

ENDO PHARMACEUTICALS HOLDINGS INC
Form DEF 14A
May 23, 2008

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

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)).

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)

Payment of Filing Fee (check the appropriate box):

No fee required.

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

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

100 Endo Boulevard

Chadds Ford, PA 19317

610.558.9800

www.endo.com

May 23, 2008

Dear 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 June 26, 2008 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 eight members of our Board of Directors, voting on an amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of shares of common stock of the Company authorized for issuance, and voting to ratify the selection of Deloitte & Touche LLP as our independent registered public accountants. In addition to these formal items of business, we will report on our past performance and future prospects.

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 & Chief Executive Officer

May 23, 2008

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

May 23, 2008.

100 Endo Boulevard

Chadds Ford, PA 19317

610.558.9800

www.endo.com

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON JUNE 26, 2008

Notice is hereby given that the 2008 Annual Meeting of Stockholders of Endo Pharmaceuticals Holdings Inc., a Delaware corporation (referred to as the Company), will be held on June 26, 2008 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 eight 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 amend the Company's Amended and Restated Certificate of Incorporation to increase the number of shares of common stock authorized for issuance;
- (3) To ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2008; and
- (4) 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 May 20, 2008 are entitled to notice of and to vote at the 2008 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

Secretary

Chadds Ford, Pennsylvania

May 23, 2008

ENDO PHARMACEUTICALS HOLDINGS INC.

100 Endo Boulevard

Chadds Ford, Pennsylvania 19317

PROXY STATEMENT

For the Annual Meeting of Stockholders to be held on June 26, 2008

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 2008 Annual Meeting of Stockholders to be held on June 26, 2008, 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 May 23, 2008.

ANNUAL MEETING ADMISSION

A Stockholder Admission Ticket is attached to your proxy card if you hold shares directly in your name as a stockholder of record. 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 must present proof of your ownership of Endo stock, such as a bank or brokerage account statement, to be admitted to the Annual Meeting. If you would rather have a Stockholder Admission Ticket, you can obtain one in advance by mailing a written request, along with proof of your ownership of Endo stock, to:

Endo Investor Relations

100 Endo Boulevard

Chadds Ford, PA 19317

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/aboutus/location.html>.

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 May 20, 2008 (the record date), are entitled to receive this notice and to vote their shares at the Annual Meeting. As of that date, there were 120,235,738 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 amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of shares of common stock authorized for issuance and 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, 2008.

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. The approval of the amendment to the Company's Amended and Restated Certificate of Incorporation will require the affirmative vote of the holders of a majority of the issued and outstanding shares of the common stock. Provided that a quorum is present, the approval of the ratification of the appointment of the Company's registered public accounting firm will require the affirmative vote of a majority of shares entitled to vote and represented at the Annual Meeting in person or by proxy.

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 the election of directors or the proposal relating to the approval of the ratification of the appointment of the Company's registered public accounting firm. However, shares represented by a proxy as to which there is a "broker non-vote" will have the same effect as votes cast against the proposal to amend the Company's Amended and Restated Certificate of Incorporation to increase the number of shares of common stock authorized for issuance.

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 amendment to the Company's Amended and Restated Certificate of

Incorporation to increase the number of shares of common stock authorized for issuance and 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, 2008.

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 of 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 \$7,500 plus reasonable out-of-pocket expenses for these services.

ITEM 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. The Board of Directors, or Board, currently consists of seven members. On April 29, 2008, the Board of Directors fixed the number of directors at eight, effective June 26, 2008.

Directors need not be stockholders of the Company or residents of the State of Delaware. 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 2007 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 seven members. Currently serving as directors are Roger H. Kimmel, John J. Delucca, Michel de Rosen, David P. Holveck, George F. Horner, III, Michael Hyatt and Clive A. Meanwell, M.D., Ph.D. All are nominated by the Board of Directors of the Company for the election as directors of the Company, other than Mr. de Rosen. The Board of Directors has affirmatively determined that six of its seven current members are independent directors under the NASDAQ rules and regulations. The six independent directors under the NASDAQ rules and regulations are Messrs. Delucca, de Rosen, Horner, Hyatt, Kimmel and Dr. Meanwell. If the nominees recommended by the Board of Directors are elected at the 2008 Annual Meeting, seven of the Company's eight directors will be independent directors under the NASDAQ rules and regulations.

Peter A. Lankau, the Company's former President and Chief Executive Officer resigned from the Board of Directors effective January 28, 2008. On March 12, 2008, the Company announced that David P. Holveck had been named President and Chief Executive Officer effective April 1, 2008. Mr. Holveck was appointed to the Board of Directors on March 25, 2008 to fill the vacancy created by Mr. Lankau's resignation.

On April 29, 2008, Mr. de Rosen informed the Board of Directors that he does not intend to stand for re-election upon the expiration of his term at the 2008 Annual Meeting of Stockholders in order to devote more time to his new position as Chief Executive Officer of Saint-Gobain Desjonqueres in France, a position he has held since March 31, 2008. Mr. de Rosen will continue to serve as a director of the Company until the expiration of his term at the 2008 Annual Meeting of Stockholders. The Board has determined to nominate Joseph C. Scodari at the 2008 Annual Meeting of Stockholders to fill the vacancy left by Mr. de Rosen's departure.

On April 29, 2008, the Company and D.E. Shaw & Co., L.P. and certain of its affiliates (referred to as D.E. Shaw), which collectively beneficially own approximately 13.2 million shares of the Company's outstanding common stock, entered into an agreement pursuant to which D.E. Shaw has the right to suggest an independent person not affiliated with D. E. Shaw for consideration by the Company's Nominating & Governance Committee and Board for election or appointment to the Board of Directors. Of D.E. Shaw's suggested director nominees, the Nominating & Governance Committee has recommended, and the Board of Directors has determined in accordance with its regular process to nominate, William F. Spengler at the 2008 Annual Meeting to serve as a member of the Board. In connection with the nomination of Mr. Spengler, the size of the Board of Directors is being increased to eight members, effective June 26, 2008. In addition, D.E. Shaw has agreed not to solicit proxies from the Company's stockholders in connection with the election of directors or other matters until and, subject to certain other agreements and conditions, through the Company's 2009 Annual Meeting of Stockholders and to vote all shares of Endo common stock that it is entitled to vote at the 2008 Annual Meeting in favor of (1) the election of each of the nominees of the Board and (2) the proposal to amend Endo's Amended and Restated Certificate of Incorporation to increase the number of shares of common stock authorized for issuance.

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.

Specifically, a director is not considered independent if (i) the director or an immediate family member is a current partner of Endo's independent auditor (currently Deloitte & Touche LLP); (ii) the director is a current employee of such firm; (iii) the director has an immediate family member who is a current employee of such firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (iv) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such firm and personally worked on the Company's audit within that time.

In addition, a director is not considered independent if any of the following relationships existed within the previous three years:

a director who is an employee of Endo, or whose immediate family member is an executive officer of Endo.

a director who receives any direct compensation from Endo other than the director's normal director compensation, or whose immediate family member receives more than \$60,000 in any one twelve consecutive month period in direct compensation from Endo other than for service as a non-executive employee.

a director who is employed (or whose immediate family member is employed as an executive officer) by another company where any Endo executive officer serves on that company's compensation committee.

a director who is, or whose immediate family member is, a partner in, a controlling shareholder or an executive officer of any organization that makes payments to or receives payments from Endo for property or services that exceed the greater of 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more.

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

In February 2008, the directors and Nominating & Governance Committee reviewed 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 determined that the six non-employee directors listed above are independent, and that the members of the Audit, Compensation, and Nominating & Governance Committees also meet the independence tests referenced above. In April 2008, the directors and Nominating & Governance Committee reviewed the responses of Joseph C. Scodari and William F. Spengler to the same questionnaire and determined that Joseph C. Scodari and William F. Spengler are independent. The Nominating & Governance Committee recommended this determination of Messrs. Scodari and Spengler's independence to the Board of Directors and explained the basis for its decision, and this determination was adopted by the full Board. The Nominating & Governance Committee and the Board determined that neither Joseph C. Scodari nor William F. Spengler has 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 independence. The table below includes a description of categories or types of transactions, relationships or arrangements considered by our Board of Directors (in addition to those listed above) in reaching its determination that the Company's current non-employee directors and nominees are independent.

Name	Independent	Transactions/Relationships/Arrangements
John J. Delucca	Yes	None
Michel de Rosen	Yes	None
George F. Horner, III	Yes	None
Michael Hyatt	Yes	*
Roger H. Kimmel	Yes	None
Clive A. Meanwell, M.D., Ph.D.	Yes	None
Joseph C. Scodari	Yes	None
William F. Spengler	Yes	None

* Mr. Hyatt is a Senior Managing Director of Bear, Stearns & Co., Inc., an investment bank that performs services for the Company from time to time. During 2006, the Company reimbursed Bear, Stearns & Co., Inc. for expenses totaling \$59,643, which were incurred in connection with sales of Company common stock by certain of our shareholders, including Endo Pharma LLC (which is no longer affiliated with the Company, but which is an affiliate of Kelso & Company in which certain former members of management have an interest). No amounts were paid to Bear, Stearns & Co., Inc. during 2007.

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, 2007 and December 31, 2007, the Board of Directors as a whole met fourteen times and acted by written consent on two occasions. All members of the Board of Directors attended more than 75% of the aggregate of all meetings of the Board of Directors and of the Committees of the Board of Directors on which they served in 2007.

Nominees

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 28, 2008)	Position Currently Held with the Company
John J. Delucca	65	Director
David P. Holveck	62	President and Chief Executive Officer and Director
George F. Horner, III	63	Director
Michael Hyatt	62	Director
Roger H. Kimmel	61	Chairman of the Board
Clive A. Meanwell, M.D., Ph.D.	51	Director
Joseph C. Scodari	55	None
William F. Spengler	53	None

The proposed nominees for election as directors are willing to be elected 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 shall be designated by the present Board of Directors to fill the vacancy.

If elected, all nominees are expected to serve until the 2009 Annual Meeting of Stockholders of the Company or until their successors are duly elected and qualified or until his earlier death, resignation or removal.

Nominees for Directors

Set forth below are the principal occupation and certain other information about each of the Company's current nominees for election as directors:

JOHN J. DELUCCA is currently a Director of Endo. 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 Hasco 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 committee of ITC Deltacom. He also serves as a non-executive director, deputy chairman of the audit committee, member of the governance and nominations committee and member of the risk review committee of British Energy PLC and a non-executive director and member of the governance and nominating committee of Tier Technologies, Inc.

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 pharmaceutical 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, the Board of Directors of the Eastern Technology Council and Cleveland Clinic's Industrial Advisory Board.

GEORGE F. HORNER, III is currently a Director of Endo. Mr. Horner is the President and Chief Executive Officer of Prestwick Pharmaceuticals, Inc., a specialty pharmaceutical company. He was the President and Chief Executive Officer and a member of the Board of Directors of Vicuron Pharmaceuticals Inc., a biopharmaceutical company, from 1996 until its acquisition by Pfizer Inc. in September 2005. Prior to joining Vicuron, he was Corporate Vice President of Ligand Pharmaceuticals from 1993 to 1995. He also served in a number of executive positions during his 17 years at Abbott Laboratories from 1976 to 1993, including President, Canada; Regional Director, Latin America; General Manager, Mexico; General Manager, Southern Africa Region; and Regional Manager, Southeast Asia. Mr. Horner began his career in the pharmaceutical industry at E.R. Squibb, Inc., where he served in a number of sales and product management positions.

MICHAEL HYATT is currently a Director of Endo. 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. For more than five years, Mr. Hyatt has been a Senior Managing Director of Bear Stearns & Co., Inc., an investment banking firm.

ROGER H. KIMMEL is currently Chairman of the Board of Endo. 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 Schiff Nutrition International, Inc.

CLIVE A. MEANWELL, M.D., Ph.D. is currently a Director of Endo. Since July 2005, Dr. Meanwell has been the chairman and chief executive officer of The Medicines Company, a pharmaceutical company based in Parsippany, New Jersey, since 2001. From September 2001 through July 2005, Dr. Meanwell was the Executive Chairman of The Medicines Company. Previously, he served as chairman, chief executive officer and president since the inception of The Medicines Company in 1996. From 1995 to 1996, Dr. Meanwell was a partner and managing director at MPM Capital L.P., a venture capital firm. Prior to that, he held various positions of

increasing scope and responsibility at Hoffman-La Roche, Inc. from 1986 to 1995, most recently as senior vice president.

JOSEPH C. SCODARI is not currently a Director of Endo. Mr. Scodari was Worldwide Chairman, Pharmaceuticals Group, of Johnson & Johnson, a pharmaceutical 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 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 Group Chairman, Biopharmaceutical Businesses.

WILLIAM F. SPENGLER is not currently a Director of Endo. Mr. Spengler was until March 2008 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. D.E. Shaw, which owns approximately 13.2 million shares of the Company's common stock, proposed Mr. Spengler for consideration by the Company's Nominating & Governance Committee and the Board to be included as a nominee for election to the Board at the 2008 Annual Meeting.

Director Not Standing for Re-election

MICHEL DE ROSEN, 57, is currently a Director of Endo. On April 29, 2008, Mr. de Rosen informed the Board that he does not intend to stand for re-election upon expiration of his term at the 2008 Annual Meeting of Stockholders but will continue to serve as a director of Endo until the expiration of his term at the 2008 Annual Meeting of Stockholders. Mr. de Rosen has served as a director of the Company since April 2006 and currently serves on the Nominating & Governance Committee and Transactions Committee. Mr. de Rosen is currently Chief Executive Officer of glass container manufacturer Saint-Gobain Desjonqueres in France, a position he has held since March 31, 2008. Mr. de Rosen is also currently Chairman of the Board of Directors of pharmaceutical company ViroPharma Incorporated, a position he has held since September 2002. Until March 31, 2008, in addition to serving as Chairman of the Board of Directors, Mr. de Rosen served as President and Chief Executive Officer of ViroPharma Incorporated since August 2000, and as a Director since May 2000. From 1993 to 1999, he held several key positions in Rhone-Poulenc Pharma and Rhone-Poulenc Rorer (now Sanofi-Aventis), including Chairman and Chief Executive Officer from May 1995 until December 1999. He began his career at the French Ministry of Finance and subsequently served in several leading government positions. He also served in various executive roles in industry prior to 1993. Mr. de Rosen also is a Director of ABB Ltd.

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. All current directors (other than Mr. Horner) attended the 2007 Annual Meeting. All director nominees currently intend to attend the 2008 Annual Meeting.

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, chief financial officer and chief accounting officer) and employees. The Code is posted on the Company's website at www.endo.com, under Investors-Corporate Governance.

Common Stock Ownership Guidelines

The Board of Directors has adopted stock ownership guidelines (referred to as 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 20, 2008. 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.

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 (referred to as the SEC) (generally, transactions involving amounts exceeding \$120,000 in which a related person has a direct or indirect material interest).

The policy is as follows:

Related person transactions must be approved by the Board of Directors or by a committee of the Board consisting solely of independent directors, who will approve the transaction only if they determine that it is in the best interests of the Company. In considering the transaction, the Board of Directors or committee will consider all relevant factors, including as applicable (i) the Company's business rationale for entering into the transaction; (ii) the alternatives to entering into a related person transaction; (iii) whether the transaction is on terms comparable to those available to third parties, or in the case of employment relationships, to employees generally; (iv) the potential for the transaction to lead to an actual or apparent conflict of interest and any safeguards imposed to prevent such actual or apparent conflicts; and (v) the overall fairness of the transaction to the Company.

The Board of Directors or relevant committee will periodically monitor the transaction to ensure that there are no changed circumstances that would render it advisable for the Company to amend or terminate the transaction.

The procedures are as follows:

Management or the affected director or executive officer will bring the matter to the attention of the Chairman, the chair of the Nominating & Governance Committee or the Secretary.

The Chairman shall determine (or if he is involved in the transaction, the Nominating & Governance Committee shall determine) whether the matter should be considered by the Board of Directors or by one of its existing committees consisting only of independent directors.

If a director is involved in the transaction, he or she will be recused from all discussions and decisions about the transaction.

The transaction must be approved in advance whenever practicable, and if not practicable, must be ratified as promptly as practicable.

The Board of Directors or relevant committee will review each transaction annually to determine whether it continues to be in the Company's best interests.

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 and Related Reports

The Board of Directors has a standing Audit Committee, Compensation Committee, Nominating & Governance Committee and Transactions Committee, the respective members and functions of which are described below.

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. 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, Horner and Kimmel currently serve as members of the Audit Committee. Subject to their election at the 2008 Annual Meeting, the Board of Directors currently expects to appoint Messrs. Delucca, Horner, Kimmel and Spengler as members of the Audit Committee, effective June 26, 2008. Between January 1, 2007 and December 31, 2007, the Audit Committee met thirteen times, including periodic meetings held separately with management, the Company's internal auditors and the independent registered public accounting firm. The Board has elected 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, Horner, Kimmel and Spengler are independent and financially literate in accordance with the criteria established by the SEC and the NASDAQ.

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, 2007 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, as amended, 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 Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*), as currently in effect, that 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 management's assessment and 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, 2007 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, 2007, for filing with the SEC. The Audit Committee has selected, and the Board of Directors has ratified, subject to stockholder approval, the selection of the Company's independent registered public accounting firm for the year ended December 31, 2008.

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

Members of the Audit Committee:

John J. Delucca (Chairman)

George F. Horner, III

Roger H. Kimmel

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.

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 recommendations for 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. 2000 Stock Incentive Plan, the Endo Pharmaceuticals Holdings Inc. 2004 Stock Incentive Plan and the Endo Pharmaceuticals Holdings Inc. 2007 Stock Incentive Plan. The current members of the Compensation Committee are Messrs. Delucca, Horner and Hyatt and subject to their election at the 2008 Annual Meeting, the Board of Directors currently expects to appoint Messrs. Delucca, Horner and Scodari as members of the Compensation Committee, effective June 26, 2008. Each of Messrs. Delucca, Horner, Hyatt and Scodari is independent in accordance with the criteria established by the SEC and the NASDAQ. Subject to his election at the 2008 Annual Meeting, the Board currently expects to appoint Mr. Horner as Chair of the Compensation Committee, effective June 26, 2008. Prior to that, Mr. Hyatt will serve, and has served, as Chair of the Compensation Committee. Between January 1, 2007 and December 31, 2007, the Compensation Committee met thirteen 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. 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 2007 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.

Among the qualifications considered in the selection of nominees, the Nominating & Governance Committee looks at the following attributes and criteria of nominees: 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. 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.

The current members of the Nominating & Governance Committee are Messrs. de Rosen, Kimmel and Hyatt. The Board has elected Mr. Kimmel as Chairman of the Nominating & Governance Committee. Between January 1, 2007 and December 31, 2007, the Nominating and Governance Committee met four times. Subject to their election at the 2008 Annual Meeting, the Board of Directors currently expects to appoint Messrs. Kimmel and Hyatt and Dr. Meanwell as members of the Nominating & Governance Committee, effective June 26, 2008. 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.

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 Roger Kimmel, Michel de Rosen and George Horner. Subject to their election at the 2008 Annual Meeting, the Board of Directors currently expects to appoint Messrs. Kimmel, Horner and Hyatt as members of the Transactions Committee, effective June 26, 2008 and to appoint Mr. Hyatt as the Chair of the Transactions Committee, effective June 26, 2008. Prior to that, Mr. Kimmel will serve, and has served, as the Chair of the Transactions Committee.

ITEM 2

APPROVAL TO INCREASE THE NUMBER OF AUTHORIZED COMMON SHARES

Description of the Amendment and Vote Required

The Board of Directors is requesting approval of an amendment to the Company's Amended and Restated Certificate of Incorporation to increase the total number of shares of common stock, \$0.01 par value, that the Company is authorized to issue from 175,000,000 to 350,000,000 (referred to as the Proposed Amendment) and directing that the Proposed Amendment be submitted to the stockholders for approval at the 2008 Annual Meeting. If approved by the holders of a majority of the issued and outstanding shares of common stock, the Proposed Amendment will become effective upon the subsequent filing of the Proposed Amendment with the Delaware Secretary of State. The Proposed Amendment does not affect the number of preferred shares that the Company is authorized to issue, which remains at 40,000,000 shares of preferred stock.

If the Proposed Amendment is approved by our stockholders, the additional authorized shares of common stock will become part of the existing class of our shares of common stock, and the additional shares of common stock, when issued, will have the same rights and privileges as the shares of common stock now issued and outstanding. Adoption of the Proposed Amendment will not affect the rights of the holders of currently outstanding common stock.

Reasons For and Effects of the Proposed Amendment

The Proposed Amendment, if approved by our stockholders, will ensure that a sufficient number of shares of common stock of the Company will be available for issuance in the future. The Board of Directors believes that it is prudent to provide flexibility by authorizing a sufficient number of shares to avoid the necessity, as well as the delay and expense, of an additional stockholder vote in the foreseeable future. At the close of business on April 30, 2008, of the 175,000,000 authorized shares of the Company's common stock, 121,584,254 were issued and outstanding. In addition to the shares of common stock outstanding as of April 30, 2008, there were approximately 5,846,006 shares of the Company's common stock reserved (but not yet issued) for outstanding stock awards and 6,745,273 shares of the Company's common stock that will be or have been reserved (but not yet issued) for future stock award grants pursuant to the Company's stock award plans. All of the remaining 40,824,467 of the authorized shares of the Company's common stock have been reserved for issuance as a result of the issuance of the Company's 1.75% Convertible Senior Subordinated Notes due 2015 and the related warrant and hedge transactions. In addition, approximately 29 million shares of the Company's common stock that may become available for issuance in the future will be become immediately reserved for future issuance pursuant to the aforementioned transactions. Currently, we do not have any plan, commitment, arrangement, understanding or agreement, either oral or written, regarding the issuance of common stock subsequent to this proposed increase in the number of authorized shares, other than those mentioned above.

As previously disclosed, in April 2008 we issued \$379.5 million in aggregate principal amount of 1.75% Convertible Senior Subordinated Notes due April 15, 2015 (referred to as the Convertible Notes) in a private offering for resale to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933. The initial purchasers of the Convertible Notes had the option to purchase up to an additional \$34.5 million in principal amount of notes from us to cover over-allotments, which was exercised in full and is included in the aggregate principal amount of \$379.5 million. We received proceeds of approximately \$370.0 million from the issuance, net of the initial purchasers' discount totaling approximately \$9.5 million.

Concurrently with the issuance of the Convertible Notes, we entered into a privately negotiated convertible note hedge transaction with an affiliate of one of the initial purchasers. Pursuant to the hedge transaction we purchased common stock call options intended to reduce the potential dilution to our common stock upon conversion of the Convertible Notes. The call options allow us to purchase up to approximately 13.0 million

shares of our common stock at an initial strike price of \$29.20 per share. The call options expire on April 15, 2015. The cost of the call options was approximately \$107.6 million. In addition, we sold warrants to an affiliate of one of the initial purchasers whereby it has the option to purchase up to approximately 13.0 million shares of our common stock at an initial strike price of \$40.00 per share. The warrants expire on various dates from July 14, 2015 through October 6, 2015. We received approximately \$50.4 million in cash proceeds from the sale of these warrants.

In addition to entering into the convertible note hedge transaction and the warrant transaction, we entered into a privately negotiated accelerated share repurchase agreement as part of our previously announced broader share repurchase program. We used the balance of the net proceeds of the Convertible Notes offering taking into account the cost of the convertible note hedge transaction and the proceeds to us of the warrant transaction, or \$313 million, together with approximately \$12 million of cash on hand, to repurchase a variable number of shares of our common stock pursuant to the accelerated share repurchase agreement. Pursuant to the accelerated share repurchase agreement, 11.9 million shares of our common stock were delivered to the Company on the day that the note offering closed, April 15, 2008. We may subsequently receive additional shares pursuant to the accelerated share repurchase agreement depending on the volume-weighted average price of our common stock during a specified averaging period or, in certain limited circumstances, we may be required to deliver shares to the counterparty.

The Board of Directors desires to have additional shares of common stock available to provide flexibility for future business and financial purposes. The additional shares of authorized common stock may be used by the Company for any purpose permitted under Delaware law, including to raise capital, to provide equity incentives to employees, officers and directors and as consideration for acquisitions. The Board of Directors may also consider a stock split or stock dividend in the future. The Company might not have enough available shares of common stock for these types of transactions in the future if the Proposed Amendment is not approved by the stockholders. Therefore, the Board of Directors believes that it is in the Company's best interest to have the authority to issue additional shares of common stock for various corporate purposes.

Although the proposed increase in the authorized capital stock could be construed as having potential anti-takeover effects, neither the Board nor management views this proposal in that perspective. Nevertheless, the issuance of additional shares of common stock could have the effect of making it more difficult for a third party to acquire control of the Company, or of discouraging a third party from attempting to acquire control of the Company. We are not currently aware of any plans on the part of a third party to attempt to effect a change of control of the Company, and the amendment to our Amended and Restated Certificate of Incorporation has been proposed for the reasons discussed above and not for the possible anti-takeover effects it could have. Stockholders, however, should be aware that approval of the Proposed Amendment could facilitate future efforts by us to deter or prevent changes in control, including transactions in which the stockholders might otherwise receive a premium for their shares over the then current market prices. The Proposed Amendment is not being submitted as a result of or in response to any known accumulation of stock or threatened takeover or attempt to obtain control of the Company by means of a business combination, tender offer, solicitation in opposition to management or otherwise by any person.

Depending upon the consideration for which they may be issued, the future issuance of shares of the Company's common stock may have a dilutive effect on the Company's per share earnings or book value per share. No stockholder has any preemptive or preferential rights to purchase the Company's shares, whether now or hereafter authorized.

The Board of Directors has, as to the currently authorized shares of common stock, and will have, as to the newly authorized shares of common stock, the power to issue shares for such lawful consideration, not less than the par value, as may be fixed from time to time by the Board of Directors. It is not anticipated that further

stockholder approval for the issuance of the additional shares would be solicited or required; however, the NASDAQ rules do require stockholder approval in connection with certain compensation plans and other transactions. The Company would, of course, seek stockholder approval if those rules require such approval.

If the Proposed Amendment is approved and becomes effective, the first sentence of Article FOURTH of the Company's Amended and Restated Certificate of Incorporation, which sets forth the Company's authorized capital stock, will be amended to read as follows: The total number of shares of capital stock which the Corporation shall have the authority to issue is 390,000,000 shares, consisting of (i) 350,000,000 shares of Common Stock, par value \$0.01 per share (the Common Stock) and (ii) 40,000,000 shares of Preferred Stock, par value \$0.01 per share (the Preferred Stock).

Vote Required

The Proposed Amendment must be approved by the affirmative vote of the holders of a majority of the issued and outstanding shares of the Company's common stock voting in person or by proxy at the Annual Meeting.

The Board of Directors recommends a vote FOR the Proposed Amendment to increase the number of shares of our common stock authorized for issuance.

ITEM 3

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, 2008. 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 2008.

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 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.

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, 2008.

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, 2007. The following table summarizes the aggregate fees for services the Deloitte Entities provided during fiscal years 2007 and 2006:

	2007	2006
Audit Fees(a)	\$ 1,373,914	\$ 1,106,595
Audit-Related Fees(b)	22,809	20,756
Tax Fees(c)	238,623	151,000
All Other Fees		
Total	\$ 1,635,346	\$ 1,278,351

(a) Fees for audit services billed in 2007 and 2006 consisted of:

Audit of the Company's annual financial statements