ENDO PHARMACEUTICALS HOLDINGS INC
Form DEF 14A
April 29, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE

SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO.   )

Filed by the Registrant x   Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Section 240.14a-12

ENDO PHARMACEUTICALS HOLDINGS INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

100 Endo Blvd.

Chadds Ford, PA 19317

610.558.9800

www.endo.com

April 29, 2011

Dear Fellow Endo Pharmaceuticals Holdings Inc. Stockholder:

It is my pleasure to invite you to the Annual Meeting of Stockholders of Endo Pharmaceuticals Holdings Inc., which will be held on May 25, 2011 at 10:00 a.m., local time, at our corporate headquarters located at 100 Endo Boulevard, Chadds Ford, Pennsylvania 19317.

At the meeting, we will be electing nine members of our Board of Directors, voting to ratify the selection of Deloitte & Touche LLP as our independent registered public accountants, conducting an advisory vote on the compensation of our named executive officers, conducting an advisory vote on the frequency of an advisory vote on the compensation of our named executive officers, and voting to approve our Employee Stock Purchase Plan. In addition to these formal items of business, we will report on our Company s performance.

We look forward to seeing you at the Annual Meeting should you be able to attend. If you do plan to attend, please bring the enclosed Stockholder Admission Ticket with you.

Your vote is important. Whether you plan to attend the meeting or not, we encourage you to read this Proxy Statement and vote your shares. Please sign, date and return the enclosed proxy card as soon as possible in the postage-paid envelope provided. You may revoke your proxy at any time before it is exercised as explained in this Proxy Statement.

Thank you for your continued interest in Endo Pharmaceuticals.

Very truly yours,

DAVID P. HOLVECK

President and Chief Executive Officer

April 29, 2011

This Proxy Statement and the accompanying proxy card are being mailed to stockholders on or about

April 29, 2011.

100 Endo Blvd.

Chadds Ford, PA 19317

610.558.9800

www.endo.com

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 25, 2011

Notice is hereby given that the 2011 Annual Meeting of Stockholders of Endo Pharmaceuticals Holdings Inc., a Delaware corporation (the Company), will be held on May 25, 2011 at 10:00 a.m., local time, at our corporate headquarters located at 100 Endo Boulevard, Chadds Ford, Pennsylvania 19317.

The purposes of the meeting are:

(1) To elect nine directors, representing all of the members of the Board of Directors of the Company, to serve until the next Annual Meeting of Stockholders or until their successors are duly elected and qualified;

(2) To ratify the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm for the year ending December 31, 2011;

(3) To conduct an advisory vote on the compensation of our named executive officers;

(4) To conduct an advisory vote on the frequency of an advisory vote on the compensation of our named executive officers;

(5) To approve the Company s Employee Stock Purchase Plan; and

(6) To act upon such other matters as may properly come before the Annual Meeting or any adjournment or postponement thereof.

Only stockholders of record at the close of business on April 15, 2011 are entitled to notice of and to vote at the 2011 Annual Meeting and any adjournment thereof.

It is important that your shares be represented and voted at the Annual Meeting. Please vote by MARKING, SIGNING, DATING AND PROMPTLY RETURNING the enclosed proxy card as promptly as possible in the postage-paid envelope provided so that, whether you intend to be present at the Annual Meeting or not, your shares can be voted. Returning your proxy card will not limit your rights to attend or vote at the Annual Meeting.

By order of the Board of Directors,

CAROLINE B. MANOGUE

Executive Vice President, Chief Legal Officer & Secretary

Chadds Ford, Pennsylvania

April 29, 2011

ENDO PHARMACEUTICALS HOLDINGS INC.

100 Endo Boulevard

Chadds Ford, Pennsylvania 19317

PROXY STATEMENT

For the Annual Meeting of Stockholders to be held on May 25, 2011

GENERAL INFORMATION

We are providing these proxy materials in connection with the solicitation by the Board of Directors of Endo Pharmaceuticals Holdings Inc. (referred to as Endo, the Company, we, or us), a Delaware corporation, of proxies to be voted at our 2011 Annual Meeting of Stockholders to be held on May 25, 2011, beginning at 10:00 a.m., local time. The Annual Meeting will be held at our corporate headquarters located at 100 Endo Boulevard, Chadds Ford, Pennsylvania 19317.

This Proxy Statement and the enclosed proxy card are being mailed to stockholders on or about April 29, 2011.

ANNUAL MEETING ADMISSION

A Stockholder Admission Ticket is attached to your proxy card. If you plan to attend the Annual Meeting, please vote your proxy but keep the Stockholder Admission Ticket and bring it with you to the Annual Meeting.

If your shares are held beneficially in the name of a bank, broker or other holder of record and you plan to attend the Annual Meeting, you may present proof of your ownership of Endo stock, such as a bank or brokerage account statement, to be admitted to the Annual Meeting.

Stockholders also must present a form of personal identification in order to be admitted to the Annual Meeting. Directions to the site of the Annual Meeting are available on our website at http://www.endo.com/Locations.aspx.

No cameras, recording equipment or electronic devices will be permitted in the Annual Meeting.

STOCKHOLDERS ENTITLED TO VOTE

Holders of shares of Endo common stock at the close of business on April 15, 2011 (the record date), are entitled to receive this notice and to vote their shares at the Annual Meeting. As of that date, there were 116,554,627 shares of Endo common stock outstanding and entitled to vote.

Each share of common stock is entitled to one vote on each matter properly brought before the Annual Meeting. Your proxy card indicates the number of votes you have.

HOW TO VOTE IF YOU ARE A STOCKHOLDER OF RECORD

Your vote is important. Stockholders of record can vote by mail or by attending the Annual Meeting and voting by ballot as described below.

Vote by Mail

If you choose to vote by mail, simply mark your proxy card, date and sign it, and return it in the postage-paid envelope provided.

Voting at the Annual Meeting

Voting by mail will not limit your right to vote at the Annual Meeting if you decide to attend in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote at the Annual Meeting.

All shares that have been properly voted and not revoked will be voted at the Annual Meeting. If you sign and return your proxy card but do not give voting instructions, the shares represented by that proxy will be voted FOR each of the nominees for election as director, FOR the ratification of the appointment of Deloitte & Touche LLP as the Company s registered public accounting firm for the fiscal year ending December 31, 2011, FOR the approval, on an advisory basis, of the compensation to be paid to Endo s named executive officers, for future shareholder advisory votes on executive compensation to be held every ONE YEAR, and FOR the approval of the Company s Employee Stock Purchase Plan.

GENERAL INFORMATION ON VOTING AND REQUIRED VOTE

You are entitled to cast one vote for each share of Endo common stock you own on the record date. Provided that a quorum is present, the nominees for director receiving a plurality of the votes cast at the Annual Meeting in person or by proxy will be elected. Provided that a quorum is present, (1) the approval of the ratification of the appointment of the Company s registered public accounting firm, (2) the approval, on an advisory basis, of the compensation to be paid to Endo s named executive officers, and (3) the approval of the Company s Employee Stock Purchase Plan will each require the affirmative vote of a majority of shares entitled to vote and represented at the Annual Meeting in person or by proxy. The frequency of the advisory vote on compensation of our named executive officers receiving the greatest number of votes every year, every two years or every three years will be the frequency that stockholders approve.

The presence of the holders of a majority of the outstanding shares of common stock as of the record date entitled to vote at the Annual Meeting, present in person or represented by proxy, is necessary to constitute a quorum. Shares represented by a proxy marked abstain on any matter, or that provide that a vote be withheld with respect to the election of any one or more of the nominees for election as directors, will be considered present at the Annual Meeting for purposes of determining a quorum and for purposes of calculating the vote, but will not be considered to have voted in favor of the proposal or nominee. Therefore, any proxy marked abstain will have the effect of a vote against the proposal or nominee. Shares represented by a proxy as to which there is a broker non-vote (for example, where a broker does not have the discretionary authority to vote the shares), will be considered present for the Annual Meeting for purposes of determining a quorum, and will have no effect on the vote with respect to (1) the election of directors, (2) the proposal relating to the approval of the ratification of the appointment of the Company s registered public accounting firm, (3) the proposal to approve, on an advisory basis, the compensation to be paid to Endo s named executive officers or (4) the proposal to approve the Company s Employee Stock Purchase Plan. In tabulating the vote with respect to the frequency of the advisory vote on compensation of our named executive officers, abstentions and broker non-votes will be disregarded and will have no effect on the outcome of the vote.

All shares of common stock that have been properly voted and not revoked, will be voted at the Annual Meeting in accordance with your instructions. If you sign and return the enclosed proxy card but do not give voting instructions, the shares of common stock represented by that proxy will be voted FOR each of the nominees for election as director, FOR the ratification of the appointment of Deloitte & Touche LLP as the Company s registered public accounting firm for the fiscal year ending December 31, 2011, FOR the approval, on an advisory basis, of the compensation to be paid to Endo s named executive officers, FOR the approval of the Company s Employee Stock Purchase Plan and ONE YEAR on the proposal recommending the frequency of advisory votes on executive compensation.

VOTING ON OTHER MATTERS

If other matters are properly presented at the Annual Meeting for consideration, the persons named in the enclosed proxy card will have the discretion to vote on those matters for you. At the date the Company began printing this Proxy Statement, no other matters had been raised for consideration at the Annual Meeting.

HOW YOU MAY REVOKE OR CHANGE YOUR VOTE

You can revoke your proxy at any time before it is voted at the Annual Meeting by:

- sending written notice of revocation to the Secretary of the Company;
- timely delivering a valid, later-dated proxy; or
- attending the Annual Meeting and voting in person. If your shares are held in the name of a bank, broker or other holder of record, you must obtain a proxy, executed in your favor from the holder of record, to be able to vote at the meeting.

LIST OF STOCKHOLDERS

The names of stockholders of record entitled to vote at the Annual Meeting will be available at the Annual Meeting and for ten days prior to the Annual Meeting for any purpose germane to the meeting, between the hours of 8:45 a.m. and 4:30 p.m., at our principal executive offices at 100 Endo Boulevard, Chadds Ford, Pennsylvania, by contacting the Secretary of the Company.

COST OF PROXY SOLICITATION

The Company will pay for preparing, printing and mailing this Proxy Statement and we will pay the cost of soliciting proxies. Proxies may be solicited on our behalf by directors, officers or employees in person or by telephone, electronic transmission and facsimile transmission. The Company will reimburse banks, brokers and other custodians, nominees and fiduciaries for their out-of-pocket costs of sending the proxy materials to our beneficial owners. We have also retained MacKenzie Partners, Inc. to assist in soliciting proxies. We will pay MacKenzie Partners, Inc. a base fee of approximately $12,500 plus reasonable out-of-pocket expenses for these services.

PROPOSAL 1

ELECTION OF DIRECTORS

The Board of Directors

The Amended and Restated Certificate of Incorporation of the Company provides that the number of directors of the Company shall be not less than seven nor more than eleven, the exact number of which shall be fixed from time to the time by resolution of the Board of Directors or by a resolution adopted by holders of a majority of the Company s common stock. On March 3, 2011, the Board of Directors, or Board, fixed the number of directors at nine, effective March 3, 2011.

Under the terms of the Company s charter and by-laws, directors need not be stockholders of the Company or residents of the State of Delaware. However, pursuant to the Stock Ownership Guidelines initially approved by the Board of Directors in 2008, each non-employee Director should, but is not required to, have an ownership equal in value to at least three times his or her current annual cash retainer to be achieved within five (5) years of joining the Board, or in the case of non-employee Directors serving at the time the Ownership Guidelines were adopted, within five (5) years of the date of adoption, or February 20, 2013. On December 10, 2010, the Board of Directors approved revised Ownership Guidelines, increasing ownership equal in value to at least five times his or her current annual cash retainer to be achieved within five (5) years of joining the Board, or in the case of non-employee Directors serving at the time the Ownership Guidelines were adopted, within five (5) years of the date of the adoption of these revised Ownership Guidelines, or December 10, 2015. Directors are elected for a one-year term and generally hold office until their successors have been duly elected and qualified. Directors may receive compensation for their services as determined by the Board of Directors. See COMPENSATION OF EXECUTIVE OFFICERS & DIRECTORS 2010 Compensation of Directors. A vacancy on the Board, or a newly created directorship resulting from any increase in the authorized number of directors, may be filled by a majority of the directors then in office, even though less than a quorum remains. A director appointed to fill a vacancy remains a director until his or her successor is elected by the stockholders at the next annual meeting or until his or her successor is duly elected and qualified, or until his or her earlier death, resignation or removal.

Currently, the Board of Directors consists of nine members. Currently serving as directors are Roger H. Kimmel, John J. Delucca, David P. Holveck, Nancy J. Hutson, Ph.D., Michael Hyatt, William P. Montague, David B. Nash, M.D., M.B.A., Joseph C. Scodari and William F. Spengler. All of the current members are nominated by the Board of Directors of the Company for the election as directors of the Company.

The Board annually determines the independence of directors based on a review by the directors and the Nominating & Governance Committee. No director is considered independent unless the Board of Directors has determined that he or she has no material relationship with the Company, either directly or as a partner, shareholder or officer of an organization that has a material relationship with the Company. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others. To evaluate the materiality of any such relationship, the Board has adopted categorical independence standards consistent with the NASDAQ Exchange listing guidelines. These standards are available on the Company s website at *www.endo.com*, under Investors-Corporate Governance-Nominating & Governance Committee.

Members of the Audit, Compensation, and Nominating & Governance Committees must meet applicable independence tests of the NASDAQ.

The Board of Directors has affirmatively determined that eight of its nine current members are independent directors under the NASDAQ rules and regulations. The eight independent directors under the NASDAQ rules and regulations are Messrs. Delucca, Hyatt, Kimmel, Montague, Scodari, Spengler, Dr. Nash and Dr. Hutson. If the nominees recommended by the Board of Directors are elected at the 2011 Annual Meeting, eight of the Company s nine directors will be independent directors under the NASDAQ rules and regulations.

On an annual basis and upon the nomination of any new director, the Nominating & Governance Committee and the Board review directors responses to a questionnaire asking about their relationships with the Company (and those of their immediate family members) and other potential conflicts of interest, as well as material provided by management related to transactions, relationships, or arrangements between the Company and the directors or parties related to the directors. The Nominating & Governance Committee has determined that the eight non-employee directors currently serving are independent, and that the members of the Audit, Compensation, and Nominating & Governance Committees also meet the independence tests referenced above. Specifically, the Nominating & Governance Committee and the Board have determined that all non-employee directors have not had during the last three years (i) any of the relationships listed above or (ii) any other material relationship with the Company that would compromise his or her independence. The Nominating & Governance Committee recommended this determination to the Board of Directors and explained the basis for its decision, and this determination was adopted by the full Board.

As of the date of this Proxy Statement, there are no material proceedings to which any director or executive officer of the Company, or any associate thereof, is a party that are adverse to the Company or any of its subsidiaries.

Between January 1, 2010 and December 31, 2010, the Board of Directors as a whole met thirteen times and acted by written consent on two occasions. All members of the Board of Directors who are standing for election attended more than 90% of the Board meetings held during their respective terms and more than 90% of the combined meetings of the Committees of the Board of Directors on which they served in 2010.

Nominees

There are nine nominees for election as directors of the Company to serve until the 2012 Annual Meeting of Stockholders of the Company or until their successors are duly elected and qualified or until his/her earlier death, resignation or removal. All of the nominees are currently serving as directors of the Company and were elected to the Board at the last annual meeting, with the exception of Dr. Nash who was appointed to the Board on March 3, 2011. In the changing landscape of health care delivery and health reform, the Board believes that Dr. Nash s deep expertise in public policy and health economics will augment the Board s life-sciences experience and be invaluable in providing insight and guidance in the execution of the Company s strategy.

The following table sets forth the age and position currently held with the Company of persons nominated by the Board of Directors for election as directors of the Company:

Name	Age (as of May 25, 2011)	Position Currently Held with the Company
John J. Delucca	68	Director
David P. Holveck	65	President and Chief Executive Officer and Director
Nancy J. Hutson, Ph.D.	61	Director
Michael Hyatt	65	Director
Roger H. Kimmel	64	Chairman of the Board
William P. Montague	64	Director
David B. Nash, M.D., M.B.A.	55	Director
Joseph C. Scodari	58	Director
William F. Spengler	56	Director

The proposed nominees for election as directors have confirmed that they are each willing to serve as directors of the Company. If, as a result of circumstances not now known or foreseen, a nominee shall be unavailable or unwilling to serve as a director, an alternate nominee may be designated by the present Board of Directors to fill the vacancy.

The Board believes that each of the Company s directors is highly qualified to serve as a member of the Board and each has contributed to the mix of skills, core competencies and qualifications of the Board. When evaluating candidates for election to the Board, the Nominating & Governance Committee seeks candidates with certain qualities that it believes are important, including experience, skills, expertise, personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, conflicts of interest, those criteria and qualifications described in each director s biography below and such other relevant factors that the Nominating & Governance Committee considers appropriate in the context of the needs of the Board of Directors. Although not specified in the charter, the Committee also considers ethnicity and gender when selecting candidates so that additional diversity may be represented on the Board. Our directors are highly experienced and have diverse backgrounds and skills as well as extensive track records of success in what we believe are highly relevant positions. A number of our directors also have served as directors of Endo for many years and the Company benefits from their knowledge of our history, operations and corporate philosophy. The Board believes that each director s service as the Chairman, Vice Chairman, Chief Executive Officer, Chief Financial Officer, or Senior Executive of significant companies has provided the directors with skills that are important to serving on our Board.

Set forth below are summaries of the background, business experience and descriptions of the principal occupation of each of the Company s current nominees for election as directors:

JOHN J. DELUCCA has been a member of the Board of Directors since 2006 and is the Chairman of Endo s Audit Committee and is a member of Endo s Compensation Committee. Mr. Delucca was Executive Vice President and Chief Financial Officer of the REL Consultancy Group, a business consulting firm, until his retirement in 2004. Prior to that, he served as Chief Financial Officer and Executive Vice President, Finance & Administration, of Coty, Inc., a fragrance and beauty products company, from 1999 to 2002. From 1993 to 1999, he was Senior Vice President and Treasurer of RJR Nabisco, Inc. During his career, he also served in executive positions for Hascoe Associates, Inc., The Lexington Group, the Trump Group, International Controls Corp., and Textron, Inc. Mr. Delucca is currently a Non-Executive Director and chairs the Audit Committees of Elster Group and The Elliot Company, both industrial manufacturers. He also serves as a member of the Elster Group s Compensation Committee and as a Non-Executive Director and member of the Audit Committee and Governance and Nominating Committee of Tier Technologies, Inc., a publicly traded payment solutions company. Through his senior executive roles and financial experience at various organizations, Mr. Delucca has expertise in financial analysis, financial statements, evaluation of business strategies, and contributes to the Board valuable leadership and risk management skills. Mr. Delucca also has extensive corporate governance experience from his services, both current and historical, on other company boards.

DAVID P. HOLVECK is President, Chief Executive Officer and a Director of Endo. Prior to joining Endo in April 2008, Mr. Holveck was President of Johnson & Johnson Development Corporation and Vice President, Corporate Development of Johnson & Johnson, a diversified healthcare company, since 2004. Mr. Holveck joined Johnson & Johnson as a Company Group Chairman in 1999, following the acquisition of Centocor, Inc., a biotechnology company, by Johnson & Johnson. Mr. Holveck was Chief Executive Officer of Centocor, Inc. at the time of the acquisition. Mr. Holveck joined Centocor in 1983 and progressed through various executive positions. In 1992, he assumed the role of President and Chief Operating Officer and later that year was named President and Chief Executive Officer. Prior to joining Centocor, he had held positions at General Electric Company, Corning Glass Works and Abbott Laboratories. Mr. Holveck is a member of the Board of Trustees for The Fund for West Chester University as well as the Board of Directors of the Pharmaceutical Research & Manufacturers of America (PhRMA), the University City Science Center, and Light Sciences Oncology, Inc., an oncology research company. Mr. Holveck s knowledge of the Company, its operations and the evolving healthcare environment is valuable to the Board of Directors in evaluating and directing the Company s future. Through his service on the boards of directors of other organizations as well as his prior senior executive positions at global pharmaceutical and healthcare product companies, Mr. Holveck has developed extensive knowledge of operational leadership, risk oversight and management, as well as the pharmaceutical and device industries.

NANCY J. HUTSON, Ph.D. has been a member of the Board of Directors since 2009 and is a member of Endo s Compensation Committee, Transactions Committee, and Nominating & Governance Committee. Dr. Hutson retired from Pfizer, Inc. in 2006 after spending 25 years in various research and leadership positions, most recently serving as Senior Vice President, Pfizer Global Research and Development and Director of Pfizer s pharmaceutical R&D site, known as Groton/New London Laboratories, the largest R&D site of any pharmaceutical company. At Pfizer, she led 4,500 colleagues (primarily scientists) and managed a budget in excess of $1 billion. She currently is a director of Cubist Pharmaceuticals, Inc. and Inspire Pharmaceuticals, Inc., and serves on the board of Planned Parenthood of Connecticut. Dr. Hutson owns and operates Standing Stones Farm in Ledyard, CT which is dedicated to supporting the equestrian sport of dressage. Having 25 years of experience with Pfizer s Research and Development organization, Dr. Hutson brings to the Board valuable pharmaceutical discovery research abilities, scientific expertise and an immense knowledge of the pharmaceutical industry. Her years of senior executive experience also bring a strong skill set to our Board regarding operational leadership and evaluation of business strategy.

MICHAEL HYATT is currently a Director of Endo and is Chairman of Endo s Transactions Committee and a member of Endo s Nominating & Governance Committee. Mr. Hyatt had been a director of Algos Pharmaceutical Corporation since November 1996 and became a director of Endo following its merger with Algos in July 2000. Mr. Hyatt is currently a senior advisor to Irving Place Capital, a leading institutional private equity firm focused on making equity investments in middle-market companies. Until 2008, Mr. Hyatt was a Senior Managing Director of Bear Stearns & Co., Inc. In April 2009, Mr. Hyatt was appointed a director of Schiff Nutrition International, Inc., a publicly traded manufacturer and marketer of nutritional supplements. Through Mr. Hyatt s experiences as a senior investment professional, manager and advisor, he has gained expertise in evaluating business strategies, conducting financial analysis and analyzing companies future prospects. His career experience makes him a skilled advisor who provides critical insight into financial matters.

ROGER H. KIMMEL is currently Chairman of the Board of Endo and is chairman of Endo s Nominating & Governance Committee and a member of Endo s Audit Committee and Transactions Committee. Mr. Kimmel became Chairman of the Board upon the retirement of founder Carol A. Ammon on May 30, 2007. Mr. Kimmel had been a Director of Algos Pharmaceutical Corporation since July 1996 and became a Director of Endo following its merger with Algos in July 2000. Mr. Kimmel has been Vice Chairman of Rothschild Inc., an investment banking firm, since January 2001. Previously, Mr. Kimmel was a partner of the law firm Latham & Watkins for more than five years. Mr. Kimmel is also a director of PG&E Corporation and Schiff Nutrition International, Inc. Mr. Kimmel has been Chairman of the Board of Trustees of the University of Virginia Law School Foundation (not-for-profit) since January 2009. He has been a public speaker on corporate governance issues and private equity transactions. Mr. Kimmel brings knowledge of the Company s business, history and culture to the Board and the Chairman position. Through his experiences as Vice Chairman of an international investment banking firm and as a former corporate lawyer, Mr. Kimmel brings a unique skill set to the Board, including leadership capabilities, business strategy insight, risk management skills, mergers and acquisition, corporate finance, international business and legal expertise. Mr. Kimmel also has extensive corporate governance experience from his services on other company boards and his previous legal experience.

WILLIAM P. MONTAGUE has been a member of the Board of Directors since 2009 and is a member of Endo s Audit Committee. Mr. Montague was Chief Executive Officer and Director of Mark IV Industries, Inc., a leading global diversified manufacturer of highly engineered systems and components for transportation infrastructure, vehicles and equipment, from November 2004 until his retirement on July 31, 2008 and as Director from March 1996. He joined Mark IV Industries in April 1972 as Treasurer/Controller, serving as Vice President of Finance from May 1974 to February 1986, then Executive Vice President and Chief Financial Officer from February 1986 to March 1996 and then as President from March 1996 to November 2004. Mark IV Industries, Inc. filed for Chapter 11 Bankruptcy protection in April 2009. Mr. Montague is also a director of Gibraltar Industries, Inc., a publicly traded manufacturer and distributor of products for the building and industrial markets. In December of 2010, Mr. Montague became a member of the board of directors of International Imaging Materials, Inc., a privately held company that manufactures and sells a variety of thermal transfer ribbons and certain inks. Mr. Montague s senior leadership experience as Chief Executive Officer and Director of Mark IV Industries, Inc. brings to the Board operational and business strategy insights and acquisition experience. His financial experience also brings strong financial and tax expertise to our Board.

DAVID B. NASH, M.D., M.B.A. was appointed to the Board in March 2011. He is the founding dean of the Jefferson School of Population Health, located on the campus of Thomas Jefferson University in Philadelphia, Pennsylvania, having taken that position in 2008. Previously, Dr. Nash was the Chairman of the Department of

Health Policy of the Jefferson Medical College from 2003 to 2008. Dr. Nash is internationally recognized for his work in outcomes management, medical staff development and quality-of-care improvement; his publications have appeared in more than 100 articles in major journals. Dr. Nash serves on the Board of Directors of Humana Inc., one of the nation s largest publicly traded health and supplemental benefits companies, offering a wide array of health, pharmacy and supplemental benefit plans for employer groups, government programs and individuals, as well as primary and workplace care through its more than 300 medical centers and 240 worksite medical facilities. Dr. Nash also has served as a member of the Board of Trustees of Catholic Healthcare Partners in Cincinnati, Ohio. The Board believes that Dr. Nash brings a unique and value-added set of attributes that enhance the Company s ability to help people achieve lifelong well-being. Dr. Nash is a widely recognized innovator in an emerging medical discipline that unites population health, health policy, and individual health.

JOSEPH C. SCODARI has been a member of the Board of Directors since 2008 and is Chairman of Endo s Compensation Committee and is a member of Endo s Transactions Committee. Mr. Scodari was Worldwide Chairman, Pharmaceuticals Group, of Johnson & Johnson, a diversified healthcare company, and a Member of Johnson & Johnson s Executive Committee from March 1, 2005 until March 1, 2008. He joined Johnson & Johnson in 1999 as President of Centocor, Inc., a biotechnology company, when Johnson & Johnson acquired Centocor. At the time of that acquisition, he had been the President and Chief Operating Officer of Centocor and a member of Centocor s Board of Directors since December 1997. In 2001, he was named Johnson & Johnson s Company Group Chairman for the North American pharmaceutical business, and became a member of the Johnson & Johnson Pharmaceuticals Group Operating Committee. In 2003, Mr. Scodari was named Johnson & Johnson Company Group Chairman, Global Biopharmaceutical Business. Mr. Scodari is a director of Covance Inc., a publicly traded drug development service company, and Actelion Pharmaceuticals Ltd., a publicly traded Swiss biopharmaceutical company. Prior to joining Centocor, Mr. Scodari served in various senior leadership roles at Sterling Drug and later, Rhone-Poulenc Rorer. Mr. Scodari s years of experience in the pharmaceutical industry and his senior leadership roles as Worldwide Chairman, Pharmaceuticals Group, of Johnson & Johnson and President of Centocor bring to the Board extensive knowledge of the pharmaceutical industry as well as organizational and operational management expertise. Mr. Scodari also contributes valuable business strategy insights. Mr. Scodari also has extensive corporate governance experience from his services on other company boards.

WILLIAM F. SPENGLER has been a member of the Board of Directors since 2008 and is a member of Endo s Audit Committee and Compensation Committee. Effective November 15, 2010, Mr. Spengler was appointed President of ChromaDex Corporation, a publicly traded company that is a leader in the development of phytochemical and botanical reference standards and that discovers, develops and markets novel, natural ingredients that fill unmet needs for healthy dietary supplements, foods, beverages, cosmetics and pharmaceuticals. From July 2008 until November 2010, Mr. Spengler served as Executive Vice President and Chief Financial Officer of Smith & Wesson Holding Corporation, a global leader in safety, security, protection and sport. Until March 2008, he was Executive Senior Vice President and Chief Financial Officer at MGI Pharmaceuticals Inc., an oncology- and acute care- focused biopharmaceutical company, where he had worked since 2005. Prior to joining MGI Pharma, Mr. Spengler was Executive Vice President and Chief Financial Officer at Guilford Pharmaceuticals Inc., a bioscience company, from July 2004 to October 2005. From 2002 to 2004, Mr. Spengler served as President, Chief Operating Officer and Director of Osteoimplant Technology, Inc., an orthopedic products company, and from 2000 to 2002, he was Principal of North Charles Investment Company. Through his senior executive roles and financial experience at various organizations, Mr. Spengler contributes expertise in financial analysis, financial statements, evaluation of business strategies, and brings to the Board valuable leadership and risk management skills.

Vote Required

Provided that a quorum is present, the nominees for director receiving a plurality of the votes cast at the Annual Meeting in person or by proxy will be elected.

The Board of Directors recommends a vote FOR the election of these nominees for election as directors.

Stockholder Communications with Directors

The Board has established a process to receive communications from stockholders. Stockholders may contact any member or all members of the Board, any Board committee, or any chair of any such committee by mail. To communicate with the Board of Directors, any individual director or any group or committee of directors, correspondence should be addressed to the Board of Directors or any such individual director or group or committee of directors by either name or title. All such correspondence should be sent c/o Corporate Secretary at Endo Pharmaceuticals Holdings Inc., 100 Endo Boulevard, Chadds Ford, Pennsylvania 19317.

All communications received as set forth in the preceding paragraph will be opened by the office of our Secretary for the sole purpose of determining whether the contents represent a message to our directors. Any contents that are not in the nature of advertising, promotions of a product or service, or patently offensive material will be forwarded promptly to the addressee. In the case of communications to the Board or any group or committee of directors, the Secretary s office will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the envelope or e-mail is addressed.

The Company does not have a policy on director attendance at annual meetings. David P. Holveck, Roger H. Kimmel, and William P. Montague attended the 2010 Annual Meeting.

Corporate Governance Board Leadership Structure and Risk Oversight

Board Leadership Structure

We have a board leadership structure under which Mr. Kimmel serves as Chairman of the Board. Following the annual meeting, we will have eight other directors, each of whom is independent with the exception of our President and Chief Executive Officer, Mr. Holveck. Our Board currently has four standing committees, each of which is comprised solely of independent directors with a committee chair. In addition, the Board appoints other committees as the Board considers necessary from time to time.

The Board believes that the Chairman and the role of the Chief Executive Officer should be separate and that the Chairman should not be an employee of the Company. Further, the Board believes this separation serves the Company s shareholders best for setting our strategic priorities and executing our business strategy. We believe that our Board consists of directors with significant leadership, organizational and strategic skills, as discussed above. All of our independent directors have served as the Chairman, Vice Chairman, Chief Executive Officer, Chief Financial Officer, or Senior Executive of other companies. Accordingly, we believe that our independent directors have demonstrated leadership in large enterprises, many with relevant industry experience, and are well-versed in board processes and corporate governance. We believe that having directors with such significant leadership skills benefits our Company and our shareholders.

In accordance with our By-laws and our corporate governance guidelines, the Chairman is responsible for chairing Board meetings and setting the agenda for these meetings. Each director also may suggest items for inclusion on the agenda and may, at any Board meeting, raise subjects that are not on the agenda for that meeting. As required by our corporate governance guidelines, our independent directors meet separately, without management present, at each meeting of the Board. In addition, our Board committees regularly meet without members of management present.

As part of its annual self-evaluation process, the Board evaluates its leadership structure to determine whether the Board continues to believe that it provides the optimal governance structure and required leadership talent for Endo. We believe that having a President and Chief Executive Officer for our company with oversight of company operations, coupled with an experienced independent board Chairman and experienced independent directors, who have appointed four committee chairs, is the appropriate leadership structure for Endo.

On a regular basis, the Company s officers who are responsible for monitoring and managing the Company s risks, including our President and Chief Executive Officer, our Chief Operating Officer, our

Executive Vice President, Chief Financial Officer, our Executive Vice President, Chief Legal Officer, our Vice President, Controller and Principal Accounting Officer and our internal auditor, make reports to the Audit Committee. The Audit Committee, in turn, reports to the full Board. While the Audit Committee has primary responsibility for overseeing risk management, our entire Board is actively involved in overseeing risk management for the Company by engaging in periodic discussions with Company officers as the Board may deem appropriate. In addition, each of our Board committees considers the risks within its respective areas of responsibility.

Risk Oversight

The Board of Directors believes that one of its most important responsibilities is to oversee how management manages the various risks the Company faces and has delegated primary responsibility for overseeing the Company s Enterprise Risk Management (or ERM) program to the Audit Committee. It is management s responsibility to manage risk and bring to the Audit Committee s and the Board of Directors attention the most material risks to the Company. The Company s head of internal audit, who reports independently to the Audit Committee, facilitates the ERM program under the sponsorship of our Executive Leadership Committee (or ELC), which includes our President and Chief Executive Officer; Chief Operating Officer; Executive Vice President, Chief Financial Officer; Executive Vice President, Chief Legal Officer; Executive Vice President, Research & Development; Senior Vice President, Human Resources; Senior Vice President, Enterprise Quality and Supply Chain; and Vice President, Corporate Compliance & Business Practices. Enterprise risks are identified and prioritized by management, and each risk is assigned by the Board to a Board committee or the full Board for oversight based on the nature of the risk area and the committee s charter. The committee or full Board agendas include discussions of individual risk areas throughout the year. Additionally, the Audit Committee agendas include periodic updates on the ERM process throughout the year. The Board level risk discussions are led by an assigned executive sponsor, from the ELC, for each risk area.

The Audit Committee also regularly reviews treasury risks (insurance, credit and debt), financial and accounting, legal and compliance risks, information technology security risks and other risk management functions. In addition, the Compensation Committee considers risks related to succession planning and the attraction and retention of talent as well as risks relating to the design of compensation programs and arrangements. The Compensation Committee also reviews compensation and benefits plans affecting Endo employees in addition to those applicable to our executive officers. The full Board considers strategic risks and opportunities and regularly receives detailed reports from the committees regarding risk oversight in their respective areas of responsibility.

Code of Conduct

The Board of Directors has adopted a Code of Conduct that applies to the Company s directors, executives (including its Chief Executive Officer and Chief Financial Officer) and employees. The Code is posted on the Company s website at *www.endo.com*, under Investors-Corporate Governance-Code of Conduct.

Common Stock Ownership Guidelines

The Board of Directors has adopted stock ownership guidelines (the Ownership Guidelines) both for non-employee Directors and for executive officers and senior management of the Company (collectively, Executive Management). The Board of Directors approved the Ownership Guidelines on February 21, 2008, and amended these Ownership Guidelines on April 28, 2010 to increase the required ownership of the Chief Executive Officer. The Board of Directors amended the Ownership Guidelines on December 10, 2010 to further increase the required ownership levels for non-employee Directors and for Executive Management. The Board believes that non-employee directors and Executive Management should have a significant equity position in the Company and that the Ownership Guidelines will serve to further the Board s interest in encouraging a longer-term focus in managing the Company. The Board also believes that the Ownership Guidelines align the interests of its directors and Executive Management with the interests of stockholders and further promote Endo s commitment to sound corporate governance. The Ownership Guidelines are posted on the Company s website at *www.endo.com*, under Investors-Corporate Governance-Compensation Committee.

Ownership Guidelines for Non-Employee Directors

The Ownership Guidelines advise that each non-employee Director should have an ownership equal in value to at least three times his or her then current annual cash retainer. Non-employee Directors are expected to achieve the Ownership Guidelines within five (5) years of joining the Board, or, in the case of non-employee Directors serving at the time the Ownership Guidelines were adopted, within five (5) years of the date of adoption of the Ownership Guidelines or February 20, 2013. On December 10, 2010, the Board of Directors approved revised Ownership Guidelines, increasing ownership equal in value to at least five times his or her current annual cash retainer to be achieved within five (5) years of joining the Board, or in the case of non-employee Directors serving at the time the Ownership Guidelines were adopted, within five (5) years of the date of the adoption of these revised Ownership Guidelines, or December 10, 2015. Non-employee Directors are also expected to continuously own sufficient shares to meet the Ownership Guidelines once attained.

Review and Approval of Transactions with Related Persons

The Board of Directors has adopted written policies and procedures for review, approval and monitoring of transactions involving the Company and related persons (directors and executive officers or their immediate family members, or stockholders owning five percent or greater of the Company s outstanding stock). The policy covers any related person transaction that meets the minimum threshold for disclosure in the Proxy Statement under the relevant rules of the U.S. Securities and Exchange Commission (the SEC) (generally, transactions involving amounts exceeding $120,000 in which a related person has a direct or indirect material interest).

A discussion of our current related person transactions appears in this Proxy Statement under TRANSACTIONS WITH RELATED PERSONS, PROMOTERS AND CERTAIN CONTROL PERSONS.

Committees of the Board of Directors

The Board of Directors has a standing Audit Committee, Compensation Committee and Nominating & Governance Committee as well as a Transactions Committee. The following table shows the directors who are currently members or Chairman of each of these committees.

Board Members	Audit Committee	Compensation Committee	Nominating & Governance Committee	Transactions Committee
John J. Delucca	Chairman	Member	-	-
David P. Holveck	-	-	-	-
Nancy J. Hutson, Ph.D.	-	Member	Member	Member
Michael Hyatt	-	-	Member	Chairman
Roger H. Kimmel	Member	-	Chairman	Member
William P. Montague	Member	-	-	Member
David B. Nash, MD, M.B.A.	-	-	-	-
Joseph C. Scodari	-	Chairman	-	Member
William F. Spengler	Member	Member	-	-

Audit Committee

The Audit Committee is responsible for overseeing the Company s financial reporting process on behalf of the Board of Directors. In addition, the Audit Committee reviews, acts on and reports to the Board of Directors with respect to various auditing and accounting matters, including the selection of the Company s independent registered public accounting firm, the scope of the annual audits, fees to be paid to the independent registered public accounting firm, the performance of the Company s independent registered public accounting firm and the accounting practices of the Company and the Company s internal controls and legal compliance functions. The Audit Committee operates pursuant to a written charter adopted by the Board of Directors, which is available on the Company s website at *www.endo.com*, under Investors-Corporate Governance-Audit Committee. The charter describes the nature and scope of responsibilities of the Audit Committee.

Management of the Company has the primary responsibility for the Company s financial reporting process, principles and internal controls as well as preparation of its financial statements. The Company s independent registered public accounting firm is responsible for performing an independent audit of the Company s financial statements and expressing an opinion as to the conformity of such financial statements with accounting principles generally accepted in the United States.

Messrs. Delucca, Kimmel, Montague and Spengler currently serve as members of the Audit Committee and subject to their election at the 2011 Annual Meeting, the Board of Directors currently expects to reappoint Messrs. Delucca, Kimmel, Montague and Spengler as members of the Audit Committee, effective May 25, 2011. Between January 1, 2010 and December 31, 2010, the Audit Committee met eleven times, including periodic meetings held separately with management, the Company s internal auditors and the independent registered public accounting firm. Subject to his election at the 2011 Annual Meeting, the Board currently expects to reappoint Mr. Delucca as Chair of the Audit Committee. The Board has determined that Mr. Delucca is a financial expert , as defined by the SEC regulations, and he has the related financial management expertise within the meaning of the NASDAQ rules. The Board of Directors has determined that Messrs. Delucca, Kimmel, Montague and Spengler are independent and financially literate in accordance with the criteria established by the SEC and the NASDAQ.

Compensation Committee

The Compensation Committee of the Board of Directors determines the salaries and incentive compensation of the executive officers of the Company and provides broad guidance regarding the salaries and incentive compensation of the other employees of the Company. The Compensation Committee also reviews and acts on any recommendations of the Company s management for awards granted under the Endo Pharmaceuticals Holdings Inc. 2010 Stock Incentive Plan. The current members of the Compensation Committee are Messrs. Delucca, Scodari and Spengler and Dr. Hutson. Subject to their election at the 2011 Annual Meeting, the Board of Directors currently expects to reappoint Messrs. Delucca, Scodari and Spengler and Dr. Hutson as members of the Compensation Committee, to appoint Dr. Nash as a member of the Compensation Committee and to re-appoint Mr. Scodari as Chair of the Compensation Committee, effective May 25, 2011. Each of Messrs. Delucca, Scodari and Spengler, Dr. Hutson and Dr. Nash is independent in accordance with the criteria established by the SEC and the NASDAQ. Between January 1, 2010 and December 31, 2010, the Compensation Committee met ten times. The Compensation Committee operates pursuant to a written charter adopted by the Board of Directors, which is available on the Company s website at *www.endo.com*, under Investors-Corporate Governance-Compensation Committee. The charter describes the nature and scope of responsibilities of the Compensation Committee. A report of the Compensation Committee appears in this Proxy Statement under EXECUTIVE COMPENSATION Compensation Committee Report on Executive Compensation.

Compensation Committee Interlocks and Insider Participation

None of the members of the Compensation Committee during fiscal 2010 or as of the date of this Proxy Statement is or has been an officer or employee of the Company and no executive officer of the Company served on the compensation committee or board of any company that employed any member of the Company s Compensation Committee or Board of Directors.

Nominating & Governance Committee

On December 13, 2006, the Board of Directors chartered the Nominating & Governance Committee, which is comprised of independent directors.

The Nominating & Governance Committee of the Board of Directors identifies and recommends to the Board individuals qualified to serve as directors of the Company, recommends to the Board directors to serve on committees of the Board and advises the Board with respect to matters of Board composition and procedures. The Nominating & Governance Committee also oversees the Company s corporate governance.

The Nominating & Governance Committee will consider director candidates recommended by stockholders. In considering candidates submitted by stockholders, the Nominating & Governance Committee will take into consideration the needs of the Board and the qualifications of the candidate. The Nominating & Governance Committee may also take into consideration the number of shares held by the recommending stockholder and the length of time that such shares have been held. To have a candidate considered by the Nominating & Governance Committee, a stockholder must submit the recommendation in writing and must include the following information:

- The name of the stockholder and evidence of the person s ownership of Company stock, including the number of shares owned and the length of time of ownership; and

- The name of the candidate, the candidate s resume or a listing of his or her qualifications to be a director of the Company and the person s consent to be named as a director if selected by the Nominating & Governance Committee and nominated by the Board.

The stockholder recommendation and information described above must be sent to the Secretary at Endo Pharmaceuticals Holdings Inc., 100 Endo Boulevard, Chadds Ford, PA 19317, and must be received by the Secretary not less than 120 days prior to the anniversary date of the Company s most recent annual meeting of stockholders.

While the Board does not have a formal policy with respect to diversity, the Board of Directors and the Nominating & Governance Committee advocate diversity in the broadest sense. We believe that it is important that nominees for the Board represent diverse viewpoints and have diverse backgrounds. The Nominating & Governance Committee looks at a broad array of qualifications and attributes including: experience, skills, expertise, and personal and professional integrity, character, business judgment, time availability in light of other commitments, dedication, conflicts of interest and such other relevant factors that the Nominating & Governance Committee considers appropriate in the context of the needs of the Board of Directors. Although not specified in the charter, the Committee actively considers ethnicity and gender when selecting candidates so that additional diversity may be represented on the Board.

The Nominating & Governance Committee identifies potential nominees by asking current directors and executive officers to notify the Nominating & Governance Committee if they become aware of persons meeting the criteria described above. The Nominating & Governance Committee also, from time to time, may engage firms that specialize in identifying director candidates. As described above, the Nominating & Governance Committee will also consider candidates recommended by stockholders.

Once a person has been identified by the Nominating & Governance Committee as a potential candidate, the Nominating Committee may collect and review publicly available information regarding the person to assess whether the person should be considered further. If the Nominating & Governance Committee determines that the candidate warrants further consideration, the Chairman or a member of the Nominating & Governance Committee contacts the person. Generally, if the person expresses a willingness to be considered and to serve on the Board, the Nominating & Governance Committee requests information from the candidate, reviews the person s accomplishments and qualifications, including in light of any other candidates that the Nominating & Governance Committee might be considering, and conducts one or more interviews with the candidate.

Generally, Nominating & Governance Committee members may conduct additional due diligence of the candidate. The Nominating & Governance Committee s evaluation process does not vary based on whether or not a candidate is recommended by a stockholder, although, as stated above, the Board may take into consideration the number of shares held by the recommending stockholder and the length of time that such shares have been held.

On March 3, 2011, the Board of Directors appointed David B. Nash, M.D., M.B.A. as a director of the Company. Dr. Nash was recommended to the Nominating & Governance Committee by a global executive search firm. The Company engaged this global executive search firm to assist in identifying and evaluating potential nominees for director and to provide its recommendations on each potential nominee.

The current members of the Nominating & Governance Committee are Messrs. Hyatt and Kimmel and Dr. Hutson. The Board has elected Mr. Kimmel as Chairman of the Nominating & Governance Committee. Between January 1, 2010 and December 31, 2010, the Nominating & Governance Committee met eleven times. Subject to their election at the 2011 Annual Meeting, the Board of Directors currently expects to reappoint Messrs. Kimmel and Hyatt and Dr. Hutson as members of the Nominating & Governance Committee, to appoint Mr. Montague as a member of the Nominating & Governance Committee and to re-appoint Mr. Kimmel as Chair of the Nominating & Governance Committee, effective May 25, 2011. The Board of Directors has determined that all of the members of the current and future Nominating & Governance Committee are independent in accordance with the criteria established by the SEC and the NASDAQ. The Nominating & Governance Committee operates pursuant to a written charter adopted by the Board of Directors, which is available on the Company s website at *www.endo.com*, under Investors-Corporate Governance-Nominating & Governance Committee.

Transactions Committee

On July 31, 2007, the Board of Directors formed a Transactions Committee to provide advice and guidance to the Company s management in connection with the exploration of strategic acquisition and licensing opportunities as well as any overture for merger with the Company, or sale of the Company or other like event. The current members of the Transactions Committee are Messrs. Hyatt, Kimmel, Montague and Scodari and Dr. Hutson. Subject to their election at the 2011 Annual Meeting, the Board of Directors currently expects to reappoint Messrs. Hyatt, Kimmel, Montague and Scodari and Dr. Hutson as members of the Transactions Committee, and to reappoint Mr. Hyatt as the Chair of the Transactions Committee, effective May 25, 2011.

AUDIT COMMITTEE REPORT

The Audit Committee has reviewed and discussed the Company s audited consolidated financial statements as of and for the year ended December 31, 2010 with the management of the Company and Deloitte & Touche LLP, the Company s independent registered public accounting firm. Further, the Audit Committee has discussed with Deloitte & Touche LLP the matters required to be discussed under auditing standards generally accepted in the United States, including those matters set forth in the Statement of Auditing Standards No. 61, *Communications with Audit Committees*, as amended and as adopted by the Public Company Accounting oversight Board in Rule 3200T, other standards of the Public Company Accounting Oversight Board (United States), rules of the SEC, and other applicable regulations, relating to the firm s judgment about the quality, not just the acceptability, of the Company s accounting principles, the reasonableness of significant judgments and estimates, and the clarity of disclosures in the consolidated financial statements.

The Audit Committee also has received the written disclosures and the letter from Deloitte & Touche LLP required by PCAOB Ethics and Independence Rule 3526, *Communication with Audit Committees Concerning Independence*, which relate to Deloitte & Touche LLP s independence from the Company, and has discussed with Deloitte & Touche LLP their independence from the Company. The Audit Committee has also considered whether the independent registered public accounting firm s provision of non-audit services to the Company is compatible with maintaining the firm s independence. The Audit Committee has concluded that the independent registered public accounting firm is independent from the Company and its management. The Audit Committee has also discussed with management of the Company and Deloitte & Touche LLP such other matters and received such assurances from them as it has deemed appropriate.

The Committee also reviewed management s report on its assessment of the effectiveness of the Company s internal control over financial reporting and the independent registered public accounting firm s report on the effectiveness of the Company s internal control over financial reporting. In addition, the Audit Committee reviewed key initiatives and programs aimed at strengthening the effectiveness of the Company s internal and disclosure control structure. As part of this process, the Audit Committee continued to monitor the scope and adequacy of the Company s internal auditing program.

Based on the reviews, reports and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board approved, that the Company s audited consolidated financial statements for the year ended December 31, 2010 and management s assessment of the effectiveness of the Company s internal control over financial reporting be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010, for filing with the SEC. The Audit Committee has selected, and the Board of Directors has approved, subject to stockholder ratification, the selection of Deloitte & Touche LLP as the Company s independent registered public accounting firm for the year ending December 31, 2011.

Submitted by the Audit Committee of the Company s Board of Directors.

Members of the Audit Committee:

John J. Delucca (Chairman)

Roger H. Kimmel

William P. Montague

William F. Spengler

The above Audit Committee Report does not constitute soliciting material, and shall not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates the Audit Committee Report by reference therein.

PROPOSAL 2

RATIFICATION OF APPOINTMENT OF

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has selected Deloitte & Touche LLP, an independent registered accounting firm, to audit the books and financial records of the Company for the year ending December 31, 2011. The Company is asking its stockholders to ratify the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm for fiscal 2011.

A representative of Deloitte & Touche LLP is expected to be present at the Annual Meeting and available to respond to appropriate questions, and will have the opportunity to make a statement if he or she desires to do so.

Vote Required

The affirmative vote of a majority of the issued and outstanding shares entitled to vote and represented at the Annual Meeting in person or by proxy will be required to approve the ratification of the appointment of the Company s registered public accounting firm. Abstentions will be counted and will have the same effect as a vote against the proposal.

The Audit Committee and the Board of Directors recommend a vote FOR the ratification of the Board s appointment of Deloitte & Touche LLP as the independent registered public accounting firm for the fiscal year ending December 31, 2011.

Fees Paid to the Independent Registered Public Accounting Firm

Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, the Deloitte Entities) served as the Company s independent registered public accounting firm for the fiscal year ended December 31, 2010. The following table summarizes the aggregate fees for services the Deloitte Entities provided during fiscal years 2010 and 2009:

	2010	**2009**
Audit Fees(a)	$ 1,984,038	$ 1,801,012
Audit-Related Fees(b)	906,765	30,096
Tax Fees(c)	631,855	368,297
All Other Fees(d)		86,748
Total	$ 3,522,658	$ 2,286,153

(a) Fees for audit services billed in 2010 and 2009 consisted of:

Audit of the Company s annual financial statements;

Evaluation and reporting on the effectiveness of the Company s internal controls over financial reporting;

Reviews of the Company s quarterly financial statements; and

Comfort letters, consents and other services related to SEC matters.

(b) Fees for audit-related services billed in 2010 and 2009 consisted of:

- Audit-related fees associated with our 2010 acquisitions; and

- Employee benefit plan audits.

(c) Fees for tax services billed in 2010 and 2009 consisted of tax compliance and tax planning and advice.

Tax compliance services are services rendered based upon facts already in existence or transactions that have already occurred to document, compute, and assist the Company in obtaining government approval for amounts to be included in tax filings and consisted of:

i. Federal, state and local income tax return assistance;

ii. Sales and use, property and other tax return assistance; and

iii. Assistance with tax return filings in certain foreign jurisdictions.

(d) Fees for other services billed in 2009 consist of:

Review of marketing materials for regulatory compliance; and

Advisory services around the Company s enterprise risk management strategy.

In considering the nature of the services provided by the Deloitte Entities, the Audit Committee determined that such services are compatible with the provision of independent audit services. The Audit Committee discussed these services with the Deloitte Entities and Company management to determine that they are permitted under the rules and regulations concerning auditor independence promulgated by the SEC to implement the Sarbanes-Oxley Act of 2002, as well as the American Institute of Certified Public Accountants.

Pre-Approval Policy

Consistent with SEC policies regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent registered public accounting firm. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm.

Prior to the engagement of the independent registered public accounting firm for the next year s audit, management will submit a list of services and related fees expected to be rendered during that year within each of the four categories of services to the Audit Committee for approval.

1. *Audit* services include audit work performed on the financial statements and related to the evaluation and reporting on the effectiveness of the Company s internal control over financial reporting, as well as work that generally only the independent registered public accounting firm can reasonably be expected to provide, including comfort letters, consents and other services related to SEC matters, and discussion surrounding the proper application of financial accounting and/or reporting standards.

2. *Audit-Related* services are for assurance and related services that are traditionally performed by the independent registered public accounting firm, including due diligence related to mergers and acquisitions and employee benefit plan audits.

3. *Tax* services include all services, except those services specifically related to the audit of the financial statements, performed by the independent registered public accounting firm s tax personnel, including tax analysis; assisting with the coordination of execution of tax related activities, primarily in the area of corporate developments; supporting other tax related regulatory requirements; and tax compliance and reporting.

4. *Other Fees* are those associated with services not captured in the other categories.

Prior to engagement, the Audit Committee pre-approves the independent registered public accounting firm s services within each category. The fees are budgeted and the Audit Committee requires the independent registered public accounting firm and management to report actual fees versus budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval categories. In those instances, the Audit Committee requires specific pre-approval before engaging the independent registered public accounting firm.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

PROPOSAL 3

ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED

EXECUTIVE OFFICERS (SAY-ON-PAY VOTE)

Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires that we seek a non-binding advisory vote from our stockholders to approve the compensation of our named executive officers (NEOs) as disclosed in the COMPENSATION DISCUSSION AND ANALYSIS (CD&A) and tabular disclosures of this Proxy Statement. Since the required vote is advisory, the result of the vote is not binding upon the Board.

Endo s compensation philosophy is to pay for performance, support Endo s business strategies and offer competitive compensation arrangements. In the CD&A, we have provided stockholders with a description of the Company s compensation programs, including the philosophy and strategy underpinning the programs, the individual elements of the compensation programs and how our compensation plans are administered. Our compensation philosophy is designed to attract and retain highly-talented individuals and motivate them to achieve competitive corporate performance, while embracing the Company s values and leadership attributes. Our programs seek to:

- Create long-term shareholder value;
- Closely link compensation with company performance and individual performance;
- Reward high performance in achieving and exceeding the Company s strategic and business plans;
- Provide appropriate compensation for achieving annual results while fostering a long-term performance orientation;
- Reflect the competitive market for talent; and
- Mitigate risk.

The Company s compensation programs consist of elements designed to complement each other and reward achievement of short-term and long-term objectives tied to the Company s performance through the establishment and achievement of strategic operating metrics or as a function of the Company s total shareholder return (stock price). We have chosen the selected metrics to align employee compensation, including compensation for the NEOs as disclosed in the Summary Compensation Table of this Proxy Statement, to the Company s strategic operating results and business strategy.

The Compensation Committee regularly reviews industry practices related to executive compensation to better align the Company s compensation philosophy with the Company s business strategy, while reflecting an understanding of the external environment. Recent examples of Compensation Committee actions taken to achieve pay for performance in NEO compensation are:

- Conducted an assessment of the potential risks associated with compensation arrangements, policies and practices, confirming that the potential risks associated with our compensation policies and practices are not reasonably likely to have a material adverse effect on Endo.
- Revised our Data Point Companies (as defined below under the section entitled COMPENSATION DISCUSSION AND ANALYSIS) in order to appropriately compare each NEO s total compensation to executives in similar positions and with similar responsibilities at similar companies of comparable size

For the Annual Incentive Bonus (IC) Plan:

- Initiated an annual performance management process setting clear financial, strategic, portfolio and organizational goals utilizing a well-defined scorecard that closely links pay and performance;

- Adopted a compensation recovery policy (clawback) relating to repayment of cash incentive awards by an executive in the event of a restatement of the Company s financial results;

- Approved the Company s annual scorecard of objectives and metrics to reflect business conditions and the Company s strategy; and

- Increased the level of performance required to reach minimum, target, and maximum payout levels.

For the Long-Term Incentive (LTI) Plan:

- Moved from a single trigger to a double trigger change in control provision in our 2010 Stock Incentive Plan, such that a participant will receive benefits only if both a change in control and a qualifying employment termination occur;

- Re-aligned the mix of the LTI awards to include performance share units that may be earned based on total stockholder return and revenue growth over a three-year period to continue aligning compensation with stockholder interests and the Company s performance; and

- Revised stock ownership guidelines for both non-employee Directors and for executive officers and senior management (collectively Executive Management) of the Company. The increased guidelines were approved by the Board to further align the interests of its Directors and Executive Management with the interests of stockholders and promote Endo s commitment to sound corporate governance.

In addition to the actions taken related to both short and long term compensation, the Company has affirmatively determined not to offer new employees gross-up payments related to excise tax liabilities resulting from a change in control of the Company, as demonstrated by the employment agreements entered into with Mr. Levin and Ms. McHugh, which do not include an excise tax gross-up.

As illustrated by these actions, the Compensation Committee has and will continue to take action to structure our executive compensation practices in a manner that is performance-based with a view towards maximizing long-term stockholder value. The Board believes that the executive compensation as disclosed in the CD&A, tabular disclosures, and other narrative executive compensation disclosures in this Proxy Statement aligns with our Data Point Companies pay practices and coincides with our compensation philosophy.

The Board recommends that you vote FOR the approval, on an advisory basis, of the compensation to be paid to Endo s named executive officers as described in the CD&A, tabular disclosures, and other narrative executive compensation disclosures in this Proxy Statement as required by the Securities and Exchange Commission.

Effect of Proposal

The above say-on-pay resolution is non-binding. The approval or disapproval of this proposal by stockholders will not require the Board or the Compensation Committee to take any action regarding the Company s executive compensation practices.

The Board values the opinions of the Company s stockholders as expressed through their votes and other communications. Although the resolution is non-binding, the Board will consider the outcome of the advisory vote on executive compensation when making future compensation decisions.

Nevertheless, the Board believes that the Compensation Committee is in the best position to consider the extensive information and factors necessary to make independent, objective, and competitive compensation recommendations and decisions that are in the best interest of Endo and its stockholders.

PROPOSAL 4

ADVISORY VOTE ON THE FREQUENCY OF AN ADVISORY VOTE

ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

(FREQUENCY VOTE)

Pursuant to Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, at least once every six years the Company is required to submit for stockholder vote a non-binding resolution to determine whether the advisory stockholder vote on executive compensation shall occur every one, two, or three years.

After consideration of the various arguments supporting each frequency level, the Board believes that submitting the advisory vote on executive compensation to stockholders on an annual basis is appropriate for Endo and its stockholders at this time.

The Board recommends that you vote, on an advisory basis, for future shareholder advisory votes on executive compensation to be held every ONE YEAR.

The proxy card provides stockholders with four choices (every one, two, or three years, or abstain). Stockholders are not voting to approve or disapprove the Board s recommendation.

Effect of Proposal

The frequency vote is non-binding. Stockholder approval of a one, two, or three-year frequency vote will not require the Company to implement an advisory vote on executive compensation every one, two, or three years. The final decision on the frequency of the advisory vote on executive compensation remains with the Board and/or its committees.

The Board values the opinions of the Company s stockholders as expressed through their votes and other communications. Although the resolution is non-binding, the Board and the Committee will consider the outcome of the frequency vote and other communications from stockholders when making future decisions regarding the frequency of say-on-pay votes.

PROPOSAL 5

APPROVAL OF THE ENDO PHARMACEUTICALS HOLDINGS INC.

EMPLOYEE STOCK PURCHASE PLAN

On February 23, 2011, our Board of Directors adopted the Endo Pharmaceuticals Holdings Inc. Employee Stock Purchase Plan (ESPP), subject to stockholder approval at the 2011 Annual Meeting of Stockholders of the Company. If approved by our stockholders, it is expected that the first offering period under the ESPP will commence no later than January 1, 2012.

Our Board of Directors believes it is in our best interests and the interests of our stockholders to adopt the ESPP. The ESPP is intended to encourage ownership in our common stock by our employees and to provide an additional incentive for them to promote the long-term growth and success of our business. We believe that providing our employees with a convenient method to invest in our common stock will increase the equity stake of our employees and will benefit our stockholders by aligning more closely the interest of participating employees with those of our stockholders. The ESPP complements our overall compensation strategy as discussed under the section entitled COMPENSATION DISCUSSION AND ANALYSIS. Stockholder approval of the ESPP is necessary in order for the ESPP to meet the requirements of Section 423 of the Internal Revenue Code.

The material terms of the ESPP are summarized below. This summary of the ESPP is not intended to be a complete description of the ESPP and is qualified in its entirety by the detailed provisions of the ESPP, a copy of which is attached as Exhibit A to this Proxy Statement.

Summary of the Endo Pharmaceuticals Holdings Inc. Employee Stock Purchase Plan

Purpose. The ESPP allows employees of our company and our participating subsidiaries to purchase shares of our common stock at a discount through payroll deductions. The purchase price will be not less than 85% of the fair market value of our common stock on the purchase date, unless the committee changes the purchase price prior to the beginning of an offering period to be not be less than 85% of the fair market value of our common stock on the purchase date or the beginning of the offering period, whichever is lower. The purpose of the ESPP is to provide participating employees with the opportunity to acquire an ownership interest in Endo. These ownership interests are designed to provide an incentive for participants to help increase our long-term growth and success and provide an opportunity to share in that success as we continue to shape the future of our business.

Administration. The ESPP is administered by our Board of Directors or a committee appointed by our Board of Directors for such purpose (the committee). The committee will have full discretionary authority to interpret and construe any provision of the ESPP and to adopt such rules and regulations for administering the ESPP as it deems necessary. The committee may appoint an employee or employees of the Company, or a qualified third, party to administer the plan (the plan administrator).

Shares Available for Issuance Under the ESPP. Up to 1% of the Company s outstanding common stock on April 15, 2011 may be issued under the ESPP, subject to adjustment as described below.

Adjustments. In the event that adjustments are made in the number of outstanding shares of our stock or such shares are exchanged for a different class of stock of the Company or for shares of stock of any other corporation by reason of merger, consolidation, stock dividend, stock split or otherwise or there occurs such other event involving the Company which in the discretion of the committee requires adjustment hereunder, the committee may make appropriate adjustments in (i) the number and class of shares or other securities that may be reserved for purchase, or purchased, hereunder, and (ii) the purchase price of a share of our stock under the plan. All such adjustments shall be made in the sole discretion of the committee, and its decision shall be binding and conclusive.

Eligibility. Each of our employees and employees of our participating subsidiaries that adopt the ESPP, who are scheduled to work for the Company or such subsidiary for a minimum of twenty hours per week, will be eligible to participate in the ESPP. An employee may enroll during the enrollment period prior to the first trading date of the applicable offering period or, for newly hired employees, during the enrollment period for the first offering period following the commencement of employment. Under the requirements of the Internal Revenue Code, an employee who owns five percent or more of the total combined voting power of all classes of our stock is not eligible to participate in the ESPP. For purposes of determining who is a five percent owner, attribution of ownership rules apply, and shares of stock subject to outstanding options are taken into account. As of April 15, 2011, all of our executive officers and employees who work a minimum of twenty hours per week are eligible to participate in the ESPP. There are therefore approximately 3,000 eligible participants, based on the current population.

Offering Period. Under the ESPP, there will be a series of consecutive quarterly offering periods. The first offering period is expected to begin on January 1, 2012 and will end on March 31, 2012, subject to stockholder approval of the ESPP. Unless the committee determines otherwise prior to the beginning of an offering period, each subsequent offering period will begin at three-month intervals on each April 1, July 1 and October 1 (or the next trading day, if such date is not a trading day) over the term of the ESPP and will last for three months, ending on June 30, September 30 or December 31, as the case may be (or the next trading day, if such date is not a trading day).

Participation. Payment for shares of our stock purchased under the ESPP will be made by authorized payroll deductions in accordance with instructions received from a participant. Such deductions shall not be more than 10% of the participant s salary or wage compensation received from the Company as in effect at the start of such quarterly offering period. On the last trading date of each plan quarter, the amount in a participant s account will be charged with the aggregate purchase price of the largest number of shares of our stock which can be purchased with such amount, including fractional shares, if so authorized by the committee, and such shares will be purchased by the participant hereunder. The balance, if any, in such participant s account following the purchase shall be carried forward to the next quarterly offering period.

Cessation of Participation. Participants may stop their participation in the ESPP during any offering period by filing the appropriate forms with the plan administrator prior to the close of business on the last trading day of each calendar quarter or other date as the plan administrator determines. A participant who elects to cease participation in the ESPP for a particular offering period may not rejoin that offering period at a later date. Participation ends automatically upon termination of employment or if the participant ceases to be an eligible employee for any reason (including death, disability, termination of employment, or other change in status). If a Participant ceases to participation in the ESPP for any reason, the dollar amount in such participant s account will be refunded or distributed to the participant, or in the case of death, the participant s designated beneficiary on file or estate, or otherwise disposed of in accordance with policies and procedures prescribed by the committee in cases where such a refund or distribution may not be possible.

Maximum Number of Purchasable Shares. The maximum number of shares that a participant may purchase in any calendar year is equal to $25,000 divided by the closing selling price per share of our common stock on the first day of the offering period, subject to share adjustments in connection with certain events as described above. The committee may establish different limits before the start of any offering period. In addition, under IRS requirements, no participant may purchase more than $25,000 worth of our common stock during each calendar year in which such option is outstanding.

Amendment. Our Board of Directors or the Compensation Committee may amend or terminate the ESPP at any time. However, our Board of Directors or Compensation Committee may not amend the ESPP without stockholder approval if such amendment increases the number of shares of our common stock issuable under the ESPP (except for permissible adjustments in the event of changes in our capitalization), materially increases the benefits accruing to participants, or materially modifies the requirements as to eligibility for participation in the ESPP.

Termination. Unless sooner terminated by our Board of Directors or the Compensation Committee, the ESPP will continue in effect through, and including December 31, 2022. The ESPP shall also be suspended if at any time all shares available for issuance under the ESPP have been issued.

Benefits under the ESPP. The benefits to be received by our executive officers and employees under the ESPP are not determinable because, under the terms of the ESPP, the amounts of future stock purchases are based upon elections made by eligible employees subject to the terms and limits of the ESPP. Directors who are not employees do not qualify as eligible employees and thus cannot participate in the ESPP. Future purchase prices are not determinable because they will be based upon the closing selling price of our common stock on the applicable purchase date. At this time, no shares of our common stock have been issued with respect to the ESPP for which stockholder approval is being sought under this proposal.

The closing selling price per share of our common stock on April 15, 2011, was $40.21.

Federal Income Tax Consequences

The following is a brief description of the U.S. federal income tax consequences generally arising with respect to options that may be awarded under the ESPP. The ESPP is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code. The ESPP is not intended to qualify under Section 401 of the Internal Revenue Code and is not subject to the requirements of the Employee Retirement Income Security Act of 1974, as amended. This description of the federal income tax consequences of the ESPP is not a complete description. There may be different tax consequences under certain circumstances, including local and foreign tax consequences. All affected individuals should consult their own advisors regarding their own situation. This discussion is intended for the information of the stockholders considering how to vote at the annual meeting and not as tax guidance to individuals who will participate in the ESPP.

Under the Internal Revenue Code as currently in effect, a participant in the ESPP will not be deemed to have recognized income, nor will we be entitled to a deduction, upon the participant s purchase of our common stock under the ESPP. Instead, a participant will recognize income when he or she sells or otherwise disposes of our common stock or upon his or her death.

If a participant sells our common stock purchased under the ESPP more than two years after the date on which the option to purchase our common stock was granted and more than one year after the purchase of our common stock (the holding period), a portion of the participant s gain will be ordinary income and a portion may be capital gain. The participant will be taxed at ordinary income tax rates on the excess of the value of our common stock on the date on which the option was granted (on the first day of the offering period) over the purchase price, or, if less, the entire gain on the sale. The participant will have additional capital gain or loss equal to the difference, if any, between the proceeds of the sale and the participant s basis in our common stock (the purchase price plus any ordinary income realized). The capital gain rate will depend on how long our common stock is held by the participant. We will not be entitled to any tax deduction with respect to a sale by a participant after the holding period.

If a participant sells our common stock before the expiration of the holding period, the participant generally will be taxed at ordinary income tax rates to the extent that the value of our common stock on the purchase date exceeded the purchase price. We will be entitled to a corresponding deduction. The participant will have additional capital gain or loss on the difference between the proceeds of the sale and the participant s basis in our common stock (the purchase price plus any ordinary income realized). The capital gain rate will depend on how long our common stock is held by the participant.

The estate of a participant who dies while holding our common stock purchased under the ESPP will recognize ordinary income in the year of the participant s death in an amount equal to the excess of the value of our common stock on the date on which the option was granted over the purchase price, or, if less, the amount by which the fair market value of our common stock on the date of death exceeds the purchase price.

Securities Authorized for Issuance Under Equity Compensation Plans

The following information relates to plans in effect as of December 31, 2010 under which equity securities of Endo may be issued to employees and directors. The Endo Pharmaceuticals Holdings Inc. 2004, 2007, and 2010 Stock Incentive Plans provide that stock options may be granted thereunder to non-employee consultants.

Plan Category	Column A Number Of Securities To Be Issued Upon Exercise Of Outstanding Options, Warrants And Rights (#)	Column B Weighted-Average Exercise Price Of Outstanding Options, Warrants And Rights(1) ($)	Column C Number Of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected In Column A)
Equity compensation plans approved by security holders			
Endo Pharmaceuticals Holdings Inc. 2004 Stock Incentive Plan	2,654,040	$ 23.96	
Endo Pharmaceuticals Holdings Inc. 2007 Stock Incentive Plan	4,119,965	$ 21.11	
Endo Pharmaceuticals Holdings Inc. 2010 Stock Incentive Plan	602,880	$ 27.68	10,347,536
Total	7,376,885	$ 22.67	10,347,536

(1) Excludes shares of restricted stock units outstanding

Vote Required

This proposal will be approved if a majority of the votes cast with respect to the proposal, are FOR approval.

The Board of Directors unanimously recommends voting FOR the approval of the Endo Pharmaceuticals Holdings Inc. Employee Stock Purchase Plan.

COMPENSATION COMMITTEE REPORT

The Compensation Committee reviewed and discussed with the Company s management the section of this Proxy Statement entitled COMPENSATION DISCUSSION AND ANALYSIS . In reliance on this review and discussion, the Compensation Committee recommended to the Board of Directors that the section entitled COMPENSATION DISCUSSION AND ANALYSIS be included in this Proxy Statement and incorporated by reference into the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010.

Submitted by the Compensation Committee of the Company s Board of Directors.

Members of the Compensation Committee:

Joseph C. Scodari (Chairman)

John J. Delucca

Nancy J. Hutson, Ph.D.

William F. Spengler

COMPENSATION DISCUSSION AND ANALYSIS

Roles and Responsibilities of Compensation Committee

The primary purpose of the Compensation Committee is to conduct reviews of the Company s general executive compensation policies and strategies and oversee and evaluate the Company s overall compensation structure and programs. The Compensation Committee confirms that total compensation paid to the Chief Executive Officer, Chief Financial Officer and those other individuals included in the Summary Compensation Table is reasonable and competitive. All of these individuals are referred to as the NEOs. Responsibilities of the Compensation Committee include, but are not limited to:

- evaluating and approving goals and objectives relevant to compensation of the Chief Executive Officer and other NEOs, and evaluating the performance of the executives in light of those goals and objectives;

- determining and recommending for approval by the Board of Directors the compensation level of the Chief Executive Officer;

- evaluating and approving compensation levels of the NEOs (and certain other employees);

- evaluating and approving all grants of equity-based compensation to the NEOs (and certain other employees);

- recommending to the Board compensation policies for outside directors;

- providing general compensation oversight on significant issues affecting the Company s compensation philosophy and/or policies;

- providing input to management on whether compensation arrangements for the NEOs (and certain other employees) incentivize excessive risk taking;

reviewing performance-based and equity-based incentive plans for the Chief Executive Officer, other NEOs, and reviewing other benefit programs presented to the Compensation Committee by management;

reviewing and approving the aggregate amount of dollars, in the case of the annual incentive compensation (IC), and stock options, performance share units and restricted stock units, in the case of the annual long-term incentive compensation, that is available to the Company each year;

- reviewing at least annually the Company s succession plan relating to named executive officer positions and make recommendations to the Board related to the selection of individuals to hold the position of Chief Executive Officer; and

- reviewing and recommending to the Board for approval the annual goals and objectives of the Company as a whole, which in turn serve as the foundation for incentive compensation.

Responsibilities of Endo Management

Endo management is required to provide reviews and recommendations for the Compensation Committee s consideration, and to manage the Company s executive compensation programs, policies and governance. Direct responsibilities in this regard include, but are not limited to:

- providing an ongoing review of the effectiveness of the compensation programs for all employees, including competitiveness, and alignment with the Company s objectives;

- recommending changes, if necessary, to achieve all program objectives; and

- recommending pay levels, payout and/or awards for NEOs and certain other employees other than the Chief Executive Officer.

The Compensation Committee can exercise its discretion in modifying any recommended adjustments or awards to the NEOs.

Outside Consultants

In August 2008, the Compensation Committee retained, and has continued to utilize throughout 2010, a compensation consultant from Hay Group for matters related to executive and director compensation. Hay Group is an outside global human resources consulting firm and does not provide any other services to the Company. Hay Group is asked to provide independent, third-party advice and expertise in executive compensation issues. The compensation consultant reports directly to the Committee. Hay Group provides the Compensation Committee with comparative market data and alternatives to consider when making compensation decisions and reviews the recommendations being made by the Company s management for executives. The Compensation Committee may retain other consultants and advisors from time to time.

The Company s Executive Compensation Program

Overall Program Objectives

The Company s primary objective with respect to executive compensation is to design compensation programs that will align executives compensation with the Company s overall business strategies for the creation of stockholder value and attract, motivate and retain highly qualified executives. The Compensation Committee believes that the most effective executive compensation program is one that is designed to reward the achievement of specific annual, long-term and strategic goals of the Company, and which aligns executives interests with those of the shareholders by rewarding performance in meeting or exceeding established goals, with the ultimate objective of improving shareholder value.

Accordingly, the Company provides incentives to advance the interests of shareholders and deliver levels of compensation that are commensurate with performance. Overall, the Company designs its compensation program to:

- create a strong performance alignment with shareholders interests;

- support the corporate business strategy and business plan by clearly communicating what is expected of executives with respect to goals and results and by rewarding achievement; and

- recruit and retain executive talent.

The Company seeks to achieve these objectives through three key compensation elements:

- a base salary;
- a performance-based annual cash incentive (i.e., annual cash incentive compensation (IC)); and
- annual (and, under certain circumstances, periodic) grants of long-term, equity-based compensation (i.e., a long-term incentive), which is comprised of stock options, restricted stock units that are subject to time-based vesting requirements, and performance share units that have performance-based vesting requirements.

In order to enhance the Compensation Committee s ability to carry out its responsibilities effectively, as well as maintain strong links between executive pay and performance, the Compensation Committee reviews compensation information for each named executive officer which includes the following information:

- the annual compensation and benefit values that are being offered to each executive;
- the value of all outstanding equity awards; and
- the value of all other compensation.

The Compensation Committee also meets with our Chairman, Chief Executive Officer and other senior management in connection with compensation matters and regularly meets in executive sessions with Hay Group but without management.

Competitive Considerations

In making compensation decisions with respect to each element of compensation, the Compensation Committee considers the competitive market for executives and compensation levels provided by comparable companies. The Compensation Committee regularly reviews the compensation practices at companies with which it competes for talent, including businesses engaged in activities similar to those of the Company, including specialty pharmaceuticals. While we do not believe that it is appropriate to establish compensation levels based primarily on benchmarking, we believe that information regarding pay practices at other companies is nevertheless useful in two respects. First, we recognize that our compensation practices must be competitive in the marketplace. Second, independent marketplace information is one of the many factors that we consider in assessing the reasonableness of compensation.

The Compensation Committee generally targets total executive compensation at the median of compensation packages for executives in similar positions and with similar responsibilities and experience at similar companies of comparable size with the opportunity for top quartile compensation based upon individual and company performance. We recognize, however, that positions with similar titles at the Data Point Companies are not always comparable in terms of responsibility to such positions at the Company. The Compensation Committee s choice of this target percentile reflects the Company s consideration for our shareholders interests in paying what is competitive, but not significantly more than that which is competitive, to achieve our corporate goals, while conserving cash and equity as much as practicable.

We believe that, given the industry in which we operate and our compensation philosophy and objectives, compensation targeted at the median of similar companies with the opportunity for top quartile total compensation based upon performance is generally sufficient to retain our current executive officers and to hire new executive officers when and as required. In setting compensation for the NEOs, the Compensation Committee considers comparative market data requested from Hay Group, its compensation consultant. In gathering relevant competitive market compensation data, the Compensation Committee approved the use of a sample of mid-sized specialty pharmaceutical companies, including high-growth industry companies with similar operations as Endo and mid-sized pharmaceutical companies.

We refer to all of these sample companies as the Data Point Companies. The Committee believes that Endo competes with the Data Point Companies for talent and for shareholder investment. The Data Point Companies typically have similar executive officer positions and create a range of comparative compensation

values that are utilized by the Compensation Committee to confirm that salary levels and overall incentive opportunities approved by the Compensation Committee are consistent with the Company s overall objectives. In 2010, the Data Point Companies included the following:

Allergan Inc.	Forest Laboratories Inc.	Salix Pharmaceuticals Ltd.
Amylin Pharmaceuticals Inc.	King Pharmaceuticals Inc.	Valeant Pharmaceuticals Inc.
Biogen Idec Inc.	Medicis Pharmaceutical Corp.	Vertex Pharmaceuticals
Celgene Corp.	Mylan Inc.	Warner Chilcott Ltd.
Cephalon Inc.	Par Pharmaceuticals Inc.	Watson Pharmaceuticals Inc.

From time to time, the Compensation Committee re-evaluates the Data Point Companies in light of the Company s size (i.e., revenue, market capitalization) and business. Accordingly, the Data Point Companies may change, as was the case in 2010. The Compensation Committee does not attempt to set each compensation element for each executive within a particular range related to levels provided by the Data Point Companies. Instead, the Compensation Committee uses market comparisons as one factor in making compensation decisions. Other factors considered when making individual executive compensation decisions include individual contribution and performance, reporting structure, complexity and importance of role and responsibilities, leadership and growth potential.

Pay Risk

At least on an annual basis, the Company s management team conducts an assessment of the potential risks associated with the Company s compensation arrangements, policies and practices. The assessments are then reviewed the Company s Compensation Committee. A key objective is to determine whether the Company s compensation policies and practices create risks that are reasonably likely to have a material adverse effect on the Company. This risk assessment process includes:

- A comprehensive review of compensation programs;
  - Including a review of compensation programs offered by HealthTronics and Qualitest with the highest potential for a material adverse effect;
- Identification of key Company positions and business areas that could potentially carry a significant portion of the Company s risk profile;
- Identification of compensation programs for the key Company positions and/or business areas;
- An analysis of employee compensation plans with the highest potential for risk pursuant to which we:
  - Identify the features within the plans that could potentially encourage excessive or imprudent risk taking;
  - Identify business risks that these features could potentially encourage;
  - Identify controls and plan features that mitigate the risks identified;
  - Determine residual risk remaining after considering mitigating controls and features; and

Assess whether residual risk is reasonably likely to have a material adverse effect on the Company as a whole.

When reviewing the Company s compensation programs, particular attention is paid to programs that allow for variable payouts and consider whether there is the proper mix of performance metrics and that the plans reward both annual goal achievement and the long-term sustainable success of the Company. In addition, the reviews focus on plans where an employee might be able to influence payout factors and programs that involve our executives, with a focus on analyzing whether any of the performance targets encourage excessive risk taking. During the assessments, several control and design features of the Company s compensation program that are intended to mitigate the risk of excessive risk-taking are evaluated.

Based on the process described above, it was concluded that the potential risks associated with the Company s compensation policies and practices are not reasonably likely to have a material adverse effect on Endo. Management will continue to review the Company s compensation programs at least annually to identify and address potential risks that may have a material adverse effect on the Company.

Compensation Components

The three principal components of the Company s total compensation are: base salary, cash incentive compensation (IC) and long-term equity-based incentive compensation (LTI). In allocating compensation among these elements, we believe that the majority of the compensation of our senior-most levels of management the levels of management having the greatest ability to influence the Company s performance should be performance-based, while lower levels of management should receive a greater portion of their compensation in base salary.

In making decisions with respect to any element of a named executive officer s compensation, the Compensation Committee considers the total compensation that may be awarded to the officer, including salary, annual IC cash bonus and long-term incentive compensation. In addition, in reviewing and approving employment agreements for NEOs, the Compensation Committee considers the other benefits to which the officer is entitled by the agreement, including compensation payable upon termination of the agreement under a variety of circumstances. The Compensation Committee s goal is to award compensation that is competitive to attract and retain highly qualified leaders and motivate high business performance. The Compensation Committee believes that its compensation programs align executive and shareholder interests as well as vary compensation based on individual and Company performance.

Base Salary

Purpose. The objective of base salary is to reflect job responsibilities, value to the Company and individual performance taking into consideration market competitiveness. We seek to provide our executive officers with competitive annual base salaries in order to attract and retain them. The base salary component of our executive officer compensation program is not designed to incentivize our near-term performance (as performance-based cash bonuses are designed to do), but rather to provide the baseline level of compensation to executive officers.

Considerations. Salaries for the NEOs are determined initially by each individual s employment agreement which are described under *Employment Agreements* below. These salaries and the amount of any increase over these salaries are determined by the Compensation Committee based on a variety of factors, including:

- the nature and responsibility of the position and, to the extent available, salary norms for persons in comparable positions at the Data Point Companies;
- the expertise and competencies of the individual executive;
- the competitiveness of the market for the executive s services;
- internal review of the executive s compensation, both individually and relative to other NEOs;
- the recommendations of the Chief Executive Officer (except in the case of the Chief Executive Officer s own compensation); and
- individual performance of the named executive officer, which includes:
  - achievement of individual annual goals and objectives, the risks and challenges involved, and the impact of the results;
  - performance of day-to-day responsibilities;

- increases in competencies and skill development;
- value of their contribution to function and company goal achievement; and
- behaviors aligned with Endo core values.

Base salaries are generally reviewed annually. In reviewing salaries, the Compensation Committee adjusts salaries from time to time to realign salaries with market levels, individual performance and incumbent experience. The Compensation Committee also considers salaries relative to those of others within the Company and may, on occasion, make adjustments to salaries or other elements of total compensation, such as incentive compensation and long-term incentive opportunities, where such an adjustment would correct a compensation imbalance, as the Compensation Committee deems appropriate.

Fiscal Year 2010 Decisions Regarding Base Salary. In December 2010, as part of the Compensation Committee s annual review of compensation, Hay Group provided the Compensation Committee with a market assessment of the competitive compensation for the Company s executive officers. This assessment included reviewing the Data Point Companies and:

- establishing a benchmark match for each of the positions;
- gathering and analyzing competitive compensation from relevant labor markets; and
- developing competitive market medians of compensation for the positions.

Based on the competitive market data referred to above, the Compensation Committee developed, with the assistance of Hay Group, market medians of compensation for each of Endo s compensation elements (base salary, target annual incentive compensation, and expected value of long-term incentive compensation) and then compared each of Endo s executive officer s current compensation to the market median for each data sample. The market data and the performance of each of Endo s NEOs are reviewed each year, but there is no guarantee that any of their individual compensation packages will be aligned with the market. Please reference Individual Compensation Determination section below for approved salary actions.

Performance-Based Annual Cash Incentive Compensation (IC)

Purpose. The compensation program provides for an annual cash incentive that reinforces the Company s pay-for-performance approach. This incentive compensation, or IC, program is a short-term performance-based incentive plan that rewards achievement of annual goals and objectives. The objective of the program is to compensate individuals based on the achievement of specific goals that are intended to correlate closely with shareholder value.

The respective annual cash IC target for each named executive officer for fiscal 2010 was:

Executive	% Of Annual Base Salary
David P. Holveck	100%
Alan G. Levin	55%
Ivan P. Gergel, M.D.	55%
Julie H. McHugh	60%
Caroline B. Manogue	55%

Considerations. The annual cash incentive compensation includes relative incentive levels based on the named executive officer s accountabilities, performance objectives and impact on Company operations, with target award opportunities established as a percentage of base salary. Each NEO s target IC bonus is established pursuant to their respective employment agreement, which is determined based on all factors that the Compensation Committee deems relevant, including (but not limited to) a review of the Data Point Companies compensation. The annual bonus process for our NEOs involves two basic steps:

At the outset of the fiscal year:

Set overall Company performance goals using a disciplined scorecard process; and

Set individual objectives aligned with the business strategy and Company scorecard for the year.

At the end of the fiscal year:

Measure actual performance (individual and Company-wide) against the predetermined Company performance goals and individual performance measures to determine the appropriate award.

These two steps are further described below:

(1) *Setting Company performance goals*. Early in each fiscal year, the Compensation Committee, working with senior management, sets performance goals for the Company. The bonus determination for each named executive officer was primarily based upon the Company s performance against these goals. The goals that were established for fiscal 2010 are discussed below under *Fiscal Year 2010 Decisions Regarding Incentive Compensation.*

In determining the extent to which the pre-set performance goals are met for a given period, the Compensation Committee exercises its judgment whether to reflect or exclude the impact of changes in accounting principles and extraordinary, unusual or infrequently occurring events reported in the Company s public filings.

(2) *Measuring performance.* After the end of the fiscal year, the Compensation Committee reviews the Company s actual performance against each of the performance goals established at the outset of the year. The Compensation Committee assesses the Company s performance as well as each named executive officer s performance against the individual goals set at the outset of the year. This assessment allows bonus decisions to take into account overall Company performance and each NEO s personal performance and contribution during the year.

Discretion. Under the IC plan, the Compensation Committee has discretion, in appropriate circumstances (e.g., should the individual s performance in any particular year be outstanding), to pay incentive compensation at less than or in excess of target levels, but no more than 225% of an NEO s target bonus amount. Further, pursuant to each of our NEOs employment agreements, target IC as a percentage of annual base salary may subsequently be increased at the discretion of the Compensation Committee. Accordingly, in February 2010, the Compensation Committee increased Mr. Holveck s 2010 IC target from 80% of annual base salary to 100% of annual base salary and increased Ms. Manogue s 2010 IC target from 50% of annual base salary to 55% of annual base salary. These changes were reflected in the IC payments related to fiscal 2010 that were paid in early 2011. In February 2011, as recommended by the Hay Group following an analysis showing competitive Chief Executive Officer compensation among the Data Point Companies, as well as the position of the Chief Executive Officer in relation to other senior company executives, the Compensation Committee further increased Mr. Holveck s IC target from 100% to 120% of his annual base salary, which will be considered by the Compensation Committee in determining the amount, if any, of his IC payment related to fiscal 2011, to be paid in early 2012.

Fiscal Year 2010 Decisions Regarding Incentive Compensation. The following information summarizes the components of the Company s performance-based annual cash incentive compensation program and the basis for the actual award granted by the Compensation Committee for 2010. With respect to fiscal year 2010, the annual award to each of the NEOs was based on the achievement of corporate goals as well as each named

executive officer s individual performance and demonstrated leadership. The Compensation Committee established corporate performance goals for fiscal 2010, which were divided into the following categories and were weighted as follows (specific targets are discussed below under the heading 2010 Performance Against Objectives :

Financial Objectives, which included achieving an annual total revenue goal, as well as a targeted adjusted diluted earnings per share;	40%
Strategic Achievement, which included executing the Company s strategic imperatives and enterprise objectives in building a sustainable growth business;	35%
Portfolio Development, which included the evaluation, and where appropriate, the advancement of the Company s internal portfolio and adding to the Company s current portfolio both through acquisitions and licensing transactions, in each case aligned with the strategic direction of the business; and	15%
Organizational Advancement, which included achieving portfolio, cost and organizational integration goals related to the HealthTronics, Penwest and Qualitest acquisitions, appropriately enhancing the Company s leadership effectiveness with a focus on building the Company s talent pipeline, enhancing systems and controls, regulatory compliance, and improving the Company s organization capabilities and efficiencies.	10%

The above scorecard is calibrated so that results will generally range between 50% and 150% of target award opportunity, commensurate with performance. The stretch (150%) and threshold (50%) goals are set so that the Company s financial performance achieved in each scenario will appropriately fund the cost of the cash incentives. The Compensation Committee, however, has the discretion to withhold annual cash incentives that otherwise would be made to any employees, including the NEOs, if it determines, either on a quantitative or a qualitative basis, that overall performance is too low. Moreover, the scorecard achievements are assessed based on whether the Company achieved the scorecard results extraordinarily well, or poorly, considering (1) current sales and marketing compliance as reflected by a robust internal compliance program and as determined by outcomes of regulatory review and inspections, such as those of the Food and Drug Administration, and (2) progress on health and safety outcomes as determined by other regulatory and environmental matters.

2010 Performance Against Objectives. Despite the unprecedented challenges in the economic environment in 2010, the Company significantly exceeded the target goals for 2010 set by the Compensation Committee for annual incentives. The numbers in the table below are in millions, other than per share information.

Financial Objectives:

Achieved significant diversification of revenue stream, as well as substantially enhanced earnings and cash flow required for further investment;

Achieved total revenues in 2010 of $1.716.2 billion, representing a 17.5% increase compared to 2009; and

Achieved adjusted diluted earnings per share (EPS) of $3.48, representing 22.5% increase versus 2009.

Financial Objective	**2009 Results**	**2010 Threshold**	**2010 Target**	**2010 Stretch Goal**	**2010 Results**	**Growth Achieved**
Total revenues	$ 1,461	$ 1,413	$ 1,570	$ 1,727	$ 1,716	$ 17.5%
Adjusted diluted EPS(1)	$ 2.84	$ 2.92	$ 3.24	$ 3.89	$ 3.48	$ 22.5%

(1) Adjusted diluted EPS is not prepared in accordance with accounting principles generally accepted in the United States and may be different from non-GAAP financial measures used by other companies. Endo refers to this non-GAAP financial measure in making operating decisions because it believes it provides

meaningful supplemental information regarding the Company s operational performance. For instance, Endo believes that adjusted diluted EPS facilitates its internal comparisons to its historical operating results and comparisons to competitors results. The Company includes adjusted diluted EPS in its earnings announcements because it believes it is useful to investors in allowing for greater transparency related to supplemental information used by Endo in its financial and operational decision-making. In addition, Endo has historically reported similar non-GAAP financial measures to its investors and believes that the inclusion of comparative numbers provides consistency in its financial reporting at this time. Further, Endo believes that adjusted diluted EPS may be useful to investors as it is aware that certain of its significant stockholders utilize this measure to evaluate its financial performance. Finally, adjusted diluted EPS is considered by the Compensation Committee of Endo s Board of Directors in assessing the performance and compensation of substantially all of its employees, including its executive officers. Investors are encouraged to review the following reconciliation of adjusted diluted EPS to its most directly comparable GAAP financial measure diluted EPS.

	2010	**2009**
Adjusted diluted EPS	$ 3.48	$ 2.84
Upfront and milestone payments to partners	(0.20)	(0.65)
Acquisition-related items	(0.16)	0.79
Cost reduction initiatives	(0.15)	(0.02)
Asset impairment charges	(0.30)	(0.59)
Amortization of commercial intangible assets related to marketed products	(0.71)	(0.53)
Inventory step-up	(0.05)	(0.10)
Purchased in-process research and development		
Non-cash interest expense	(0.14)	(0.12)
Other (expense) income		0.03
Gain on extinguishment of debt		0.03
Income taxes	0.43	0.59
Diluted EPS	$ 2.20	$ 2.27

Strategic Achievement:

Substantial progress achieved transforming the business through strategic transactions and organic growth, building a broad base of products and services to improve access, outcomes and economics;

Substantially reduced the Company s reliance on LIDODERM®;

Completed acquisition of HealthTronics furthering strategy as total solutions provider;

Strategically diversified the business now having offerings in mobile services, and product offerings in drugs, devices, drug-devices & diagnostics (laboratory services);

Completed Qualitest acquisition substantially increasing the revenue base in the important area of generic pharmaceuticals;

Demonstrated substantial progress in strategy execution through our HealthTronics, Penwest and Qualitest acquisitions, contributing to significant shareholder value (stock price appreciation); and

Portfolio Development:

Obtained the approval of FORTESTA™ Gel and prepared the commercial plan for a first quarter 2011 product launch;

Gained full product rights to OPANA® through the Penwest acquisition and progressed a tamper resistant formulation;

Received patent extension for AVEED™ through 2025;

Progressed key development assets though regulatory processes;

Initiated nine discovery programs in oncology, urology and pain;

Substantially enhanced the Company s generic business and product pipeline, with a significant and growing revenue stream and more than 45 ANDAs under FDA review;

Progressed urology device assets with 12 programs now in development and 12 new product concepts generated in collaboration with partners; and

Filed first Endo provisional discovery patent application covering group of structures for small molecule drugs intended for the treatment of cancer and inflammation.

Organization Advancement:

Successfully integrated the companies acquired in 2010 (including HealthTronics, Penwest and Qualitest) retaining all key talent and significantly enhancing the capabilities of the Company necessary to achieving our strategic plan;

Built capabilities in devices with focus on product development, operations, quality assurance and R&D;

Enhanced the Company s leadership capabilities and critical position succession with the hiring of several key executives; and

Deployed a more flexible customer-centric commercial model.

The performance goals are intended to be challenging and ambitious, but also realistic enough to be reasonably attainable given a concerted effort on the part of the Company s NEOs and employees in consideration of conditions and trends. In the past three fiscal years the NEOs achieved performance goals above target, at target or slightly below target levels. For 2010, a 126% incentive pool was achieved and awarded by the Compensation Committee for the NEOs.

The Compensation Committee reviewed the Company s achievement of the financial and other objectives set forth above as well as each named executive officer s contributions and awarded the NEOs the bonus amounts set forth in the Summary Compensation Table.

See also below under the heading Post-Termination Benefit regarding how each named executive officer with an employment agreement will be entitled to cash incentive compensation as a percentage of salary.

Long-term Equity-Based Incentive Compensation

Purpose. The long-term incentive program provides an annual award (and, under certain circumstances, a periodic award) that is performance-based. The objective of the program is to align compensation for NEOs over a multi-year period directly with the interests of shareholders of the Company by motivating and rewarding creation and preservation of long-term shareholder value. The level of long-term incentive (LTI) compensation is determined based on an evaluation of competitive factors in conjunction with total compensation provided to NEOs and the goals of the compensation program described above. Currently, long-term incentive awards are equity based. The LTI program provides for the awarding of stock options, performance share units and restricted stock units.

In determining the annual grants of long-term incentives to the NEOs, the Compensation Committee considered any pre-existing contractual requirements, market data on total compensation packages, the value of long-term incentive grants at the Data Point Companies, total shareholder return, share usage and shareholder dilution and, except in the case of the award to the Chief Executive Officer, the recommendations of the Chief Executive Officer.

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The respective long-term equity-based incentive compensation target for each named executive officer in fiscal 2010 was:

Executive	% Of Annual Base Salary
David P. Holveck	400%
Alan G. Levin	200%
Ivan P. Gergel, M.D.	200%
Julie H. McHugh	250%
Caroline B. Manogue	200%

Further, Company and individual performance are considered in the awarding of annual equity-based compensation to NEOs:

Overall Company results versus Performance Scorecard. Company performance is measured as described above in the Assessment of Performance-Based Annual Incentive Compensation. Annual goals were set in four categories, financial objectives, strategic achievement, portfolio development and organization advancement objectives. At the end of the performance year, an assessment is made of Company results versus pre-determined objectives.

Individual performance determined by assessing each named executive officer s achievements versus annual performance objectives. Regarding individual performance, each named executive officer has annual performance objectives that contribute to the growth and development of the Company. At the end of the performance year, each named executive officer is assessed and given an overall performance rating. The final rating is then factored into the awarding of equity-based compensation.

Based upon the achievement of Company goals and individual objectives, our Chief Executive Officer recommends an adjustment to each named executive officer s target annual long-term equity-based compensation target based upon performance related to key job accountabilities and annual performance objectives. The recommendation is then reviewed by the Compensation Committee, which has discretion to modify the final award. Regarding the award for the Company s Chief Executive Officer, the Compensation Committee follows a similar process and has the ultimate discretion for determining the annual equity award.

Discretion. Mr. Holveck s employment agreement does not prescribe a specific LTI target but instead provides that his LTI compensation will be determined at the sole discretion of the Compensation Committee if the Company and executive achieve certain performance targets set by the Committee with respect to each fiscal year ending during Mr. Holveck s employment term. All other NEOs are eligible to receive LTI compensation in an amount equal to a fixed percentage of their annual base salary for such fiscal year (or such lesser (including zero) or greater percent of the base salary for such fiscal year as is recommended to the Compensation Committee by the CEO and approved by the Compensation Committee). In February 2010, the Compensation Committee increased Ms. Manogue s LTI target from 150% of annual base salary to 200% of annual base salary. These changes were reflected in the LTI compensation related to fiscal 2010 paid in early 2011.

Stock Options. The Company s long-term incentive compensation has historically taken the form of stock option awards. Stock options reward NEOs only if the stock price increases.

The long-term incentive program calls for stock options to be granted with exercise prices of not less than the closing price of our common stock as quoted on the NASDAQ on the date of grant and generally to vest ratably over four years based on continued employment. The Compensation Committee will not reduce the exercise price of stock options (except in connection with adjustments to reflect recapitalizations, stock or extraordinary dividends, stock splits, mergers, spin-offs and similar events permitted by the relevant plan) without shareholder approval. New option grants to NEOs normally have a term of ten years.

Each named executive officer s target percentage and actual number of stock options granted in 2011 were as follows:

Executive	Target as a % of Salary	Number of Stock Options Actually Granted in 2011
David P. Holveck	133%	161,983
Alan G. Levin	67%	51,074
Ivan P. Gergel, M.D.	67%	41,549
Julie H. McHugh	83%	49,128
Caroline B. Manogue	67%	36,609

Performance Share Units. In February 2010, the Compensation Committee reviewed and approved the adoption of a Company performance share unit (PSU) plan. Beginning in 2010, PSU awards were and continue to be granted annually, with each award covering a three-year performance period. Through this program, senior leaders are eligible to earn a specified target number of shares of Company stock at the end of the three-year performance period. The actual stock award is paid out at the end of the three-year plan period depending on how well the Company performed against the targets set at the beginning of the three-year program. This portion of the Company s long-term incentive program focuses the Company s leaders on delivering business performance over the next three years against two key financial metrics that drive long-term shareholder value. Specifically, the payouts are made in shares of common stock, with the actual number of shares awarded dependent upon:

the Company s total shareholder return (TSR) performance over the performance period relative to the total shareholder return performance of the NASDAQ Biotechnology Index (the TSR Stock Award); and

cumulative net sales over the performance period (the Net Sales Stock Award).

The number of PSUs awarded to each executive is based on a targeted percentage of the executive s base salary with the actual award adjusted between 0% and 200% of the target award amount based upon achievement of the pre-determined TSR performance and cumulative net sales goals. PSUs are designed to encourage and reward our executives for achieving longer-term financial goals as well as meeting or exceeding the relative financial performance of our industry group.

In February 2011, the Compensation Committee reviewed and approved measures and target performance levels for the 2011 2013 performance period and awarded PSUs to its NEOs. The performance period for these awards began on January 1, 2011 and ends on December 31, 2013. Payouts with respect to these PSUs, if any, will be made in shares of Company common stock in February 2014, following the close of the three-year performance cycle. In determining the extent to which the pre-set performance measures are met for a given period, the Compensation Committee may exercise its judgment whether to reflect or exclude the impact of changes in accounting principles and extraordinary, unusual or infrequently occurring events reported in the Company s public filings.

Each named executive officer s target percentage and actual number of PSUs granted in 2011 were as follows:

Executive	Target as a % of Salary	Number of PSUs Actually Granted in 2011
David P. Holveck	133%	51,913
Alan G. Levin	67%	16,368
Ivan P. Gergel, M.D.	67%	13,316
Julie H. McHugh	83%	15,745
Caroline B. Manogue	67%	11,732

Holders of PSUs will be entitled to receive a number of shares of Company common stock as of December 31, 2013 equal to a multiple of the TSR Stock Award based on the Company s relative Total Shareholder Return (as specifically defined below) for the performance period as compared to the Total Shareholder Return for the performance period of companies comprising the NASDAQ Biotechnology Index as of both the first day and last day of the performance period, in accordance with the table below; provided, however, that, notwithstanding the table below, no portion of the TSR Stock Award shall vest if the Company s Total Shareholder Return for the performance period is negative:

Performance Ranking vs. Index	Multiple of the Target TSR Stock Award
90th to 99th Percentile	2.00x
80th to 89th Percentile	1.75x
70th to 79th Percentile	1.50x
60th to 69th Percentile	1.25x
50th to 59th Percentile	1.00x
40th to 49th Percentile	0.50x
Below 40th Percentile	0.00x

Total Shareholder Return shall mean the appreciation of the Per Share Price during the performance period, plus any dividends paid on the applicable company s common stock during such performance period.

Per Share Price shall mean the average of the closing prices of common shares for the applicable company during the eighty (80) consecutive trading days ending on the day prior to the applicable measurement date.

Holders of PSUs will be entitled to receive a number of shares of Company common stock as of December 31, 2013 equal to a multiple of the Net Sales Stock Award based on the Company s cumulative Net Sales (as specifically defined below) for the performance period as compared to the Company s target Net Sales in accordance with the table below:

Net Sales Growth	Multiple of the Target Net Sales Stock Award
Equal to or greater than 105% of Cumulative Target Net Sales	2.00x
Equal to or greater than 102% but less than 105% of Cumulative Target Net Sales	1.75x
Equal to or greater than 100% but less than 102% of Cumulative Target Net Sales	1.50x
Equal to or greater than 97% but less than 100% of Cumulative Target Net Sales	1.25x
Equal to or greater than 94% but less than 97% of Cumulative Target Net Sales	1.00x
Equal to or greater than 92% but less than 94% of Cumulative Target Net Sales	0.75x
Equal to or greater than 90% bur less than 92% of Cumulative Target Net Sales	0.50x
Equal to or greater than 88% but less than 90% of Cumulative Target Net Sales	0.25x
Below 88% of Cumulative Target Net Sales	0.00x

In setting the Company s cumulative Net Sales target, the Compensation Committee considers several factors, including the Company s three-year organic sales growth projections, new product introductions, and incremental revenues associated with new business opportunities. For any payout to occur for the portion of the plan related to cumulative Net Sales, significant Net Sales growth must be achieved relative to the actual Net Sales for the year preceding the plan period.

Net Sales shall mean the revenues from the Company s sales (including, but not limited to, sales of the Company s pharmaceutical products) plus royalties and other payments earned from third parties as a result of licensing activities and royalties earned on sales of the underlying products, as recognized in accordance with accounting principles generally accepted in the United States (or another basis of accounting, such as International Financial Reporting Standards, should the Company adopt or be required to adopt another basis of accounting).

The determination of Total Shareholder Return and Net Sales will be made in the sole discretion of Board. The Board also has discretion to accelerate the vesting of all or a portion of the Participant s Performance Award based upon the overall performance of the Company and/or the Participant or based upon any change in business conditions, provided that the exercise of such discretion would not cause a Performance Award that would otherwise be deductible as performance-based compensation within the meaning of Section 162(m) of the Code to become non-deductible.

Restricted Stock Units. In addition to the stock options and PSUs described above, our NEOs also are granted time-based restricted stock units (RSUs), which are the third element of our long-term equity-based compensation. RSUs are valued based on the closing price of our common stock on the NASDAQ on the date of grant, and each RSU represents the right to receive one (1) share of Company common stock as of the date of vesting. RSUs granted to the NEOs, generally vest ratably over four years based on continued employment.

Each named executive officer s target percentage and actual number of RSUs granted in 2011 were as follows:

Executive	Target as a % of Salary	Number of RSUs Actually Granted in 2011
David P. Holveck	133%	51,913
Alan G. Levin	67%	16,368
Ivan P. Gergel, M.D.	67%	13,316
Julie H. McHugh	83%	15,745
Caroline B. Manogue	67%	11,732

Considerations. The Company believes that the most effective means to encourage long-term performance by our NEOs is to create an ownership culture. This philosophy is implemented through the granting of the equity-based awards described above. The long-term incentive program described above is designed so that Company leaders hold a competitive stake in the Company s financial future. The long-term incentive program provides a future reward structure so that employees who have an impact on the Company s performance share in the results of that impact. The long-term incentive pool is established annually based on the Company s achievement of goals and objectives, and can vary significantly from year to year. All Company employees were eligible to receive long-term incentive in 2010, although long-term incentives are allocated most heavily to:

- Reward consistently high performing individuals who we expect will drive the future value of the Company;
- Reward individuals at all levels who have high impact relative to the expectations of their role; and
- Retain individuals who have skills critical to the long-term success of the Company and who exemplify our core value behavior.

The Company believes that a combination of stock options, PSUs and RSUs closely equates the value of the benefit received by the recipient to the accounting expense of the benefit to the Company. The Company also believes that the resulting blend of options, PSUs and RSUs will more accurately reflect the pattern of equity-based awards that prevails in the Data Point Companies and in the external market generally. For 2011 grants, the targeted mix of options, PSUs and RSUs for the NEOs LTI was 1/3 options, 1/3 PSUs and 1/3 RSUs. For all employees in the Company, the targeted mix for 2011 grants is as follows:

Vehicle	NEOs & Senior Vice Presidents	Vice Presidents & Directors	Managers & Other Employees(1)
Stock Options	33.33% of Total LTI	50% of Total LTI	Not Offered
Performance Share Units	33.33% of Total LTI	Not Offered	Not Offered
Restricted Stock Units	33.33% of Total LTI	50% of Total LTI	100% of Total LTI

(1) In 2011, LTI eligibility criteria are being changed in this category to reduce participation levels as a means of improving our alignment with current competitive market practices.

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Timing of Grants. Annual grants of stock options, PSUs and RSUs to our NEOs are made at a regularly scheduled meeting of the Board of Directors held during the first quarter of each year, and the grant date is the date of that meeting. The Compensation Committee may also make occasional grants during the year to employees of the Company. These grants are typically associated with promotions and hiring, and are typically made on the effective date of the promotion or the first day of work.

Fiscal Year 2010 Decisions Regarding Long-Term Equity-Based Incentive Program. In fiscal 2010, the Compensation Committee awarded long-term compensation for NEOs pursuant to the program described above resulting in the awards of stock options and restricted stock units identified in the Summary Compensation Table and the 2010 Grants of Plan-Based Awards Table.

In determining the annual grants of long-term incentive to the NEOs, the Compensation Committee considered any pre-existing contractual requirements, market data on total compensation packages, the value of long-term incentive grants at the Data Point Companies, total shareholder return, share usage and shareholder dilution and, except in the case of the award to the Chief Executive Officer, the recommendations of the Chief Executive Officer.

Periodic Review. The Compensation Committee reviews both the annual incentive compensation program and the long-term incentive program annually to confirm that their key elements continue to meet the objectives described above.

Ownership Guidelines for Executive Management. The Ownership Guidelines approved on December 10, 2010 currently advise that Executive Management should, but is not required to, have an ownership equal in value as follows:

Level	Multiple of Base Salary
Chief Executive Officer	5x
Chief Operating Officer and Executive Vice Presidents	2x
Chief Accounting Officer and Senior Vice Presidents	1x

Executive Management is expected to achieve the Ownership Guidelines within five (5) years of joining the Company, or, if in the case of individuals serving in this capacity at the time the Ownership Guidelines were adopted, within five (5) years of the date of adoption of the Ownership Guidelines. Executive Management is also expected to continuously own sufficient shares to meet the Ownership Guidelines once attained. Members of Executive Management who subsequently get promoted to a higher level will have five years from the date of promotion to achieve their new ownership target.

Individual Compensation Determination

Under our compensation structure, the mix of base salary, cash incentive compensation and long-term equity-based incentive compensation varies depending on each named executive officer s level. Although the Company has no pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation, the following summarizes the incentive compensation decisions for the current named executive officers based on fiscal 2010 performance:

	Base Salary as of December 31, 2010	2010 Incentive Compensation Target	2010 Incentive Compensation Actual	2010 Long-Term Equity Incentive Compensation Target	2010 Long-Term Equity Incentive Compensation Actual
David P. Holveck	$ 882,000	$ 882,000	$ 1,984,500	$ 3,528,000	$ 5,292,000
Alan G. Levin	$ 618,000	$ 339,900	$ 556,756	$ 1,236,000	$ 1,668,600
Ivan P. Gergel, M.D.	$ 617,000	$ 339,350	$ 763,538	$ 1,234,000	$ 1,357,400
Julie H. McHugh(1)	$ 535,000	$ 321,000	$ 465,129	$ 1,337,500	$ 1,605,000
Caroline B. Manogue	$ 460,000	$ 253,000	$ 414,414	$ 920,000	$ 1,196,000

(1) Julie H. McHugh s 2010 incentive compensation and long-term equity incentive compensation were not pro-rated. As described in more detail in her employment agreement under the section titled Initial Equity Grants , in connection with her commencement of employment with the Company on March 15, 2010, Ms. McHugh was granted on such date (a) 14,043 restricted stock units and (b) 120,279 stock options.

Mr. David P. Holveck President and Chief Executive Officer

To provide further assurance of independence, the compensation recommendation for the Chief Executive Officer is developed by Hay Group, the Committee s independent consultant. Hay Group prepares analyses showing competitive Chief Executive Officer compensation among the Data Point Companies for the individual elements of compensation and total direct compensation. The consultant develops a range of recommendations, based on various company and individual performance assumptions, for any change in the Chief Executive Officer s base salary, annual cash incentive, equity grant value, and equity mix. The recommendations take into account tht: 0px">

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This announcement will also be available on HSBC's website at www.hsbc.com/sea
Enquiries to:

Nickesha Graham-Burrell
Shareholder Services Team

+ 44 (0) 207 992 3633

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HSBC Holdings plc

By:

Name: Ben J S Mathews

Title: Group Company Secretary

Date: 26 August 2016