Committee annually, as part of the review of the performance of, and associated compensation decisions regarding, executive officers of Forest.

2. The Company shall continue to make the promotion of, and adherence to, the Company's Code of Business Conduct and Ethics an element in evaluating the performance of all employees. The assessed job performance of all senior managers, including for compensation purposes, shall be based in part on their conduct of their responsibilities within the Company's compliance policies.

I. Securities Trading

1. The Company shall maintain a securities trading policy. The policy shall initially be in the form set forth below, but may be revised as appropriate to reflect developments in the law and best practices. The Chief Financial Officer shall be responsible for monitoring compliance with this policy. The Chief Financial Officer shall report annually to the Audit Committee of the Board of Directors concerning the implementation of, compliance with and any enforcement or remedial activities relating to the securities trading policy.

Policy Prohibiting Insider Trading

Company policy prohibits any person from purchasing or selling Company stock or options, or the stock or options of any of the Company's business partners, or advising, encouraging or "tipping" others to do so while in possession of material inside (*i.e.*, non-public) information. Insider trading is not only a violation of Company policy but a violation of Federal and State statutes and rules of the Securities and Exchange Commission.

Severe legal and adverse financial consequences can result from the failure to comply with this prohibition. In addition, the Company's reputation for integrity and ethical conduct – important and valuable corporate assets – could be damaged by a violation of insider trading rules by any employee.

What is "Material Inside Information"?

Information is "material" if there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision. Information is "inside" if it is known by the Company and not yet public.

All non-public information concerning the Company that would be of interest to an investor in Forest stock, including significant revisions to sales or earnings estimates and

business trends – either positive or negative – should be considered Material Inside Information. Material Inside Information also includes information relating to significant product developments or discoveries, including the status or outcomes of clinical trials and other research projects conducted by Forest or Forest affiliates and business partners, as well as the status of Food and Drug Administration reviews of products in the Company’s pipeline. Such information should be considered “material” by employees and “non-public” until such time as the Company has publicly disseminated such information (for example, by means of a press release, web-cast or filing with the Securities and Exchange Commission).

What procedures apply to trading in the Company’s stock?

Certain senior Company officers and all non-employee directors (*i.e.*, all persons who are required to report their transactions under Section 16(a) of the Securities Exchange Act) are not permitted to trade in the Company’s securities at any time without first receiving authorization from the CFO. The CFO is not permitted to trade without prior authorization from the President.

In addition, all officers (VP and above) and all non-employee directors are subject to a “blackout” period leading up to and immediately following each quarterly earnings release, during which no trading in the Company’s securities is permitted. This period generally begins two weeks prior to quarter-end and ends at the beginning of the second trading day following issuance of the earnings press release. At the beginning of each fiscal year, a memo is distributed to those who are subject to this restriction outlining the planned blackout period. As each quarter’s blackout period approaches, a reminder e-mail is also sent.

In addition, the Company periodically institutes a blackout on trading in connection with specific material Company events, most frequently FDA action or the receipt of clinical study results. These trading blackouts typically run from within a week before the “event date” (for those events, such as anticipated study results, as to which the Company has advance notice) until the beginning of the second trading day after the relevant information has been disclosed to the public in a Company press release. These blackouts apply to those who are subject to the quarterly blackout periods described above, as well as to all other Company employees whose work relates to the event giving rise to the blackout. All affected employees receive an e-mail notification that a blackout period is beginning and instructing them to refrain from trading in the Company’s stock until the blackout period has expired.

What if I am unsure whether I am allowed to trade in the Company’s stock?

If you have any questions about the above requirements, or if you are considering a purchase or sale of Company stock and are unsure about your ability to do so because of information that you possess, please speak to:

Frank Perier, Sr. VP Finance & CFO: (212) 224-6611

Rita Weinberger, VP – Controller: (212) 224-6604

Exhibit C

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

IN RE FOREST LABORATORIES, INC.) Lead Civil Action No. 05-CV-3489
DERIVATIVE LITIGATION)

_____))

This Document Relates To:)

ALL ACTIONS.)

_____))

**SUMMARY NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF
SHAREHOLDER DERIVATIVE ACTIONS**

TO: ALL OWNERS OF FOREST LABORATORIES, INC. (“FOREST”) COMMON STOCK AS OF MARCH 11, 2011 (“CURRENT FOREST SHAREHOLDERS”)

YOU ARE HEREBY NOTIFIED that the Parties to the above derivative action as well as the state derivative action pending in New York Supreme Court, County of New York, captioned *Wandel v. Solomon, et al.*, Index No. 09/601154 (the “State Derivative Action”), (collectively the “Derivative Actions”) have entered into a Stipulation of Settlement (the “Stipulation”) to resolve the claims raised by the Derivative Actions.

PLEASE BE FURTHER ADVISED that pursuant to an Order of the United States District Court for the Southern District of New York (the “Court”), a hearing (the “Settlement Hearing”) will be held on _____, 2011, at _____ .m., before the Honorable Richard J. Holwell for the purpose of determining: (a) whether the settlement of the Derivative Actions by way of the adoption of certain corporate governance provisions (as set forth in more detail in the Stipulation on file with the Court) should be finally approved by the Court as fair, reasonable, and adequate to Forest and Current Forest Shareholders; (b) whether the Federal Derivative Action should be dismissed with prejudice; and (c) whether Derivative Plaintiffs’ request for attorneys’ fees and reimbursement of expenses should be finally approved.

If you are a Current Forest Shareholder, your rights to pursue certain derivative claims on behalf of Forest may be affected by this settlement.

Both the Stipulation and a detailed Notice of Pendency and Proposed Settlement of Shareholder Derivative Actions (the “Notice”) describing the Derivative Actions, the proposed Settlement, and the rights of Current Forest Shareholders with regard to the Settlement may be obtained from the respective websites of Robbins Umeda LLP at www.robbinsumeda.com, Faruqi & Faruqi, LLP at www.faruqilaw.com, and Rigrodsky & Long, P.A. at www.rigrodskylong.com. Forest has also filed a copy of the Notice with the U.S. Securities and Exchange Commission (“SEC”) in a Form 8-K, which may be found on the SEC’s website at www.sec.gov.

A Current Forest Shareholder wishing to assert an objection to the settlement should, no later than ten (10) business days prior to the Settlement Hearing:

(i) file with the Clerk of the Court, U.S. District Court, Southern District of New York, 500 Pearl Street, New York, New York 10007-1312, a written objection to the settlement setting forth: (a) the nature of the objection; (b) proof of ownership of Forest common stock through the date of the objection, including the number of shares of Forest common stock and the date of purchase; and (c) any documentation in support of such objection; and

(ii) if a Current Forest Shareholder intends to appear and requests to be heard at the Settlement Hearing, such shareholder must, in addition to the requirements of subsection (i) above, file with the Clerk of the Court: (a) a written notice of such shareholder's intention to appear; (b) a statement that indicates the basis for such appearance; and (c) the identities of any witnesses the shareholder intends to call at the Settlement Hearing and the subjects of their testimony; and

(iii) if a Current Forest Shareholder files a written objection and/or written notice of intent to appear, such shareholder must also simultaneously serve copies of such notice, proof, statement and documentation, together with copies of any other papers or briefs such shareholder files with the Court (either by hand delivery or by first class mail) upon each of the following:

NADEEM FARUQI
BETH A. KELLER
FARUQI & FARUQI, LLP
369 Lexington Avenue, 10th Floor
New York, NY 10017
Telephone: (212) 983-9330
Facsimile: (212) 983-9331

*Co-Lead Counsel for Federal Derivative
Plaintiffs*

GARY W. KUBEK
DEBEVOISE & PLIMPTON LLP
919 Third Avenue
New York, NY 10022
Telephone: (212) 909-6000
Facsimile: (212) 909-6836

*Counsel for Forest and the Individual
Defendants*

BRIAN J. ROBBINS
CRAIG W. SMITH
ROBBINS UMEDA LLP

600 B Street, Suite 1900
San Diego, CA 92101
Telephone: (619) 525-3990
Facsimile: (619) 525-3991

*Co-Lead Counsel for Federal Derivative
Plaintiffs*

Any Current Forest Shareholder who does not timely make his, her, or its objection to the Settlement shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, reasonableness, or adequacy of the proposed Settlement, and shall otherwise be bound by the Judgment to be entered and the releases given.

**PLEASE DO NOT TELEPHONE THE COURT OR FOREST
REGARDING THIS NOTICE**

Exhibit D

TO: ALL OWNERS OF FOREST LABORATORIES, INC. (“FOREST”) COMMON STOCK AS OF MARCH 11, 2011 (“CURRENT FOREST SHAREHOLDERS”)

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED.

This notice has been provided to you pursuant to an Order of the United States District Court for the Southern District of New York (the “Court”). The purpose of the notice is to advise you of the proposed settlement (the “Settlement”), as set forth in a Stipulation of Settlement dated March 11, 2011 (the “Stipulation”), of the consolidated shareholder derivative litigation pending before the Court and captioned-above, as well as the shareholder derivative litigation pending in New York Supreme Court, County of New York, captioned *Wandel v. Solomon, et al.*, Index No. 09/601154 (the “State Derivative Action”), (collectively, the “ Derivative Actions”), and of the Settlement Hearing. The Settlement will fully resolve the Derivative Actions on the terms set forth in the Stipulation and summarized in this notice, including the dismissal of the Derivative Actions with prejudice. For a more detailed statement of the matters involved in the Derivative Actions, the Settlement and the terms discussed in this notice, the Stipulation may be viewed on the websites of Faruqi & Faruqi, LLP at www.faruqilaw.com, Robbins Umeda LLP at <http://www.robbinsumeda.com/notices.html>, and Rigrodsky & Long, P.A. at www.rigrodskylong.com. The Stipulation may also be inspected at the Office of the Clerk of the United States District Court for the Southern District of New York located at 500 Pearl Street, New York, New York 10007-1312, during regular business hours of each business day.

You may have the right to object to the Settlement, including any award of attorneys’ fees and expenses to Derivative Plaintiffs’ Counsel, in the manner provided herein. If you fail to object in the manner provided herein at least ten (10) business days prior to the Settlement Hearing, you will be deemed to have waived your objections and will be bound by the Judgment to be entered and the releases to be given, unless otherwise ordered by the Court.

This notice is not intended to be an expression of any opinion by the Court with respect to the merits of the claims made in the Derivative Actions, but is merely to advise you of the pendency and settlement of the Derivative Actions.

I. DEFINITIONS USED IN THIS NOTICE

1. "Co-Lead Counsel" means collectively, Faruqi & Faruqi, LLP, 369 Lexington Avenue, 10th Floor, New York, NY 10017 and Robbins Umeda LLP, 600 B Street, Suite 1900, San Diego, CA 92101.

2. "Court" means the United States District Court for the Southern District of New York.

3. "Current Forest Shareholders" means all persons who are record or beneficial owners of Forest common stock as of the date of the execution of this Stipulation, together with their respective representatives, trustees, executors, heirs, administrators, transferees, agents, successors, or assigns, but excluding the Individual Defendants, the officers and directors of Forest, members of their immediate families, and their legal representatives, heirs, successors, or assigns, and any entity in which Individual Defendants have or had a controlling interest.

4. "Defendants' Counsel" means Debevoise & Plimpton LLP, 919 Third Avenue, New York, NY 10022.

5. "Derivative Actions" means collectively, the Federal Derivative Action and the State Derivative Action.

6. "Derivative Plaintiffs" means collectively, Federal Derivative Plaintiffs and State Derivative Plaintiff.

7. "Derivative Plaintiffs' Counsel" means collectively, Co-Lead Counsel and State Derivative Plaintiff's Counsel.

8. “Effective Date” means the first date by which all of the events and conditions specified in ¶5.1 of the Stipulation have been met and have occurred.

9. “Federal Derivative Action” means *In re Forest Laboratories, Inc. Derivative Litigation*, No. 05-CV-3489 (Lead).

10. “Federal Derivative Plaintiffs” means collectively Eleanor Turburg and Jeff Michelson.

11. “Final” means (i) having been finally affirmed on appeal or any appeal (having been dismissed; or (ii) if no appeal is filed, the time for filing or noticing any appeal having expired. For purposes of this paragraph, an “appeal” shall include any petition for a writ of certiorari, petition for review, or other writ that may be filed in connection with approval or disapproval of the Settlement, but shall not include any appeal which concerns only the issue of Derivative Plaintiffs’ Counsel’s attorneys’ fees and reimbursement of expenses.

12. “Forest” or the “Company” means nominal party Forest Laboratories, Inc.

13. “Individual Defendants” means collectively, Howard Solomon, Kenneth E. Goodman, John E. Eggers, Elaine Hochberg, Lawrence S. Olanoff, William J. Candee, George S. Cohan, Dan L. Goldwasser, Lester B. Salans, Phillip M. Satow, Nesli Basgoz, Mary E. Prehn, Raymond Stafford, and Charles E. Triano.

14. “Judgment” means the proposed Final Judgment and Order of Dismissal with Prejudice to be entered by the Court, substantially in the form attached to the Stipulation as Exhibit A.

15. “Person” means an individual, corporation, limited liability corporation, professional corporation, partnership, limited partnership, limited liability partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or

any political subdivision or agency thereof, and any business or legal entity and their respective spouses, heirs, predecessors, successors, representatives, or assignees.

16. “Related Persons” means the past or present directors, officers, employees, partners, members, principals, agents, insurers, co-insurers, reinsurers, controlling shareholders, attorneys, accountants or auditors, personal or legal representatives, predecessors, successors, parents, subsidiaries, divisions, joint ventures, assigns, spouses, heirs and related or affiliated entities, of each of the Released Parties’ (as defined in ¶18), any entity in which any of the Released Parties has a controlling interest, any members of any Individual Defendant’s immediate family, or any trust of which any Individual Defendant or Forest is the settlor, or which is for the benefit of Forest or any Individual Defendant and/or member(s) of any Individual Defendant’s family.

17. “Released Claims” shall collectively mean any and all claims for relief, debts, demands, rights, and causes of action or liabilities whatsoever (including, but not limited to, any claims for compensatory damages, punitive damages, interest, attorneys’ fees, expert or consulting fees, and any other costs, expenses, liability or relief, monetary, injunctive, or otherwise), whether based on federal, state, local, foreign, statutory, or common law or any other law, rule, or regulation, whether fixed or contingent, matured or unmatured, pleaded or unpleaded, known or unknown, suspected or unsuspected (including Unknown Claims (as defined in ¶25 below), arising out of or relating to any claims that have been or could have been asserted by Derivative Plaintiffs or shareholders of Forest derivatively on behalf of Forest against the Released Persons (as defined in ¶19 below) concerning or arising out of the facts, allegations, transactions, events, matters, occurrences, acts, disclosures, statements, representations, omissions or failures to act that were alleged or could have been alleged in the Derivative Actions, including, but not limited to, clinical trials, tests, and alleged “off label” promotional activities for Celexa or Lexapro; payments to health care providers; the manufacturing and distribution of Levothroid; the efficacy and

likelihood of FDA approval of Namenda and Milnacipran; product warnings for SSRI's, including but not limited to Celexa or Lexapro; and Forest's officers' and directors' sales of personally held stock of Forest.

18. "Released Parties" means collectively, Forest and each of the Individual Defendants.

19. "Released Persons" means collectively, each and all of the Released Parties and each of their Related Persons.

20. "Settlement Hearing" means the hearing on final approval of the proposed Settlement contemplated by the Stipulation, made upon noticed motion and at which the Derivative Plaintiffs will seek entry of the Judgment.

21. "Settling Parties" means, collectively, Forest, the Individual Defendants, Federal Derivative Plaintiffs and State Derivative Plaintiff, individually and derivatively on behalf of Forest.

22. "State Derivative Action" means *Wandel v. Solomon, et al.*, Index No. 09/601154 (Supr. Ct., New York Cty).

23. "State Derivative Plaintiff" means Arnold Wandel, individually and derivatively on behalf of Forest.

24. "State Derivative Plaintiff's Counsel" means Rigrotsky & Long, P.A., 585 Stewart Avenue, Suite 304, Garden City, NY 11530.

25. "Unknown Claims" means any Released Claims that any Settling Party or Related Person does not know or suspect to exist in his, her, or its favor at the time of the Settlement including, without limitation, those claims which, if known, might have affected the decision to enter into, or not object to, this Settlement. The Settling Parties expressly waive, relinquish, and release any and all provisions, rights, and benefits conferred by or under California Civil Code

Section 1542 ("§1542") or any other law of the United States or any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to §1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

The Settling Parties acknowledge that they may hereafter discover facts in addition to or different from those now known or believed to be true by them, with respect to the subject matter of the Released Claims, but it is the intention of the Settling Parties to completely, fully, finally, and forever compromise, settle, release, discharge, and extinguish any and all Released Claims, known or unknown, suspect or unsuspected, contingent or absolute, accrued or unaccrued, apparent or unapparent, which do now exist, or heretofore existed, or may hereafter exist, and without regard to the subsequent discovery of additional or different facts. The Settling Parties each acknowledge that the foregoing waiver was separately bargained for and a key element of the Settlement of which this release is a part.

II. THE DERIVATIVE ACTION

The Derivative Plaintiffs bring suit against the Individual Defendants solely on behalf of Forest and solely for the benefit of Forest and not for any recovery for the direct benefit of any shareholders. The Derivative Plaintiffs generally allege that the Individual Defendants breached their fiduciary duties, by, among other things, causing or allowing the Company to: engage in acts that gave rise to a securities class action filed against the Company and certain of its officers in 2005 and investigations by various agencies of the U.S. government and the New York Attorney General that involved various matters including: (i) concealing adverse clinical trials or tests regarding two anti-depression drugs, Celexa and Lexapro, as to their efficacy in the treatment of adolescent and pediatric depression; (ii) engaging in unlawful "off-label" promotional activities for Celexa and Lexapro; (iii) making misleading statements or omissions in its public filings

regarding the timing and chances of success of Forest's application with the U.S. Drug Administration ("FDA") for approval of its Alzheimer's drug, Memantine/Namenda, in the treatment of mild to moderate cases of the disease; (iv) paying illegal kickbacks to doctors in an effort to induce them to prescribe Forest's drugs; and (v) illegally manufacturing and distributing levothroid. Derivative Plaintiffs allege that certain of the Individual Defendants sold more than \$6 million shares of personally held Forest stock for proceeds in excess of \$407 million while in possession of material, undisclosed adverse information regarding Forest's business and operations. Derivative Plaintiffs sought, among other things, damages, disgorgement by the Individual Defendants, and corporate governance reforms to be implemented by Forest.

III. INDIVIDUAL DEFENDANTS' DENIALS OF WRONGDOING

Each Individual Defendant, has denied and continues to deny each and all of the claims and contentions alleged against each of them in the Derivative Actions. Each Individual Defendant has expressly denied and continues to deny all charges of wrongdoing or liability against each of them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Derivative Actions. The Individual Defendants also have denied and continue to deny, the allegations that Forest, the Derivative Plaintiffs, or the Current Forest Shareholders, have suffered damages or were harmed by the conduct alleged in the Derivative Actions.

Nonetheless, the Individual Defendants and Forest have concluded that further conduct of the Derivative Actions would be protracted and expensive, and that it is desirable that the Derivative Actions be fully and finally settled in the manner and upon the terms and conditions set forth in this Stipulation. The Individual Defendants and Forest also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like the Derivative Actions. Further, Forest believes that the Settlement is in the best interests of Forest and its shareholders. The Individual Defendants and Forest have, therefore, determined that it is desirable

and beneficial to them that the Derivative Actions be settled in the manner and upon the terms and conditions set forth in the Stipulation.

For the avoidance of doubt, none of the Individual Defendants or Forest intends or understands the denials set forth in this Section or elsewhere in this Agreement to be inconsistent with the admissions of guilt referenced in (a) the September 15, 2010 Plea Agreement entered into between the United States and Forest Pharmaceuticals, Inc., and (b) the September 15, 2010 Side Letter Agreement entered into between the United States and Forest Laboratories, Inc.

Neither the Stipulation nor the Settlement shall be deemed to be or be used as an admission or evidence of the validity or infirmity of any claim against any Individual Defendant or the liability or non-liability of any Individual Defendant, or an admission of the existence or lack of insurance coverage under any policy, and may not be used in any proceeding for any purpose except to enforce the terms of the Stipulation.

IV. CLAIMS OF THE DERIVATIVE PLAINTIFFS AND BENEFITS OF SETTLEMENT

Derivative Plaintiffs believe that the claims alleged in the Derivative Actions have merit. Derivative Plaintiffs and Derivative Plaintiffs' Counsel recognize and acknowledge, however, the significant risk, expense, and length of continued proceedings necessary to prosecute the Derivative Actions against the Individual Defendants through trial and through appeal. Derivative Plaintiffs' Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Derivative Actions, as well as the difficulties and delays inherent in such litigation. Derivative Plaintiffs' Counsel are also mindful of the inherent problems of proof and possible defenses to the claims asserted in such actions. Derivative Plaintiffs' Counsel have conducted a thorough review and analysis of the relevant facts, allegations, defenses, and controlling legal principles, and believe that the Settlement set forth in the Stipulation is fair, reasonable, and adequate, and confers substantial benefits upon Forest and its

shareholders. Based upon Derivative Plaintiffs' Counsel's evaluation, Derivative Plaintiffs believe that the Settlement is in the best interests of Forest and Current Forest Shareholders and have agreed to settle the Derivative Actions upon the terms and subject to the conditions set forth herein.

V. THE SETTLEMENT HEARING

The Settlement Hearing will be held before the Honorable Richard J. Holwell on _____, 2011 at _____ .m. at the United States District Court for the Southern District of New York for the purpose of determining: (i) whether the Settlement is fair, reasonable, and adequate, and should be finally approved by the Court; (ii) whether a Judgment should be entered dismissing the Federal Derivative Action with prejudice; and (iii) whether the Fee and Expense Award should be approved. The Settlement Hearing may be continued by the Court at the Settlement Hearing or at any adjourned session thereof without further notice.

VI. THE SETTLEMENT

The Settlement was reached by the Settling Parties after engaging in arm's-length negotiations conducted in good faith. The terms and conditions of the proposed Settlement are set forth fully in the Stipulation described above. The Stipulation has been filed with the Court and is also available for viewing on the websites of Faruqi & Faruqi, LLP at www.faruqilaw.com, Robbins Umeda LLP at <http://www.robbinsumeda.com/notices.html>, and Rigrodsky & Long, P.A. at www.rigrodskylong.com. The following is only a summary of its terms.

Forest has implemented or will implement a number of corporate governance measures fully set forth in Exhibit B to the Stipulation. In summary, these corporate governance measures enhance Board level oversight of the Company's sales and promotional compliance by requiring periodic reports to the Board by the Chief of Compliance and by requiring the Board, or a committee of the Board so delegated, to oversee the implementation and effectiveness of Forest's

internal controls over the marketing of Forest's products in compliance with, *inter alia*, FDA regulations and the Company's Code of Business Conduct. The corporate governance measures adopted by Forest also require annual training of its Board members regarding Forest's compliance program and its Code of Conduct and Policies and Procedures as they pertain to general compliance issues, FDA regulations governing the marketing of prescription drugs, best practices for marketing prescription drugs and the reporting of clinical studies. Training will also be provided to all Forest employees who promote its drugs or supervise other employees' promotion of Forest drugs on the products for which Forest has obtained FDA approval, Forest's policy prohibiting the promotion of Forest's products for purposes outside the scope of the FDA-approved package insert the consequences of violating that policy, and the mechanisms for reporting suspected instances of improper promotional practices. Moreover, the corporate governance measures include the conduct of annual surveys of health care professionals to discern the content and subject matter of interactions between Forest's sales representatives and healthcare professionals for no fewer than three of Forest's products and the maintenance of a database tracking requests for information about Forest's products.

Forest and the Individual Defendants acknowledge and agree that the pendency and prosecution of the Derivative Actions were a material cause of the agreement to implement or maintain the corporate governance measures described in Exhibit B attached to the Stipulation. Further, Forest believes that the institution of the corporate governance measures will be effective in preventing the types of wrongdoing alleged in the complaints in the Derivative Actions.

VII. DISMISSAL AND RELEASES

If the Court approves the Settlement, the Settling Parties will ask the Court at the Settlement Hearing to enter the Judgment dismissing the Federal Derivative Action with prejudice in accordance with the terms of the Stipulation. Promptly thereafter, State Derivative Plaintiff shall

file a dismissal with prejudice of all claims asserted by him against the Individual Defendants in the State Derivative Action.

Upon the Effective Date, Forest, Derivative Plaintiffs (individually and derivatively on behalf of Forest), and each of the Current Forest Shareholders (solely in their capacity as Forest shareholders) shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged the Released Claims against the Released Persons and shall be forever enjoined from prosecuting the Released Claims. Further, upon the Effective Date, Forest, each of the Individual Defendants, and the Related Persons shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever released, relinquished and discharged Derivative Plaintiffs and Derivative Plaintiffs' Counsel from all claims arising out of, relating to, or in connection with their institution, prosecution, assertion, settlement, or resolution of the Derivative Actions or the Released Claims.

VIII. APPLICATION FOR THE FEE AND EXPENSE AWARD

In recognition of the substantial benefits conferred on Forest by the corporate governance measures instituted by Forest, the Settling Parties reached an agreement as to a fair and reasonable amount of attorneys' fees and reimbursement of expenses for Derivative Plaintiffs' Counsel. Accordingly, Forest's Board of Directors has agreed to cause Forest or Forest's and the Individual Defendants' insurers to pay to Derivative Plaintiffs' Counsel the agreed-to amount of \$2,175,000 (the "Fee and Expense Award") for Derivative Plaintiffs' Counsel's attorneys' fees and reimbursement of expenses, subject to approval of the Court.

Derivative Plaintiffs' Counsel shall request approval of the Fee and Expense Award at the Settlement Hearing. To date, Derivative Plaintiffs' Counsel have neither received any payment for their services in conducting the Derivative Actions, nor have they been reimbursed for their out-of-pocket expenses incurred. Derivative Plaintiffs' Counsel believe that the Fee and Expense

Award requested is within the range of fees and expenses awarded to Derivative Plaintiffs' Counsel under similar circumstances in litigation of this type. Forest shareholders are not personally liable for the Fee and Expense Award.

IX. THE RIGHT TO OBJECT AND/OR BE HEARD AT THE HEARING

Any Current Forest Shareholder who continues to hold shares of Forest common stock as of the date of the Settlement Hearing may object and/or appear and show cause, if he, she, or it has any concern why the Settlement should not be approved as fair, reasonable, and adequate, or why the Judgment should not be entered thereon, or why the Fee and Expense Award should not be awarded to Derivative Plaintiffs' Counsel; provided, however, unless otherwise ordered by the Court, no Current Forest Shareholder shall be heard or entitled to contest the approval of the terms and conditions of the Settlement, or, if approved, the Judgment to be entered thereon approving the same, or the attorneys' fees and expenses to be awarded to Derivative Plaintiff's Counsel unless that shareholder has, *at least ten (10) business days prior to the Settlement Hearing*: (1) filed with the Clerk of the Court, U.S. District Court, Southern District of New York, 500 Pearl Street, New York, NY 10007-1312, a written objection to the Settlement setting forth: (a) the nature of the objection; (b) proof of ownership of Forest common stock through the date of the Settlement Hearing, including the number of shares of Forest common stock held and the date of purchase; and (c) any documentation in support of such objection; and (2) if a Current Forest Shareholder intends to appear and requests to be heard at the Settlement Hearing, such shareholder must have, in addition to the requirements of (1) above, filed with the Clerk of the Court: (a) a written notice of such shareholder's intention to appear; (b) a statement that indicates the basis for such appearance; and (c) the identities of any witnesses the shareholder intends to call at the Settlement Hearing and the subjects of their testimony. If a Current Forest Shareholder files a written objection and/or written notice of intent to appear, such shareholder must also simultaneously

serve copies of such notice, proof, statement and documentation, together with copies of any other papers or briefs such shareholder files with the Court (either by hand delivery or by first class mail)

upon each of the following:

NADEEM FARUQI
BETH A. KELLER
FARUQI & FARUQI, LLP
369 Lexington Avenue, 10th Floor
New York, NY 10017
Telephone: (212) 983-9330
Facsimile: (212) 983-9331

Co-Lead Counsel for Federal Derivative Plaintiffs

GARY W. KUBEK
DEBEVOISE & PLIMPTON LLP
919 Third Avenue
New York, NY 10022
Telephone: (212) 909-6000
Facsimile: (212) 909-6836

Counsel for Forest and the Individual Defendants

BRIAN J. ROBBINS
CRAIG W. SMITH
ROBBINS UMEDA LLP
600 B Street, Suite 1900
San Diego, CA 92101
Telephone: (619) 525-3990
Facsimile: (619) 525-3991

Co-Lead Counsel for Federal Derivative Plaintiffs

Any Current Forest Shareholder who does not make his, her, or its objection in the manner provided herein shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, reasonableness, or adequacy of the Settlement as incorporated in the Stipulation and the Fee and Expense Award to Derivative Plaintiffs' Counsel, unless otherwise ordered by the Court, but shall otherwise be bound by the Judgment to be entered and the releases to be given.

X. CONDITIONS FOR SETTLEMENT

The Settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include the occurrence of the Effective Date, which requires, among other things: (1) entry of the requested Judgment by the Court; and (2) expiration of the time to appeal from or alter or amend the Judgment or affirmance of the Judgment after any appeal that

may be taken. If, for any reason, any-of the conditions described in the Stipulation is not met and the Effective Date does not occur, the Stipulation might be terminated and, if terminated, will become null and void, and the parties to the Stipulation will be restored to their respective positions as of March 11, 2011.

XI. EXAMINATION OF PAPERS AND INQUIRIES

This notice contains only a summary of the terms of the Settlement. For a more detailed statement of the matters involved in the Derivative Actions, the Settlement and the terms discussed in this notice, the Stipulation may be viewed on the websites of Faruqi & Faruqi, LLP at www.faruqilaw.com, Robbins Umeda LLP at <http://www.robbinsumeda.com/notices.html>, and Rigrodsky & Long, P.A. at www.rigrodskylong.com. The Stipulation may also be inspected at the Office of the Clerk of the United States District Court for the United States District Court for the Southern District of New York, 500 Pearl Street, New York, New York 10007-1312, during business hours of each business day.

Any inquiries regarding the Settlement or the Derivative Actions should be addressed to one of the following:

NADEEM FARUQI
BETH A. KELLER
FARUQI & FARUQI, LLP
369 Lexington Avenue, 10th Floor
New York, NY 10017
Telephone: (212) 983-9330
Facsimile: (212) 983-9331

*Co-Lead Counsel for Federal Derivative
Plaintiffs*

BRIAN J. ROBBINS
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ROBBINS UMEDA LLP
600 B Street, Suite 1900
San Diego, CA 92101
Telephone: (619) 525-3990
Facsimile: (619) 525-3991

*Co-Lead Counsel for Federal Derivative
Plaintiffs*

**PLEASE DO NOT TELEPHONE THE COURT OR FOREST REGARDING THIS
NOTICE.**

Exhibit E

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

IN RE FOREST LABORATORIES, INC.)
DERIVATIVE LITIGATION)

Lead Civil Action No. 05-CV-3489

This Document Relates To:)

ALL ACTIONS.)
_____)

**[PROPOSED] ORDER PRELIMINARILY APPROVING
DERIVATIVE SETTLEMENT AND PROVIDING FOR NOTICE**

WHEREAS, the Settling Parties have made application, pursuant to Federal Rule of Civil Procedure 23.1, for an order: (i) preliminarily approving the settlement of the Derivative Actions, in accordance with a Stipulation of Settlement dated March 11, 2011 (the “Stipulation”), which, together with the exhibits annexed thereto, sets forth the terms and conditions for the proposed settlement of the Derivative Actions and dismissal of the Federal Derivative Action with prejudice, upon the terms and conditions set forth therein; and (ii) approving the form and content of the Summary Notice of Pendency and Proposed Settlement of Shareholder Derivative Actions (“Summary Notice”) for publication and the Notice of Pendency and Proposed Settlement of Shareholder Derivative Actions (“Notice”) for filing by Forest with the U.S. Securities and Exchange Commission (“SEC”) and posting on the websites of Faruqi & Faruqi, LLP, Robbins Umeda LLP and Rigrodsky & Long, P.A.

WHEREAS, all capitalized terms contained herein shall have the same meanings as set forth in the Stipulation (in addition to those capitalized terms defined herein); and

WHEREAS, upon consent of the Settling Parties, after review and consideration of the Stipulation filed with the Court and the exhibits annexed thereto, and after due deliberation,

IT IS HEREBY ORDERED that:

1. The Court, for purposes of this order, adopts all defined terms as set forth in the Stipulation.

2. The Court hereby preliminarily approves, subject to further consideration at the Settlement Hearing described below, the Stipulation and the Settlement set forth therein, including the terms and conditions for settlement and dismissal with prejudice of the Federal Derivative Action.

3. A hearing (the “Settlement Hearing”) shall be held before this Court on _____, 2011 at _____ .m. to determine: (i) whether the Settlement of the Derivative Actions on the

terms and conditions provided for in the Stipulation is fair, reasonable, and adequate to Forest and the Current Forest Shareholders, and should be finally approved by the Court; (ii) whether a Judgment as provided in ¶1.14 of the Stipulation and attached as Exhibit A to the Stipulation should be entered herein; and (iii) whether the agreed upon Fee and Expense Award should be approved.

4. The Court approves, as to form and content, the Summary Notice and the Notice attached as exhibits to the Stipulation and for convenience, annexed as Exhibits A and B hereto, and finds that the publication of the Summary Notice and the filing and posting of the Notice, substantially in the manner and form set forth in this order, meets the requirements of Federal Rule of Civil Procedure 23.1 and due process, and is the best notice practicable under the circumstances and shall constitute due and sufficient notice to all Persons entitled thereto.

5. Not later than ten (10) business days following entry of this Order, Forest shall cause the Summary Notice substantially in the form annexed as Exhibit A hereto to be published once in *Investor's Business Daily* and shall cause a copy of the Notice, substantially in the form annexed as Exhibit B, to be filed with the SEC via a Form 8-K.

6. Not later than ten (10) business days following entry of this Order, Faruqi & Faruqi, LLP, Robbins Umeda LLP and Rigrodsky & Long, P.A. shall cause the Notice, substantially in the form annexed as Exhibit B, and the Stipulation to be posted on each of their respective websites.

7. At least seven (7) business days prior to the Settlement Hearing, Forest shall serve on counsel in the Federal Derivative Action and file with the Court proof, by affidavit or declaration, of the publication of the Summary Notice in the *Investor's Business Daily*.

8. At least seven (7) business days prior to the Settlement Hearing, Derivative Plaintiffs shall file with the Court proof, by affidavit or declaration, of the posting of the Notice and Stipulation on their respective websites.

9. All Current Forest Shareholders shall be bound by all orders, determinations, and judgments in the Derivative Actions concerning the Settlement, whether favorable or unfavorable to the Current Forest Shareholders.

10. Pending final determination of whether the Settlement should be approved, no Current Forest Shareholder, either directly, representatively, or in any other capacity, shall commence or prosecute against any of the Individual Defendants or Forest, or derivatively on behalf of Forest, any action or proceeding in any court or tribunal asserting any of the Released Claims.

11. All papers in support of the Settlement and the Settling Parties' responses to objections, if any, by Current Forest Shareholders shall be filed with the Court and served on the Settling Parties at least seven (7) business days prior to the Settlement Hearing.

12. Any Current Forest Shareholder may object and/or appear and show cause, if he, she or it has any concern, why the Settlement of the Derivative Actions should not be approved as fair, reasonable and adequate, or why the Judgment should not be entered thereon, or why the Fee and Expense Award should not be approved; provided, however, unless otherwise ordered by the Court, no Current Forest Shareholder shall be heard or entitled to contest the approval of the terms and conditions of the Settlement, or, if approved, the Judgment to be entered thereon approving the same, or the Fee and Expense Award unless that shareholder has, at least ten (10) business days prior to the Settlement Hearing: (1) filed with the Clerk of the Court for the United States District Court for the Southern District of New York, 500 Pearl Street, New York, New York 10007-1312, a written objection to the Settlement setting forth: (a) the nature of the objection; (b) proof of ownership of Forest common stock as of the date of the execution of the Stipulation, including the number of shares of Forest common stock and the date of purchase; and (c) any documentation in support of such objection; and (2) if a Current Forest Shareholder intends to appear and requests to be heard at the Settlement Hearing, such shareholder must have, in addition to the requirements of (1) above,

filed with the Clerk of the Court: (a) a written notice of such shareholder's intention to appear; (b) a statement that indicates the basis for such appearance; and (c) the identities of any witnesses the shareholder intends to call at the Settlement Hearing and the subjects of their testimony. If a Current Forest Shareholder files a written objection and/or written notice of intent to appear, such shareholder must also simultaneously serve copies of such notice, proof, statement and documentation, together with copies of any other papers or briefs such shareholder files with the Court (either by hand delivery or by first class mail) upon each of the following thereof:

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San Diego, CA 92101
Telephone: (619) 525-3990
Facsimile: (619) 525-3991

Co-Lead Counsel for Federal Derivative Plaintiffs

Any Current Forest Shareholder who does not make his, her, or its objection in the manner provided herein shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, reasonableness, or adequacy of the Settlement as incorporated in the Stipulation and to the Fee and Expense Award, unless otherwise ordered by the Court, but shall otherwise be bound by the Judgment to be entered and the releases to be given.

13. Neither the Stipulation nor the Settlement, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement: (a) is or may be deemed

to be or may be offered, attempted to be offered or used in any way by the Settling Parties or any other person as a presumption, a concession or an admission of, or evidence of, any fault, wrongdoing or liability of the Individual Defendants or Forest, or of the validity of any Released Claims; or (b) is intended by the Settling Parties to be offered or received as evidence or used by any other person in any other Action or proceedings, whether civil, criminal, or administrative. Released Parties may file the Stipulation and/or a Judgment in any action that may be brought against them in order to support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, full faith and credit, release, good faith settlement, judgment or reduction, or any other theory of claim preclusion or issue preclusion or similar defense or counterclaim.

14. The Court reserves the right to adjourn the date of the Settlement Hearing or modify any other dates set forth herein without further notice to the Current Forest Shareholders, and retains jurisdiction to consider all further applications arising out of or connected with the Settlement.

15. The Court may approve the Settlement, with such modifications as may be agreed to by the Settling Parties, if appropriate, without further notice to the Current Forest Shareholders.

IT IS SO ORDERED:

DATED: _____

HONORABLE
UNITED STATES DISTRICT JUDGE