

ENDO PHARMACEUTICALS HOLDINGS INC  
Form 424B7  
January 20, 2006

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**Filed Pursuant to Rule 424(b)(7).**  
**A filing fee of \$51,405, calculated in accordance with Rule 457(r)**  
**has been transmitted to the SEC in connection with**  
**the shares of common stock (aggregate offering price of \$480,412,500)**  
**offered from the registration statement**  
**(File No. 333-131115) by means of this prospectus supplement.**

**PROSPECTUS SUPPLEMENT**  
**(To prospectus dated January 19, 2006)**

**15,000,000 Shares**

## **Endo Pharmaceuticals Holdings Inc.**

### **Common Stock**

The selling stockholders are offering 15,000,000 shares of our common stock, \$.01 par value per share, by this prospectus supplement and the accompanying prospectus. We will not receive any proceeds from the sale of the shares of common stock by the selling stockholders.

Our common stock is quoted on the Nasdaq National Market under the symbol "ENDP." On January 18, 2006, the last reported sale price of our common stock was \$29.12 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 6 of the accompanying prospectus.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.**

	<b>Per Share</b>	<b>Total</b>
Public Offering Price	\$ 27.85	\$ 417,750,000
Underwriting Discount	\$ 0.33	\$ 4,950,000
Proceeds to Selling Stockholders, Before Expenses	\$ 27.52	\$ 412,800,000

In addition to the underwriting discount, the underwriter will receive a commission equivalent from the investors in the amount of \$0.05 for each share of common stock sold to the investors in the offering.

Certain selling stockholders have granted to the underwriter a 30-day option to purchase up to an additional 2,250,000 shares of our common stock on the same terms and conditions as set forth above, solely to cover over-allotments, if any.

Delivery of shares of common stock is expected to be made in New York, New York on or about January 24, 2006.

**Citigroup**

**The date of this prospectus supplement is January 19, 2006.**

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This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering.

**You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriter has not, authorized anyone to provide you with different or additional information. We are not, and the underwriter is not, making an offer of these securities in any state where the offer is not permitted. You should assume that the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of its respective date or on the date which is specified in those documents.**

**THE OFFERING**

Common Stock Offered by the Selling Stockholders	15,000,000 shares
Nasdaq National Market Symbol	ENDP

**USE OF PROCEEDS**

All of the shares of common stock offered hereby are being sold by the selling shareholders. We will not receive any proceeds from the sale of shares by the selling stockholders.

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## SELLING STOCKHOLDERS

The following table provides information regarding the beneficial ownership of our common stock by the selling stockholders, as of January 16, 2006. Footnote (a) below provides a brief explanation of what is meant by the term "beneficial ownership." No offer or sale under this prospectus supplement and the accompanying prospectus may be made by a holder of the securities unless that holder is listed in the table in this prospectus supplement or until that holder has notified us and an amendment to the related registration statement has become effective.

We have prepared the table based on information given to us by, or on behalf of, the selling stockholders on or before January 16, 2006. Additionally, for purposes of preparing this table, we have assumed the over-allotment option has not been exercised. Pursuant to the terms of our executive stockholder agreement, executive stockholders cannot directly or indirectly sell, assign, mortgage, transfer, pledge, hypothecate or otherwise dispose of any of their shares of our common stock acquired in connection with our formation in 1997 or the shares of our common stock underlying their stock options granted pursuant to the Endo Pharma LLC stock option plans, in each case, without the consent of Endo Pharma LLC's Board of Managers, except to Endo Pharma LLC, Kelso Investment Associates V, L.P. and Kelso Equity Partners V, L.P. in accordance with the terms of the executive stockholders agreement. Furthermore, under this prospectus supplement and the accompanying prospectus, executive stockholders can only sell such shares or shares of our common stock underlying such options in connection with a sale of shares by Endo Pharma LLC.

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned Prior to the Offering(a)	Number of Shares That Will Be Offered(a)	Number of Shares of Common Stock Beneficially Owned Following the Offering(a)	Percentage of Shares of Common Stock to be Beneficially Owned After Completion of the Offering(a)
<b>Directors and Executive Officers:</b>				
Carol A. Ammon(b)(c)(d)	4,043,460	2,067,341	1,976,119	1.5%
Brian T. Clingen(e)	25,000	5,000	20,000	*
John J. Delucca(f)				
Michael B. Goldberg(g)(h)				
Michael Hyatt(i)**	460,750	175,000	285,750	*
Roger H. Kimmel(j)**	448,047	189,306	258,741	*
Clive A. Meanwell, M.D., Ph.D(k)	25,000		25,000	*
Michael W. Mitchell(l)	40,000	18,750	21,250	*
Joseph T. O'Donnell, Jr.(m)	40,000		40,000	*
David I. Wahrhaftig(g)(h)				
Peter A. Lankau(b)(n)	1,158,831	33,048	1,125,783	*
David A. H. Lee, M.D., Ph.D.(b)(d)(o)	1,413,547	757,511	656,036	*
Jeffrey R. Black(b)(d)(p)	1,270,607	673,614	596,993	*
Caroline B. Manogue(b)(q)	223,049	41,966	181,083	*
All current directors and executive officers of Endo Pharmaceuticals Holdings Inc. as a group (14 persons)	9,148,291	3,961,536	5,186,755	3.9%

**Other Selling Stockholders:**

Endo Pharma LLC(d)(g)	19,998,026	9,366,256	10,631,770	8.0%
Kelso Investment Associates V, L.P.(d)(g)(r)	12,632,381	7,223,748	5,408,633	4.1%
Kelso Equity Partners V, L.P.(d)(g)(r)	1,062,934	607,832	455,102	*
Joseph S. Schuchert(g)(h)				
Frank T. Nickell(g)(h)				
Thomas R. Wall, IV(g)(h)				
George E. Matelich(g)(h)				
Frank K. Bynum, Jr.(g)(h)				
Philip E. Berney(g)(h)				
Frank J. Loverro(g)(h)				
James J. Connors, II(g)(h)				
Greenwich Street Capital Partners, L.P.(d)(s)	1,618,609	925,591	693,018	*
Greenwich Street Capital Offshore Fund, Ltd.(d)(s)	100,463	57,449	43,014	*
Citigroup Employees Fund GSP, L.P.(d)(s)**	393,364	224,943	168,421	*
The Travelers Insurance Company(d)(s)**	83,502	47,750	35,752	*
The Travelers Life and Annuity Company(d)(s)**	41,127	23,519	17,608	*
Mariann T. MacDonald(b)(d)(t)	3,442,877	1,738,302	1,704,575	1.3%
Other selling stockholders representing less than 1% owners of our common stock(u)	331,085	189,329	141,756	*

\* The percentage of the class to be owned by such security holder after completion of the offering represents less than 1%.

\*\* These selling stockholders have identified themselves as affiliates of broker dealers. See also "Underwriting."

(a) "Beneficial ownership" is a term broadly defined by the SEC in Rule 13d-3 under the Exchange Act, and includes more than the typical form of stock ownership, that is, stock held in the person's name. The term also includes what is referred to as "indirect ownership," meaning ownership of shares as to which a person has or shares investment power. For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares as of a given date that such person has the right to acquire within 60 days after such date.

(b) The business address for this person is c/o Endo Pharmaceuticals Holdings Inc., 100 Endo Boulevard, Chadds Ford, Pennsylvania 19317.

(c) Ms. Ammon is our Chairman. The shares to be sold by Ms. Ammon include 34,113 shares, which represent Ms. Ammon's pro rata portion of Endo Pharma LLC's shares and 2,033,228 shares, which represent the shares of common stock that Ms. Ammon received when she exercised her Endo Pharma LLC employee stock options in October 2005. Ms. Ammon owns 0.36% of Endo Pharma LLC and may be deemed to share beneficial ownership of shares of common stock owned of record by Endo Pharma LLC by virtue of her status as a member of Endo Pharma LLC. Ms. Ammon shares voting power along with the other members of Endo Pharma LLC with respect to shares of Endo common stock owned by Endo Pharma LLC, but disclaims beneficial ownership of such securities except to the extent of her pecuniary interest. Ms. Ammon's beneficial ownership after the offering includes 729,157 shares of Endo common stock and 1,246,962 shares underlying options to acquire Endo common stock that she holds pursuant to the Endo Pharma LLC 1997 Stock Option Plans and the Endo Pharma LLC 2000 Supplemental Stock Option Plans, 584,396 of

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which are currently exercisable. However, the shares of common stock that Ms. Ammon receives upon exercise of these stock options are currently subject to significant restrictions that are set forth in the stockholders agreement including restrictions on sale, assignment, mortgage, transfer, pledge or other disposals or transfers.

- (d) Members of Endo Pharma LLC will receive a pro rata distribution of the net proceeds from the offering pursuant to this prospectus supplement received by Endo Pharma LLC based on the number of Endo Pharma LLC units held by each such member. Affiliates of Kelso & Company own 83.6% of Endo Pharma LLC; Greenwich Street Capital Partners, L.P., Greenwich Street Capital Offshore Fund, Ltd., Citigroup Employees Fund GSP, L.P., The Travelers Insurance Company and The Travelers Life and Annuity Company together own 13.7% of Endo Pharma LLC; our management, in the aggregate, owns 0.7% of Endo Pharma LLC; and certain other outside investors own 2.0% of Endo Pharma LLC. Following the completion of this offering, and assuming the over allotment option has not been exercised, Endo Pharma LLC will beneficially own approximately 8.0% of our common stock.
- (e) Mr. Clingen is a director of Endo. The business address for Mr. Clingen is c/o BP Capital Management, 5101 Darmstadt Road, Suite A, Hillside, Illinois 60162. Mr. Clingen's beneficial ownership after the offering represents options to purchase 20,000 shares of common stock under the Endo Pharmaceuticals Holdings Inc. 2000 and 2004 Stock Incentive Plans, none of which are currently exercisable.
- (f) The business address for this person is 314 Ardmore Road, Ho-Ho-Kus, NJ 07423.
- (g) The business address for this person is c/o Kelso & Company, 320 Park Avenue, 24th Floor, New York, New York 10022.
- (h) Messrs. Goldberg and Wahrhaftig are directors of Endo. Messrs. Schuchert, Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum, Berney, Loverro and Connors may be deemed to share beneficial ownership of shares of common stock owned of record by Endo Pharma LLC by virtue of the status of Kelso Investment Associates V, L.P., or KIA V, and Kelso Equity Partners V, L.P., or KEP V, as members of Endo Pharma LLC. Messrs. Schuchert, Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum, Berney, Loverro and Connors may be deemed to share beneficial ownership of securities owned of record by KIA V and KEP V, by virtue of the status of each of them as a general partner of the general partner of KIA V and as a general partner of KEP V. Messrs. Schuchert, Nickell, Wall, Matelich, Goldberg, Wahrhaftig, Bynum, Berney, Loverro and Connors share investment and voting power along with the other general partners with respect to shares of Endo common stock owned indirectly by KIA V and KEP V through Endo Pharma LLC, but disclaim beneficial ownership of such securities except to the extent of each individual's pecuniary interest.
- (i) Mr. Hyatt is a director of Endo. The business address for Mr. Hyatt is c/o Bear, Stearns & Co. Inc., 383 Madison Avenue, New York, New York 10179. Mr. Hyatt's beneficial ownership after the offering includes (i) 225,000 shares of common stock owned directly by Mr. Hyatt, (ii) 20,750 shares held in trusts for which Mr. Hyatt serves as trustee and as to which shares Mr. Hyatt holds either the sole or the shared power of disposition or the power to vote and (iii) options to purchase 40,000 shares of common stock granted under the Endo Pharmaceuticals Holdings Inc. 2000 and 2004 Stock Incentive Plans, 18,750 of which are currently exercisable. Mr. Hyatt's beneficial ownership after the offering excludes 25,000 shares of common stock held in a trust for the benefit of the children of Mr. Hyatt, as to which shares Mr. Hyatt has neither the power of disposition nor the power to vote.
- (j) Mr. Kimmel is a director of Endo. The business address for Mr. Kimmel is c/o Rothschild, Inc., 1251 Avenue of the Americas, New York, New York 10022. Mr. Kimmel's beneficial ownership after the offering includes (i) 235,000 shares of common stock held in trusts for which Mr. Kimmel serves as trustee and as to which shares Mr. Kimmel holds either the sole or the shared power of disposition and power to vote and (ii) options to purchase 23,741 shares of common stock granted

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under the Endo Pharmaceuticals Holdings Inc. 2000 and 2004 Stock Incentive Plans, 2,491 of which are currently exercisable. Mr. Kimmel's beneficial ownership excludes a total of 40,367 shares of common stock held in trusts for the benefit of Mr. Kimmel's adult children, as to which shares Mr. Kimmel has neither the power of disposition nor the power to vote. Of the shares of common stock held in the trusts, 177,865 had been placed in a 10b5-1 pre-set selling program for a period of six months which began on November 1, 2005. On November 23, 2005, Mr. Kimmel sold 43,684 shares pursuant to his 10b5-1 pre-set selling program. On January 4, 2006, Mr. Kimmel sold 26,128 shares pursuant to his 10b5-1 pre-set selling program. 108,053 shares remain in the 10b5-1 pre-set selling program.

- (k) Dr. Meanwell is a director of Endo. The business address for Dr. Meanwell is c/o The Medicines Company, 5 Sylvan Way, Parsippany, New Jersey 07054. Dr. Meanwell's beneficial ownership represents options to purchase 25,000 shares of our common stock granted under the Endo Pharmaceuticals Holdings Inc. 2000 and 2004 Stock Incentive Plans, 5,000 of which are currently exercisable.
- (l) Mr. Mitchell is a director of Endo. The business address for Mr. Mitchell is c/o Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York 10036. Mr. Mitchell's beneficial ownership after the offering represents options to purchase 21,250 shares of our common stock granted under the Endo Pharmaceuticals Holdings Inc. 2000 and 2004 Stock Incentive Plans, none of which are currently exercisable.
- (m) Mr. O'Donnell is a director of Endo. The business address for Mr. O'Donnell is Briscoe Capital Management, L.L.C., 295 Madison Avenue, 31st Floor, New York, New York 10017. Mr. O'Donnell's beneficial ownership represents options to purchase 40,000 shares of our common stock granted under the Endo Pharmaceuticals Holdings Inc. 2000 and 2004 Stock Incentive Plans, 18,750 of which are currently exercisable.
- (n) Mr. Lankau is our President and Chief Executive Officer and is a director of Endo. The shares to be sold by Mr. Lankau include 33,048 shares, which represent the shares of common stock that Mr. Lankau received when he exercised his Endo Pharma LLC employee stock options in October 2005. Mr. Lankau's beneficial ownership after the offering includes 23,747 shares of Endo common stock and 1,102,036 shares underlying options granted under the Endo Pharmaceuticals Holdings Inc. 2000 and 2004 Stock Incentive Plans, 592,899 of which are currently exercisable. Of Mr. Lankau's options, 436,520 have been placed in a 10b5-1 pre-set selling program for a period of approximately 24 months which will begin on March 1, 2006.
- (o) Dr. Lee is our Executive Vice President and Chief Scientific Officer. The shares to be sold by Dr. Lee include 2,132 shares, which represent Dr. Lee's pro rata portion of Endo Pharma LLC's shares, and 755,379 shares, which represent the shares of common stock that Dr. Lee received when he exercised his Endo Pharma LLC employee stock options in October 2005. Dr. Lee owns 0.02% of Endo Pharma LLC and may be deemed to share beneficial ownership of shares of common stock owned of record by Endo Pharma LLC by virtue of his status as a member of Endo Pharma LLC. Dr. Lee shares voting power along with the other members of Endo Pharma LLC with respect to shares of common stock owned by Endo Pharma LLC, but disclaims beneficial ownership of such securities except to the extent of his pecuniary interest. Dr. Lee's beneficial ownership after the offering includes 420,754 shares and 235,282 shares underlying options that he holds in the Endo Pharma LLC 1997 Stock Option Plans and the Endo Pharma LLC 2000 Supplemental Stock Option Plans, 111,450 of which are currently exercisable. However, the shares of common stock that Dr. Lee receives upon exercise of these stock options are currently subject to significant restrictions that are set forth in the stockholders agreement including restrictions on sale, assignment, mortgage, transfer, pledge or other disposals or transfers.
- (p) Mr. Black is our Executive Vice President, Chief Financial Officer and Treasurer. The shares to be sold by Mr. Black include 4,264 shares, which represent Mr. Black's pro rata portion of Endo Pharma LLC's shares, and 669,350 shares, which represent the shares of common stock that Mr. Black received when he exercised his Endo Pharma LLC employee stock options in

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October 2005. Mr. Black owns 0.05% of Endo Pharma LLC and may be deemed to share beneficial ownership of shares of common stock owned of record by Endo Pharma LLC by virtue of his status as a member of Endo Pharma LLC. Mr. Black shares voting power along with the other members of Endo Pharma LLC with respect to shares of common stock owned by Endo Pharma LLC, but disclaims beneficial ownership of such securities except to the extent of his pecuniary interest. Mr. Black's beneficial ownership after the offering includes 361,711 shares and 235,282 shares underlying options that he holds in the Endo Pharma LLC 1997 Stock Option Plans and the Endo Pharma LLC 2000 Supplemental Stock Option Plans, 111,450 of which are currently exercisable. However, the shares of common stock that Mr. Black receives upon exercise of these stock options are currently subject to significant restrictions that are set forth in the stockholders agreement including restrictions on sale, assignment, mortgage, transfer, pledge or other disposals or transfers.

- (q) Ms. Manogue is our Executive Vice President, Chief Legal Officer and Secretary. The shares to be sold by Ms. Manogue include 41,966 shares, which represent the shares of common stock that Ms. Manogue received when she exercised her Endo Pharma LLC employee stock options in October 2005. Ms. Manogue's beneficial ownership after the offering includes 30,835 shares of Endo common stock and 150,248 shares underlying options granted under the Endo Pharmaceuticals Holdings Inc. 2000 Stock Incentive Plan, 91,740 of which are currently exercisable.
- (r) KIA V and KEP V share investment and voting power along with the other members of Endo Pharma LLC with respect to shares of common stock owned by Endo Pharma LLC, but each disclaims beneficial ownership of such securities except to the extent of its pecuniary interest. Kelso Partners V, L.P., or KP V, may be deemed to share beneficial ownership of shares of common stock owned of record by Endo Pharma LLC by virtue of its status as a general partner of KIA V, which is a member of Endo Pharma LLC. KP V shares investment and voting power along with its general partners with respect to shares of common stock owned by Endo Pharma LLC, but disclaims beneficial ownership of such securities except to the extent of its pecuniary interest.
- (s) The business address for Greenwich Street Capital Partners, L.P. and Greenwich Street Capital Offshore Fund, Ltd. is 500 Campus Drive, Suite 220, Florham Park, New Jersey 07932. The business address for Citigroup Employees Fund GSP, L.P. is 399 Park Avenue, New York, New York 10043. The business address for The Travelers Insurance Company and The Travelers Life and Annuity Company is One City Place, Hartford, Connecticut 06103-3415. Greenwich Street Investments, L.P. is the general partner of Greenwich Street Capital Partners, L.P. Greenwich Street Investments, L.L.C. is the managing general partner of Greenwich Street Investments, L.P. The Travelers Insurance Company is the sole member of Greenwich Street Investments, L.L.C. Andrew Wagner and Woodbourne Corporation (BVI) Limited are the directors of Greenwich Street Capital Offshore Fund, Ltd. TRV Employees Investments, Inc. is the general partner of Citigroup Employees Fund GSP, L.P. and is a wholly owned subsidiary of Citigroup Inc. GSCP (NJ), L.P. is the manager of Greenwich Street Capital Partners, L.P., Greenwich Street Capital Offshore Fund, Ltd. and Citigroup Employees Fund GSP, L.P. GSCP (NJ), Inc. is the general partner of GSCP (NJ), L.P. Each of Keith W. Abell, Alfred C. Eckert III, Robert A. Hamwee, Richard M. Hayden, Thomas V. Inglesby, Matthew C. Kaufman, Christine K. Vanden Beukel, Andrew Wagner and Frederick H. Horton is an executive officer and stockholder of GSCP (NJ), Inc. and a limited partner of GSCP (NJ), L.P. Greenwich Street Investments, L.P., Greenwich Street Investments, L.L.C. and The Travelers Insurance Company, because of their relationships with Greenwich Street Capital Partners, L.P., may be deemed to beneficially own the securities held by Greenwich Street Capital Partners, L.P. Notwithstanding the foregoing, the above persons and entities disclaim beneficial ownership of the securities held by Greenwich Street Capital Partners, L.P. except to the extent of their respective pecuniary interest in the securities. Andrew Wagner and Woodbourne Corporation (BVI) Limited, because of their relationships to Greenwich Street Capital Offshore Fund, Ltd., may be deemed to beneficially own the securities held by Greenwich Street Capital Offshore Fund, Ltd. Notwithstanding the foregoing, the above person

and entity disclaim beneficial ownership of the securities held by Greenwich Street Capital Offshore Fund, Ltd. except to the extent of their respective pecuniary interest in the securities. TRV Employees Investments, Inc. and Citigroup Inc., because of their relationships with Citigroup Employees GSP Fund, L.P., may be deemed to beneficially own the securities held by Citigroup Employees GSP Fund, L.P. Notwithstanding the foregoing, the above persons and entities disclaim beneficial ownership of the securities held by Citigroup Employees GSP Fund, L.P. except to the extent of their respective pecuniary interest in the securities. GSCP (NJ), L.P., GSCP (NJ), Inc., Keith W. Abell, Alfred C. Eckert III, Robert A. Hamwee, Richard M. Hayden, Thomas V. Inglesby, Matthew C. Kaufman, Christine K. Vanden Beukel, Andrew Wagner and Frederick H. Horton, because of their relationships with Greenwich Street Capital Partners, L.P., Greenwich Street Capital Offshore Fund, Ltd. and Citigroup Employees Fund GSP, L.P., may be deemed to beneficially own the securities held by Greenwich Street Capital Partners, L.P., Greenwich Street Capital Offshore Fund, Ltd. and Citigroup Employees Fund GSP, L.P. Notwithstanding the foregoing, the above persons and entities disclaim beneficial ownership of the securities held by Greenwich Street Capital Partners, L.P., Greenwich Street Capital Offshore Fund, Ltd. and Citigroup GSP Fund, L.P. except to the extent of their respective pecuniary interest in the securities. The Travelers Life and Annuity Company is a wholly owned subsidiary of The Travelers Insurance Company, which is a subsidiary of Metlife, Inc. The Travelers Insurance Company and Metlife, Inc. may be deemed to be the beneficial owner of the securities held by The Travelers Life and Annuity Company. The above persons and entities may be deemed to share beneficial ownership of the shares of common stock owned of record by Endo Pharma LLC because they are members of Endo Pharma LLC or affiliates of members of Endo Pharma LLC. The above persons and entities disclaim beneficial ownership of the securities owned by Endo Pharma LLC, except to the extent of their respective pecuniary interest in the securities.

(t)

Until December 31, 2003, Ms. MacDonald was our Executive Vice President of Operations, at which time she resigned from her executive office, while remaining an employee. The shares to be sold by Ms. MacDonald include 25,585 shares, which represent Ms. MacDonald's pro rata portion of Endo Pharma LLC's shares, and 1,712,717 shares, which represent the shares of common stock that Ms. MacDonald received when she exercised her Endo Pharma LLC employee stock options in October 2005. Ms. MacDonald owns 0.27% of Endo Pharma LLC and may be deemed to share beneficial ownership of shares of common stock owned of record by Endo Pharma LLC by virtue of her status as a member of Endo Pharma LLC. Ms. MacDonald shares voting power along with the other members of Endo Pharma LLC with respect to securities owned by Endo Pharma LLC, but disclaims beneficial ownership of such securities except to the extent of her pecuniary interest. Ms. MacDonald's beneficial ownership after the offering includes 777,576 shares and 926,999 shares underlying options that she holds in the Endo Pharma LLC 1997 Stock Option Plans and the Endo Pharma LLC 2000 Supplemental Stock Option Plans, 434,402 of which are currently exercisable. However, the shares of common stock that Ms. MacDonald receives upon exercise of these stock options are currently subject to significant restrictions that are set forth in the stockholders agreement including restrictions on sale, assignment, mortgage, transfer, pledge or other disposals or transfers.

(u)

The 189,329 shares that will be sold by the other selling stockholders represent shares which represent the selling stockholders pro rata portion of Endo Pharma LLC's shares. The other selling stockholders own 2.02% of Endo Pharma LLC and may be deemed to share beneficial ownership of shares of common stock owned of record by Endo Pharma LLC by virtue of their status as members of Endo Pharma LLC. Each selling stockholder's shares voting power along with the other members of Endo Pharma LLC with respect to securities owned by Endo Pharma LLC, but each disclaims beneficial ownership of such securities except to the extent of each selling stockholder's pecuniary interest.

## UNDERWRITING

Citigroup Global Markets Inc. ("Citigroup") is acting as underwriter of the offering. Subject to the terms and conditions of an underwriting agreement, dated January 19, 2006, Citigroup has agreed with us and the selling stockholders, subject to the terms and conditions contained in the underwriting agreement, to purchase from the selling stockholders 15,000,000 shares of common stock.

The underwriting agreement provides that the obligations of the underwriter are subject to approval of various legal matters by its counsel and to various other conditions including delivery of legal opinions by our counsel and counsel for the selling stockholders, the delivery of a comfort letter by our independent auditors and the accuracy of the representations and warranties made by us and the selling stockholders in the underwriting agreement. Under the underwriting agreement, the underwriter is obliged to purchase and pay for all of the above shares of common stock if any are purchased.

The underwriter proposes initially to offer the shares of common stock offered by this prospectus supplement to the public at the public offering price per share set forth on the cover page of this prospectus supplement. After commencement of this offering, the offering price and other selling terms may be changed by the underwriter. No such change will alter the amount of proceeds to be received by the selling stockholders as set forth on the cover page of this prospectus supplement.

Certain selling stockholders have granted the underwriter an option, which may be exercised within 30 days after the date of this prospectus supplement, to purchase up to an aggregate of 2,250,000 additional shares of common stock from the selling stockholders, to cover over-allotments, if any, at the public offering price less the underwriting discount, each set forth on the cover page of this prospectus supplement. If the underwriter exercises this option in whole or in part, the underwriter will be committed, subject to certain conditions, to purchase these additional shares of common stock, and the selling stockholders will be obligated to sell these additional shares to the underwriter. The underwriter may exercise this option only to cover over-allotments made in connection with the sale of the shares of common stock offered by this prospectus supplement. These additional shares will be sold by the underwriter on the same terms as those on which the shares offered by this prospectus supplement are being sold.

The following table summarizes the compensation to be paid to the underwriter by the selling stockholders in connection with this offering:

	Per share	Total	
		Without Over-allotment	With Over-allotment
Underwriting discount	\$0.33	\$ 4,950,000	\$ 5,692,500

In addition to the underwriting discount, the underwriter will receive a commission equivalent from the investors in the amount of \$0.05 for each share of common stock sold to the investors in the offering.

The expenses of the offering, other than the underwriting discount, are estimated at approximately \$800,000 and are payable entirely by us.

In the underwriting agreement, we and the selling stockholders have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriter may be required to make in connection with these liabilities.

We, our executive officers, our directors, Endo Pharma LLC and the other selling stockholders have agreed, subject to limited exceptions, that for a period of 45 days from the date of this prospectus supplement, we and they will not, without the prior written consent of Citigroup, offer, sell, contract to sell, pledge or otherwise dispose of any shares of our common stock or any securities convertible into or exchangeable for our common stock. Citigroup in its sole discretion may release any of the securities

subject to these lock-up agreements at any time without notice. See "Selling Stockholders." The underwriter has agreed to exclude from these lock-up agreements, securities exercised and/or sold pursuant to 10b5-1 pre-set selling programs that are in place at the time of this offering. As of January 18, 2006, Messrs. Kimmel and Lankau had placed 108,053 shares and 436,520 options, respectively, in 10b5-1 pre-set selling programs, which expire on May 1, 2006 and March 1, 2008, respectively.

Our common stock is quoted on the Nasdaq National Market under the symbol "ENDP."

In connection with the offering, Citigroup may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum price.

Over-allotment involves sales by an underwriter of shares in excess of the number of shares an underwriter is obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriter is not greater than the number of shares that it may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. An underwriter may close out any short position by either exercising its over-allotment option and/or purchasing shares in the open market.

Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, an underwriter will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If an underwriter sells more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if an underwriter is concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Penalty bids permit representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the web sites maintained by the underwriter, and the underwriter may distribute prospectuses electronically. Any Internet distributions will be allocated by the underwriter on the same bases as other allocations.

Any selling stockholder who is a "broker dealer" will be deemed to be an "underwriter" within the meaning of Section 2(11) of the Securities Act, unless such selling stockholder purchased its shares in the ordinary course of business, and at the time of its purchase of the shares to be resold, did not have any view to or arrangements or understandings, directly or indirectly, with any person to distribute the shares. The selling stockholders have each informed us that they are not registered broker dealers. Certain selling stockholders have identified themselves to us as affiliates of broker dealers. See "Selling Stockholders." The selling stockholders who are affiliates of broker dealers have each informed us that they did not receive the common stock outside of the ordinary course of business nor, at the time of

issuance of the common stock, did they have any view to or any arrangements or understandings, directly or indirectly, with any person to distribute the shares of common stock.

The underwriter and certain of its affiliates have in the past provided, and may in the future provide, investment banking and other financial and banking services to us for which they have in the past received, and may in the future receive, customary fees.

### **United Kingdom**

This prospectus supplement is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive ("Qualified Investors") that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). This prospectus supplement and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant persons should not act or rely on this document or any of its contents.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") an offer of securities described in this prospectus supplement may not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of shares may be made to the public in that Relevant Member State at any time:

to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of securities described in this prospectus supplement and the accompanying prospectus located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

**LEGAL MATTERS**

The validity of the securities offered pursuant to this prospectus supplement has been passed upon for us by our counsel, Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York. Skadden, Arps, Slate, Meagher & Flom LLP represents Kelso & Company and its affiliates from time to time. Debevoise & Plimpton LLP, New York, New York is acting as legal counsel to the underwriter. Debevoise & Plimpton LLP also represents Kelso and its affiliates from time to time.

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PROSPECTUS

## Endo Pharmaceuticals Holdings Inc.

### Common Stock

Certain selling stockholders from time to time may offer to sell shares of our common stock. We will not receive any proceeds from the sale of shares of our common stock offered by the selling stockholders.

The selling stockholders may offer and sell our common stock to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis.

You should read this prospectus and any accompanying prospectus supplement carefully before you make your investment decision. The applicable prospectus supplement will describe, among other things, the means of distribution for any shares of our common stock sold.

Our common stock is quoted on the Nasdaq National Market under the symbol "ENDP." On January 18, 2006, the last sale price of the shares as reported on the Nasdaq National Market was \$29.12 per share.

**Investing in our common stock involves risks. See "Risk Factors" beginning on page 6 of this prospectus.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is January 19, 2006.

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### ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or the SEC, using a "shelf" registration or continuous offering process. Under this shelf process, certain selling stockholders may from time to time sell the shares of common stock described in this prospectus in one or more offerings.

This prospectus provides you with a general description of the common stock that we and certain selling stockholders may offer. Each time we or a selling stockholder sells common stock, we will provide you with a prospectus supplement containing specific information about the selling stockholders, if any, the terms of the offering and the means of distribution. A prospectus supplement may include other special considerations applicable to such offering of common stock. The prospectus supplement may also add, update or change information in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in the prospectus supplement. You should read carefully this prospectus and any prospectus supplement together with the additional information described under the headings "Where You Can Find More Information" and "Incorporation of Certain Documents by Reference."

### FORWARD LOOKING STATEMENTS

This prospectus, any supplement hereto and documents incorporated by reference herein or therein may contain or incorporate by reference information that includes or is based on "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements, including estimates of future net sales, future net income and future earnings per share, contained in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations," which is included in documents incorporated by reference, are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed results of operations. Also, statements including words such as "believes," "expects," "anticipates," "intends," "estimates," or similar expressions are forward-looking statements. We have based these forward-looking statements on our current expectations and projections about the growth of our business, our financial performance and the development of our industry. Because these statements reflect our current views concerning future events, these forward-looking statements involve risks and uncertainties. Investors should note that many factors, as more fully described in "Risk Factors" in this document, as updated by any prospectus supplement, and as otherwise enumerated herein or therein and in documents incorporated by reference, could affect our future financial results and could cause our actual results to differ materially from those expressed in forward-looking statements contained in this prospectus and any prospectus supplement. Important factors that could cause our actual results to differ materially from the expectations reflected in the forward-looking statements in this prospectus and any accompanying prospectus supplement include those factors described in this prospectus under the section titled "Risk Factors," including, among others:

our ability to successfully develop, commercialize and market new products;

timing and results of pre-clinical or clinical trials on new products;

our ability to obtain regulatory approval of any of our pipeline products;

competition for the business of our branded and generic products, and in connection with our acquisition of rights to intellectual property assets;

significant cash payments we may be required to make to Endo Pharma LLC pursuant to a tax sharing agreement;

market acceptance of our future products;

government regulation of the pharmaceutical industry;

our dependence on a small number of products;

our dependence on outside manufacturers for the manufacture of our products;

our dependence on third parties to supply raw materials and to provide services for certain core aspects of our business;

new regulatory action or lawsuits relating to our use of narcotics in most of our core products;

our exposure to product liability claims and product recalls and the possibility that we may not be able to adequately insure ourselves;

our ability to protect our proprietary technology;

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the successful efforts of manufacturers of branded pharmaceuticals to use litigation and legislative and regulatory efforts to limit the use of generics and certain other products;

our ability to successfully implement our acquisition and in-licensing strategy;

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regulatory or other limits on the availability of controlled substances that constitute the active ingredients of some of our products and products in development;

the availability of third-party reimbursement for our products;

the outcome of any pending or future litigation or claims by the government; and

our dependence on sales to a limited number of large pharmacy chains and wholesale drug distributors for a large portion of our total net sales.

We do not undertake any obligation to update our forward-looking statements after the date of this prospectus for any reason, even if new information becomes available or other events occur in the future.

## THE COMPANY

We are a specialty pharmaceutical company with market leadership in pain management. We are engaged in the research, development, sale and marketing of branded and generic prescription pharmaceuticals used primarily to treat and manage pain. According to IMS Health data, the total U.S. market for pain management pharmaceuticals, excluding over-the-counter products, totaled \$18.9 billion in 2004. This represents an approximately 16% compounded annual growth rate since 1999. Our primary area of focus within this market is analgesics and, specifically, opioid analgesics. In 2004, analgesics were the third most prescribed medication in the United States with over 272 million prescriptions written for this classification. Opioid analgesics is a segment that comprised approximately 75% of the analgesics prescriptions for 2004. Total U.S. sales for the opioid analgesic segment were \$6.3 billion in 2004, representing a compounded annual growth rate of 20% since 1999.

We have a portfolio of branded products that includes established brand names such as Lidoderm®, Percocet®, Frova®, Percodan®, Zydone® and DepoDur®. Branded products comprised approximately 69% of our net sales in 2004. Our non-branded generic portfolio, which accounted for 31% of net sales in 2004, currently consists of products primarily focused in pain management. We focus on selective generics that have one or more barriers to market entry, such as complex formulation, regulatory or legal challenges or difficulty in raw material sourcing.

We have established research and development expertise in analgesics and devote significant resources to this effort so that we can maintain and develop our product pipeline. Our late-stage branded product pipeline includes two filed New Drug Applications, or NDAs, two products in Phase III clinical trials and four products in Phase II clinical trials.

We enhance our financial flexibility by outsourcing certain of our functions, including manufacturing. Currently, our primary suppliers of contract manufacturing services are Novartis Consumer Health, Inc. and Teikoku Seiyaku Co., Ltd.

Through a dedicated sales force of approximately 370 sales representatives in the United States, we market our branded pharmaceutical products to high-prescribing physicians in pain management, neurology, surgery, anesthesiology, oncology and primary care. Our sales force also targets retail pharmacies and other healthcare professionals throughout the United States.

On a continuous basis, we evaluate and, where appropriate, pursue acquisition opportunities on terms we consider favorable. In particular, we look to continue to enrich our product line by acquiring or licensing rights to additional products and compounds and therefore regularly evaluate selective acquisition and license opportunities. Such acquisitions or licenses may be carried out through the purchase of assets, joint ventures and licenses or by acquiring other companies. Currently, however, we have no binding commitment related to any acquisitions.

Our wholly owned subsidiary, Endo Pharmaceuticals Inc., commenced operations in 1997 by acquiring certain pharmaceutical products, related rights and assets of The DuPont Merck Pharmaceutical Company, which subsequently became DuPont Pharmaceuticals Company and was thereafter purchased by the Bristol Myers Squibb Pharma Company in 2001. Endo Pharmaceuticals Inc. was formed by some members of the then-existing management of DuPont Merck and an affiliate of Kelso & Company who were also parties to the purchase agreement, under which we acquired these initial assets. We were incorporated in Delaware as a holding company on November 18, 1997.

Our executive offices are located at 100 Endo Boulevard, Chadds Ford, Pennsylvania 19317. Our telephone number is (610) 558-9800. The address of our website is [www.endo.com](http://www.endo.com) (this is an inactive textual reference only). The information on our website is not part of this prospectus or any accompanying prospectus supplement.

## RISK FACTORS

*You should carefully consider the following risk factors in addition to the other information in this prospectus and any accompanying prospectus supplement before investing in our common stock.*

### Risks Related to Our Business

*We face intense competition, in particular from companies that develop rival products to our branded products and from companies with which we compete to acquire rights to intellectual property assets.*

The pharmaceutical industry is intensely competitive, and we face competition across the full range of our activities. If we fail to compete successfully in any of these areas, our business, profitability and cash flows could be adversely affected. Our competitors include many of the major brand name and generic manufacturers of pharmaceuticals, especially those doing business in the United States. In the market for branded pharmaceutical products, our competitors, including Abbott Laboratories, Johnson & Johnson, Ligand Pharmaceuticals Incorporated, Pfizer, Inc. and The Purdue Frederick Company, vary depending on product category, dosage strength and drug-delivery systems. In addition to product safety, development and efficacy, other competitive factors in the branded pharmaceutical market include product quality and price, reputation, service and access to scientific and technical information. It is possible that developments by our competitors will make our products or technologies uncompetitive or obsolete. Because we are smaller than many of our national competitors in the branded pharmaceutical products sector, we may lack the financial and other resources needed to maintain our profit margins and market share in this sector.

The intensely competitive environment of the branded products business requires an ongoing, extensive search for medical and technological innovations and the ability to market products effectively, including the ability to communicate the effectiveness, safety and value of branded products to healthcare professionals in private practice, group practices and managed care organizations.

Our branded products face competition from generic versions. Generic versions are generally significantly cheaper than the branded version, and, where available, may be required or encouraged in preference to the branded version under third party reimbursement programs, or substituted by pharmacies for branded versions by law. The entrance of generic competition to our branded products generally reduces our market share and adversely affects our profitability and cash flows. For example, according to the IMS National Prescription Audit, generic versions of Percocet® were used to fill approximately 93% of the approximately 17.9 million new prescriptions for this drug in 2004 compared to 83% of the approximately 16.0 million new prescriptions for this drug in 2003. Percocet® 7.5/325 and Percocet® 10/325, which prior to the introduction of generic competition then represented approximately 75% of our dispensed Percocet® prescriptions, currently face generic competition. Percocet® net sales decreased to \$86.5 million for the year ended December 31, 2004 from \$214.2 million in the comparable 2003 period due to the introduction of generic versions of Percocet® 7.5/325 and 10/325 during the fourth quarter of 2003. Generic competition with our branded products, including Percocet®, has had and will continue to have a material adverse effect on the net sales and profitability of our branded products.

Additionally, we compete to acquire the intellectual property assets that we require to continue to develop and broaden our product range. In addition to our in-house research and development efforts, we seek to acquire rights to new intellectual property through corporate acquisitions, asset acquisitions, licensing and joint venture arrangements. Competitors with greater resources may acquire assets that we seek, and even where we are successful, competition may increase the acquisition price of such assets or prevent us from capitalizing on such acquisitions or licensing opportunities. If we fail to compete successfully, our growth may be limited.

***If generic manufacturers use litigation and regulatory means to obtain approval for generic versions of our branded drugs, our sales may suffer.***

The Hatch Waxman Act permits the FDA to approve ANDAs for generic versions of branded drugs. The ANDA process permits competitor companies to obtain marketing approval for a drug with the same active ingredient for the same uses but does not require the conduct and submission of clinical studies demonstrating safety and efficacy for that product. In place of such clinical studies, an ANDA applicant essentially needs only to submit data demonstrating that its product is bioequivalent to the branded product.

The Hatch Waxman Act requires an applicant for a drug that relies, at least in part, on data from the branded drug regarding the safety and efficacy of the same active ingredient, to notify us of their application and potential infringement of our patent rights. Upon receipt of this notice we would have 45 days to bring a patent infringement suit in federal district court against the company seeking to violate our patent rights. The discovery, trial and appeals process in such suits can take several years. If such a suit is commenced, the Hatch Waxman Act provides a 30-month stay on the approval of the competitor's application. If the litigation is resolved in favor of the generic applicant or the challenged patent expires during the 30-month stay period, the stay is lifted and the FDA's review of the application may be completed. Such litigation is often time-consuming and quite costly and may result in generic competition if such patent(s) are not upheld or if the generic competitor does not infringe such patent(s). The filing of any ANDA in respect of any of our branded drugs, particularly Lidoderm®, could have an adverse impact on our stock price and, if the patents covering our branded drugs, including Lidoderm®, were not upheld in litigation or if the generic competitor is found to not infringe these patents, the resulting generic competition would have a material adverse effect on our net sales, gross profit, operating income, net income and cash flows.

***We face intense competition from other manufacturers of generic versions of our generic products.***

Our generic products compete with branded products and with generic versions made by or for other manufacturers, such as Impax Laboratories, Inc., Ivax Corporation, Mallinckrodt Inc., Mylan Laboratories Inc., Roxane Laboratories, Inc., Sandoz (a Novartis company), Teva Pharmaceutical Industries Ltd. and Watson Pharmaceuticals, Inc. When additional versions of one of our generic products enter the market, we generally lose market share and our selling prices and margins on the product decline. Because we are smaller than many of our full-line competitors in the generic pharmaceutical products sector, we may lack the financial and other resources needed to maintain our profit margins and market share in this sector.

On June 7, 2005, we launched the 10mg, 20mg, 40mg and 80mg strengths of our bioequivalent versions of OxyContin®. We had 180 days of marketing exclusivity under the Hatch Waxman Act with respect to the 10mg, 20mg and 40mg strengths of this product, since we were the first applicant to file an ANDA containing a Paragraph IV certification for these oxycodone extended release strengths. After the expiration of our marketing exclusivity period on December 5, 2005, several competitors launched bioequivalent versions of the 10mg, 20mg and 40mg strengths of OxyContin®. Other competitors may launch additional generic versions of all four strengths of OxyContin®. The entrance of other competitors has and will continue to reduce our market share for bioequivalent versions of OxyContin® and adversely affect the profitability of these products.

***Most of our net sales come from a small number of products.***

For the year ended December 31, 2004, 50% of our net sales came from sales of Lidoderm®, and 19% came from sales of Endocet®, 14% came from sales of our Percocet® franchise and 10% came from sales of morphine sulfate extended release tablets. For the nine months ended September 30, 2005, 50% of our net sales came from sales of Lidoderm®, 9% came from sales of Endocet®, 14% came from sales of our Percocet® franchise and 5% came from sales of morphine sulfate extended release tablets. The FDA has granted Lidoderm® orphan drug status for the treatment of the pain

associated with post herpetic neuralgia, which means, generally, that no other lidocaine containing product can be approved for this indication prior to March 19, 2006. In addition, on June 7, 2005, we launched our generic extended release oxycodone product, our bioequivalent, or generic, version of OxyContin®, which accounted for 14% of our product sales for the nine months ended September 30, 2005. After the expiration of our marketing exclusivity period in December 2005, several competitors launched bioequivalent versions of the 10mg, 20mg and 40mg strengths of OxyContin®. In addition, we could be forced to stop selling our generic OxyContin® product if the Federal Circuit Court of Appeals reverses its decision in our favor or is reversed by the Supreme Court and one or more of the Purdue patents is found valid and enforceable and there is a final court decision adverse to us. See " We face intense competition from other manufacturers of generic versions of our generic products." and " We were successful in our patent challenge against Purdue for our generic OxyContin® product, both at trial and on appeal. Purdue has petitioned the Court of Appeals for a rehearing, and if we receive an unfavorable ruling by the appeals court, we may be liable for damages and the price of our common stock may decline." If we were unable to continue to market any of these products, if any of them were to lose market share, for example, as the result of the entry of new competitors, particularly from generic versions of branded drugs, or if the prices of any of these products were to decline significantly, our net sales, profitability and cash flows would be materially adversely affected. The introduction of other bioequivalent versions of the 10mg, 20mg and 40mg strengths of OxyContin® has had and will continue to have an adverse effect by reducing our market share and adversely affecting our profitability and cash flows that we would have otherwise achieved if we supplied the exclusive generic equivalent to the 10mg, 20mg and 40mg strengths of OxyContin® and to MS Contin®.

***We face intense competition from brand-name companies that sell or license their own generic versions of our generic products or seek to delay the introduction of generic products.***

Brand-name pharmaceutical companies have taken aggressive steps to thwart competition from generic equivalents of their brand-name products. In particular, brand-name companies sell directly to the generics market or license their products for sale to the generics market through licensing arrangements or strategic alliances with generic pharmaceutical companies (so-called "authorized generics"). No significant regulatory approvals are required for a brand-name manufacturer to sell directly or through a third party to the generic market. Brand-name manufacturers do not face any other significant barriers to entry into such market. On June 8, 2005, Ivax Corporation, a generic pharmaceutical company, announced that it would distribute the so-called "authorized generic" version of OxyContin® pursuant to a distribution arrangement with Purdue. On July 29, 2005, Ivax Corporation announced that it would also distribute the so-called "authorized generic" version of MS Contin®, the branded version of our morphine sulfate extended release tablets, pursuant to a distribution arrangement with Purdue. The introductions of these so-called "authorized generics" have had and may continue to have an adverse effect by reducing our market share and adversely affecting our profitability and cash flows that we otherwise would have achieved in 2005 and subsequent periods if we supplied the exclusive generic equivalent to the 10mg, 20mg and 40mg strengths of OxyContin® and to MS Contin®.

In addition, brand-name companies continually seek new ways to delay generic introduction and decrease the impact of generic competition, such as filing new patents on drugs whose original patent protection is about to expire; filing an increasing number of patents that are more complex and costly to challenge; filing suits for patent infringement that automatically delay approval by the FDA; developing patented controlled release or other next generation products, which often reduces the demand for the generic version of the existing product for which we may be seeking approval; changing product claims and product labeling; developing and marketing as over-the-counter products those branded products that are about to face generic competition; or filing citizens' petitions with the FDA seeking restraints on our products or seeking to prevent them from coming to market. These strategies may increase the costs and risks associated with our efforts to introduce generic products and may delay or prevent such introduction altogether.

*We entered into a tax sharing agreement with Endo Pharma LLC in July 2000, pursuant to which we have made and may continue to make large cash payments to Endo Pharma LLC.*

Endo Pharma LLC is a limited liability company that currently holds a significant portion of our common stock, in which affiliates of Kelso & Company and certain members of management have an interest. Endo Pharma LLC was formed in connection with the acquisition of Algos Pharmaceutical Corporation in July 2000 to ensure that the stock options granted pursuant to the Endo Pharma LLC stock option plans diluted only the Endo common stock held by persons and entities that held such shares prior to our merger with Algos. Upon the exercise of the stock options granted under the Endo Pharma LLC stock option plans, only currently outstanding shares of our common stock held by Endo Pharma LLC will be received by holders of such options upon exercise.

Upon exercise of any of these Endo Pharma LLC stock options, we generally will be permitted to deduct as a compensation charge, for income tax purposes, an amount equal to the difference between the market price of our common stock and the exercise price paid upon exercise of these options (as of September 30, 2005, we had recognized compensation deductions of approximately \$152 million, which is estimated to result in a tax benefit amount of approximately \$59 million). Because Endo Pharma LLC, and not us, will provide the shares upon the exercise of the stock options granted pursuant to the Endo Pharma LLC stock option plans, we entered into a tax sharing agreement with Endo Pharma LLC under which we are required to pay to Endo Pharma LLC upon the occurrence of a liquidity event, as described further below, the amount of the tax benefit usable by us as a result of the exercise of these stock options into shares of our common stock held by Endo Pharma LLC. As of September 30, 2005, approximately 10.7 million of these stock options had been exercised into shares of our common stock held by Endo Pharma LLC. Under the tax sharing agreement, we are required to pay approximately \$59 million to Endo Pharma LLC to the extent that a compensation charge deduction is usable by us to reduce our taxes and based upon the assumption that all other deductions of Endo are used prior thereto.

We had no obligation to make any payments under the tax sharing agreement to Endo Pharma LLC prior to the occurrence of a liquidity event. The tax sharing agreement defines a liquidity event as a transaction or series of transactions resulting in (a) a sale of greater than 20% on a fully diluted basis of our common equity (either through (i) primary offerings by us, (ii) secondary sales by Endo Pharma LLC or other holders of common stock or (iii) a combination of both such primary and secondary offerings), (b) a change in control of Endo or (c) a sale of all or substantially all of our assets. On April 30, 2004, we amended the tax sharing agreement to clarify when a liquidity event has occurred and to provide for a specific schedule upon which payments currently contemplated by the tax sharing agreement would be made once a liquidity event has occurred. The amendment established a formula for calculating when a sale of 20% of the common equity of Endo had occurred and specified that secondary sales of Endo common stock include sales pursuant to a shelf registration statement. The amendment also provides that upon the occurrence of a liquidity event, we are obligated to pay to Endo Pharma LLC, within 30 business days, the amount of the tax benefits usable by us in each of the previous taxable years for which we have filed a federal income tax return. Moreover, with respect to all taxable years for which we file our federal income tax return after the occurrence of a liquidity event, the amount of the tax benefits usable by us in each such year will be paid to Endo Pharma LLC in two installments: (i) 50% of the estimated amount shall be paid within 15 business days of our receipt from our independent registered public accounting firm of an opinion on our final audited financial statements, and (ii) the remaining amount shall be paid within 30 business days of the filing of our federal income tax return.

A liquidity event occurred on August 9, 2004, when Endo Pharma LLC completed the secondary sale of 11 million shares of common stock. The closing of this offering, when combined with the sale by Endo Pharma LLC of the sale of 16.6 million shares on July 8, 2003, constituted a liquidity event under the tax sharing agreement and triggered a payment obligation with respect to tax benefits usable by us

in previous years. In 2004, we paid \$13.5 million to Endo Pharma LLC to satisfy the tax sharing obligations attributable to 2001, 2002 and 2003.

Since 6.6 million shares underlying stock options granted under the Endo Pharma LLC stock option plans were exercised into common stock and sold in the offerings on August 9, 2004 and November 29, 2004, at prices of \$17.46 and \$20.02, respectively, with a weighted average exercise price of \$2.44, and an assumed tax rate of 38.7%, we were obligated to pay Endo Pharma LLC a tax benefit of approximately \$41 million. Fifty percent of the tax benefit amount attributable to these two 2004 offerings and other Endo Pharma LLC stock option exercises in 2004, aggregating \$21.4 million, was due and was paid within 15 business days of the date we received an opinion on our audited 2004 financial statements from our independent registered public accounting firm and the remaining fifty percent of the tax benefit amount attributable to 2004 was due within 30 business days of the date on which we filed our 2004 tax return with the Internal Revenue Service (which occurred in September 2005) and approximately \$21.4 million was paid in October 2005 to satisfy the tax sharing obligations attributable to 2004.

On October 12, 2005, as part of the sale of 33.35 million shares of our common stock, approximately 19.5 million shares underlying stock options granted under the Endo Pharma LLC stock option plans were exercised at a market price of \$26.04, with a weighted average exercise price of \$2.72, and an assumed tax rate of 38.4%. Assuming the attributable compensation charge deductions are usable to reduce our taxes in 2005, we are obligated, under our amended tax sharing agreement, to pay to Endo Pharma LLC an additional tax benefit amount of approximately \$175 million, which has been accrued in the fourth quarter of 2005. Fifty percent of the estimated tax benefit amount attributable to the October 12, 2005 offering and any additional tax benefits attributable to the exercise of stock options granted under the Endo Pharma LLC stock option plans in 2005 will be due within 15 business days of the date we receive an opinion on our final audited 2005 financial statements from our independent registered public accounting firm (which we estimate will occur within 60 to 75 days of our fiscal year-end of December 31, 2005) and the remaining tax benefit amount attributable to 2005 is due within 30 business days of the date on which we file our 2005 tax return with the Internal Revenue Service.

Additionally, we estimated that up to 3 million additional stock options granted under the Endo Pharma LLC stock option plans would have been exercised prior to January 1, 2006 and therefore, assuming exercise at a market price of \$26.04, with a weighted average exercise price of \$2.52, an assumed tax rate of 38.4% and assuming the attributable compensation charge deductions are usable to reduce our taxes in 2005, we will be obligated, under our amended tax sharing agreement, to pay to Endo Pharma LLC an additional tax benefit amount of approximately \$27 million in 2006. As a result of the significant tax deductions expected to have been generated in 2005 from the exercise of the 22.5 million stock options discussed above, we expected to incur a net operating loss in 2005 for tax purposes which will permit us to obtain a tax refund of prior years' payments during 2006. All payments that have been, or will be, made or accrued pursuant to the tax sharing agreement have been, or will be, reflected as a reduction of stockholders' equity in our consolidated financial statements. Following the exercise of the 19.5 million Class C stock options discussed above and the 3 million additional stock options that are estimated to have been exercised prior to January 1, 2006, there will be approximately 3 million stock options remaining to be exercised under the Endo Pharma LLC stock option plans. Using a weighted average exercise price of \$2.52 per share and an assumed tax rate of 38.4%, if all of these remaining stock options under the Endo Pharma LLC stock opt