

ALLERGAN INC
Form PRE 14A
February 21, 2014
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SCHEDULE 14A INFORMATION

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

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 § 240.14a-12

Allergan, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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(4) Proposed maximum aggregate value of transaction:

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(3) Filing Party:

(4) Date Filed:

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2525 Dupont Drive, Irvine, CA 92612 (714) 246-4500

March , 2014

Dear Stockholder:

You are cordially invited to attend our 2014 annual meeting of stockholders, to be held on May 6, 2014 at 10:00 a.m., local time, at our headquarters located at 2525 Dupont Drive, Irvine, California 92612. We hope you will be present to hear management's report to stockholders. The attached notice of meeting and proxy statement describe the matters to be acted upon at the annual meeting. We urge you to read this information carefully.

Whether or not you plan to attend the annual meeting personally, and regardless of the number of shares of Allergan stock you own, it is important that your shares are represented at the annual meeting. We are pleased to take advantage of Securities and Exchange Commission rules that allow companies to furnish their proxy materials over the internet. As a result, we are mailing to most of our stockholders a Notice of Internet Availability of Proxy Materials (the "Notice") instead of a paper copy of our proxy materials, which include the Notice of Annual Meeting, our Proxy Statement, our 2013 Annual Report and a proxy card or voting instruction form. The Notice contains instructions on how to access those documents on the internet and how to cast your vote via the internet. The Notice also contains instructions on how to request a paper copy of our proxy materials. All stockholders who do not receive the Notice will receive a paper copy of the proxy materials by mail. If you receive a paper copy of our proxy materials, you can cast your vote by completing the enclosed proxy card and returning it in the postage-prepaid envelope provided, or by utilizing the telephone or internet voting systems.

David E.I. Pyott

Chairman of the Board

and Chief Executive Officer

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2525 Dupont Drive, Irvine, CA 92612

NOTICE OF ANNUAL MEETING OF ALLERGAN, INC. STOCKHOLDERS

TO BE HELD ON MAY 6, 2014

TO OUR STOCKHOLDERS:

The 2014 annual meeting of stockholders of Allergan, Inc. will be held on May 6, 2014 at 10:00 a.m., local time, at our headquarters located at 2525 Dupont Drive, Irvine, California 92612. We will consider and act on the following items of business at the annual meeting:

1. Election of ten directors for a term of office expiring at the 2015 annual meeting of stockholders and until their successors are duly elected and qualified. The nominees for election to our board of directors are David E.I. Pyott, Deborah Dunsire, M.D., Michael R. Gallagher, Dawn Hudson, Trevor M. Jones, Ph.D., Louis J. Lavigne, Jr., Peter J. McDonnell, M.D., Timothy D. Proctor, Russell T. Ray and Henri A. Termeer.
2. Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2014;
3. Conduct an advisory vote to approve the compensation of our named executive officers;
4. Approve the amendment and restatement of our Amended and Restated Certificate of Incorporation to provide stockholders with the right to act by written consent;
5. Consider a stockholder proposal, if properly presented at the annual meeting; and
6. Such other business as may properly come before the annual meeting.

The Proxy Statement accompanying this notice describes each of these items of business in more detail. Our board of directors recommends: a vote **FOR** each of the ten nominees for director named in the Proxy Statement, a vote **FOR** items 2, 3 and 4, and a vote **AGAINST** the stockholder proposal, if properly presented at the annual meeting, in item 5.

If you were a holder of record of Allergan common stock at the close of business on March 11, 2014, you are entitled to notice of and to vote at the annual meeting.

By Order of the Board of Directors

Matthew J. Maletta

Vice President,

Associate General Counsel and Secretary

Irvine, California

March , 2014

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ALLERGAN, INC.

2525 Dupont Drive, Irvine, CA 92612

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TO BE HELD ON MAY 6, 2014

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ALLERGAN, INC.

2525 Dupont Drive, Irvine, CA 92612

ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 6, 2014

PROXY STATEMENT

INFORMATION CONCERNING VOTING AND SOLICITATION

Solicitation of Proxies is Made by Allergan's Board of Directors

The board of directors (the Board) of Allergan, Inc. (Allergan, the Company, we, our or us) is soliciting proxies to be used at the annual meeting of stockholders, to be held on May 6, 2014 at 10:00 a.m., local time, at our headquarters located at 2525 Dupont Drive, Irvine, California 92612, and at any continuation, adjournment or postponement thereof. Directions to attend the annual meeting can be found on our website at www.allergan.com. References to our website in this Proxy Statement are not intended to function as hyperlinks and the information contained on our website is not incorporated into this Proxy Statement.

As permitted by the Securities and Exchange Commission (SEC), Allergan is providing most stockholders with access to our proxy materials over the internet rather than in paper form. Accordingly, on or about March 11, 2014, we will mail a Notice of Internet Availability of Proxy Materials (the Notice) containing instructions on how to access the proxy materials over the internet to most of our stockholders. We will mail printed copies of the full set of proxy materials to the rest of our stockholders. If you receive the Notice by mail, you will not receive a printed copy of the proxy materials in the mail unless you follow the instructions contained on the Notice for requesting such materials. The Notice instructs you on how to access and review all of the important information contained in our Proxy Statement and our 2013 Annual Report to Stockholders over the internet. The Notice also instructs you on how to submit your proxy via the internet.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 6, 2014:

Our Proxy Statement and 2013 Annual Report to Stockholders are Available at www.proxyvote.com. This website address contains the following documents: the Notice of the Annual Meeting, our Proxy Statement and our 2013 Annual Report to Stockholders. You are encouraged to access and review all of the important information contained in the proxy materials before voting.

Who Can Vote, Outstanding Shares

Record holders of our common stock as of March 11, 2014 may vote at the annual meeting. As of the record date, there were _____ shares of our common stock (exclusive of approximately _____ shares of common stock held in treasury) outstanding, each entitled to one vote. The _____ shares of common stock held in our treasury will not be voted at the annual meeting. There were approximately _____ stockholders of record as of the record date.

How You Can Vote

You can vote by attending the annual meeting and voting in person or you can vote by submitting a proxy. If you are the record holder of your stock, you can vote by submitting your proxy via the internet, by telephone or through the mail.

To vote via the internet, follow the instructions on the Notice or go to the internet address stated on your proxy card. To vote by telephone, call the number on your proxy card. If you receive only the Notice, you may follow the procedures outlined in the Notice to vote via the internet or request a proxy card.

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As an alternative to voting by telephone or via the internet, you may vote by mail. If you receive only the Notice, you may follow the procedures outlined in the Notice to request a paper proxy card to submit your vote by mail. If you receive a paper copy of the proxy materials and wish to vote by mail, simply mark your proxy card, date and sign it and return it in the postage-prepaid envelope. If you do not have the postage-prepaid envelope, please mail your completed proxy card to the following address: Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

If you hold your shares of common stock through a broker, bank or other nominee, then you will receive a notice from such institution or person that includes instructions on how to vote your shares. Your broker, bank or other nominee will allow you to deliver your voting instructions via the internet and may also permit you to submit your voting instructions by telephone. In addition, you may request paper copies of our Proxy Statement and proxy card by following the instructions on the notice provided by your broker, bank or other nominee.

The internet and telephone voting facilities will close at 11:59 p.m., Eastern Time, on May 5, 2014. Stockholders who submit a proxy via the internet should be aware that they may incur costs to access the internet, such as usage charges from telephone companies or internet service providers and that these costs must be borne by such stockholders. Stockholders who submit a proxy via the internet or by telephone need not return a proxy card or the form forwarded by your broker, bank or other nominee by mail.

YOUR VOTE IS VERY IMPORTANT. You should submit your proxy even if you plan to attend the annual meeting. If you properly give your proxy and submit it to us in time to vote, the individuals named as your proxy holders will vote your shares as you have directed.

All shares entitled to vote and represented by properly submitted proxies (including those submitted via the internet, by telephone and by mail) received before the polls are closed at the annual meeting, and not revoked or superseded, will be voted at the annual meeting in accordance with the instructions indicated on those proxies. If no direction is indicated on a proxy, such shares will be voted by the proxy holders named in the enclosed proxy according to the recommendation of our Board: **FOR** the election of each of the ten director nominees; **FOR** ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2014; **FOR** approval of the compensation of our named executive officers; **FOR** approval of the amendment and restatement of our Amended and Restated Certificate of Incorporation to provide stockholders with the right to act by written consent; and **AGAINST** the stockholder proposal. In their discretion, the proxy holders named in the proxy are authorized to vote on any other matters that may properly come before the annual meeting and at any continuation, postponement or adjournment of the annual meeting. As of the date of this Proxy Statement, our Board is not aware of any other items of business that will be presented for consideration at the annual meeting other than those described in this Proxy Statement.

Voting in Person

If you plan to attend the annual meeting and wish to vote in person, you will be given a ballot at the annual meeting. Please note that if your shares are held of record by a broker, bank or other nominee, and you decide to attend and vote at the annual meeting, your vote in person at the annual meeting will not be effective unless you present a legal proxy, issued in your name from your broker, bank or other nominee. Even if you plan to attend the annual meeting, we encourage you to submit your proxy to vote your shares in advance of the annual meeting.

Stockholders who wish to attend the annual meeting will be required to present verification of ownership of our common stock, such as a bank or brokerage firm account statement, and will be required to present a valid government-issued picture identification, such as a driver's license or passport, to gain admittance to the annual meeting.

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the annual meeting.

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How You May Revoke or Change Your Vote

As a stockholder of record, you have the power to revoke your proxy at any time before it is voted. A proxy may be revoked by a stockholder of record by:

delivering a written notice of revocation to our Secretary at or before the annual meeting;

presenting to our Secretary, at or before the annual meeting, a later dated proxy executed by the person who executed the prior proxy;

submitting another proxy by telephone or via the internet (your latest telephone or internet voting instructions are followed); or

attending the annual meeting and voting in person.

Attendance at the annual meeting will not, by itself, revoke a proxy. Any written notice of revocation or delivery of a subsequent proxy by a stockholder of record may be sent to Allergan, Inc., Attn: Secretary, P.O. Box 19534, Irvine, CA 92623, or hand delivered to our Secretary at or before the voting at the annual meeting.

If you hold your shares through a broker, bank or other nominee, you may change your vote by submitting new voting instructions to your broker, bank or other nominee. If you wish to vote in person, you must obtain a legal proxy issued to you by your broker, bank or other nominee.

Quorum and Required Vote

The inspector of elections appointed for the annual meeting will tabulate votes cast by proxy or in person at the annual meeting. The inspector of elections will also determine whether a quorum is present. In order to constitute a quorum for the conduct of business at the annual meeting, a majority of the outstanding shares of our common stock entitled to vote at the annual meeting must be present or represented by proxy at the annual meeting. Shares that abstain from voting on any proposal, or that are represented by broker non-votes (as discussed below), will be treated as shares that are present and entitled to vote at the annual meeting for purposes of determining whether a quorum is present.

A broker holding shares of record for you is not entitled to vote on certain matters unless the broker receives voting instructions from you. Broker non-votes result when shares are held by a broker who has not received voting instructions from the beneficial owner and the broker has so notified us on a proxy form in accordance with industry practice or has otherwise advised us that the broker lacks voting authority.

Election of Directors: Item No. 1. Our Amended and Restated Bylaws provide for a majority voting standard in the election of directors in uncontested elections, which are generally defined as elections in which the number of nominees does not exceed the number of directors to be elected at the meeting. In the election of directors, you may either vote for, against or abstain. Cumulative voting is not permitted. Under our majority voting standard, in uncontested elections of directors, such as this election, each director must be elected by the affirmative vote of a majority of the votes cast by the shares present in person or represented by proxy and entitled to vote. A majority of the votes cast means that the number of votes cast for a director nominee exceeds the number of votes cast against the nominee. Abstentions and broker non-votes will not count as a vote for or against a nominee's election and thus will have no effect in determining whether a director nominee has received a majority of the votes cast.

Our Board has adopted a policy under which, in uncontested elections, an incumbent director nominee who does not receive the required votes for re-election is expected to tender his or her resignation to our Board. The Corporate Governance and Compliance Committee, or another duly authorized committee of our Board, will determine whether to accept or reject the tendered resignation generally within 90 days after certification of the election results. Allergan will publicly disclose the committee's determination regarding the tendered resignation and the rationale behind the decision in a Current Report on Form 8-K filed with the SEC.

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Ratification of Independent Registered Public Accounting Firm: Item No. 2. The approval of Item No. 2, ratifying the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2014, requires the affirmative vote of a majority of shares present at the annual meeting, in person or by proxy, and entitled to vote on the proposal. Abstentions on Item No. 2 will have the same effect as a vote against Item No. 2. The approval of Item No. 2 is a routine proposal on which a broker or other nominee is generally empowered to vote. Accordingly, no broker non-votes will likely result from this proposal.

Advisory Vote to Approve the Compensation of our Named Executive Officers: Item No. 3. The approval of Item No. 3, regarding the compensation of our named executive officers, requires the affirmative vote of a majority of shares present at the annual meeting, in person or by proxy, and entitled to vote on the proposal. Abstentions will have the same effect as votes against this proposal. Broker non-votes will have no effect on this proposal as brokers are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner.

Approval of the Amendment and Restatement of our Amended and Restated Certificate of Incorporation: Item No. 4. The approval of Item No. 4, regarding the amendment and restatement of our Amended and Restated Certificate of Incorporation, requires the affirmative vote of a majority of shares outstanding. Abstentions and broker non-votes will have the same effect as votes against this proposal.

Stockholder Proposal: Item No. 5. The approval of the non-binding stockholder proposal under Item No. 5, if properly presented at the annual meeting, requires the affirmative vote of a majority of the shares present at the annual meeting, in person or by proxy, and entitled to vote on the stockholder proposal. Abstentions will have the same effect as votes against the stockholder proposal. Broker non-votes will have no effect on this proposal as brokers are not entitled to vote on such proposals in the absence of voting instructions from the beneficial owner.

Costs of Solicitation

The total cost of this solicitation, including preparing, printing and mailing this Proxy Statement, will be borne by us. In addition to solicitation by mail, our officers and employees may solicit proxies by telephone, by internet or in person. We have retained Georgeson Inc. to assist in the solicitation of proxies for a fee estimated to be approximately \$9,000, plus the reimbursement of out-of-pocket expenses incurred on our behalf. We will also reimburse brokers, nominees, fiduciaries and other custodians for reasonable expenses incurred by them in sending proxy soliciting materials to the beneficial owners of our common stock.

Stockholder List

A list of stockholders entitled to vote at the annual meeting will be available for examination by any stockholder for any purpose germane to the annual meeting during ordinary business hours at our corporate headquarters located at 2525 Dupont Drive, Irvine, California 92612 for the ten days prior to the annual meeting, and also at the annual meeting.

Confidentiality

It is our policy that all proxies, ballots and voting materials that identify the particular vote of a stockholder be kept confidential, except in the following circumstances:

to allow the independent inspector of elections appointed for the annual meeting to certify the results of the vote;

as necessary to meet applicable legal requirements, including the pursuit or defense of a judicial action;

where we conclude in good faith that a bona fide dispute exists as to the authenticity of one or more proxies, ballots or votes, or as to the accuracy of the tabulation of such proxies, ballots or votes;

where a stockholder expressly requests disclosure or has made a written comment on a proxy card;

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where contacting stockholders by us is necessary to obtain a quorum, the names of stockholders who have or have not voted (but not how they voted) may be disclosed to us by the independent inspector of elections appointed for the annual meeting;

aggregate vote totals may be disclosed to us from time to time and publicly announced at the meeting of stockholders at which they are relevant; and

in the event of any solicitation of proxies or written consents with respect to any of our securities by a person other than us of which solicitation we have actual notice.

Table of Contents**Item No. 1****ELECTION OF DIRECTORS**

Our Board currently consists of ten members. The current term of office of each of our directors shall expire at the 2014 annual meeting of stockholders. Each of the ten directors are being nominated for a term expiring the date of our 2015 annual meeting of stockholders and until their successors are duly elected and qualified. Our Board appoints directors to fill vacancies on our Board, as they occur, as well as vacancies resulting from newly created directorships, in each instance upon the recommendation of the Corporate Governance and Compliance Committee. A director appointed to fill a vacancy shall serve a term that expires at the next annual meeting of stockholders.

Upon the recommendation of the Corporate Governance and Compliance Committee, our Board has nominated each of the following ten persons to be elected to serve for a one-year term expiring at the annual meeting of stockholders in 2015 and until his or her successor is duly elected and qualified. Each of the nominees for election currently serves as a director and has consented to serve for a new term. Each nominated director was elected by our stockholders to his or her present term of office, with the exception of Henri A. Termeer, who was appointed to our Board effective January 24, 2014. Effective immediately prior to the 2014 annual meeting of stockholders, the nominees serve on the following committees:

Nominee	Position with Us	Audit and Finance	Corporate Governance and Compliance	Organization and Compensation	Science & Technology
David E.I. Pyott	Chairman of the Board and Chief Executive Officer				
Michael R. Gallagher	Lead Independent Director		C	M	
Deborah Dunsire, M.D.	Director		M		M
Dawn Hudson	Director	M		C	
Trevor M. Jones, Ph.D.	Director		M		C
Louis J. Lavigne, Jr.	Director	M			M
Peter J. McDonnell, M.D.	Director		M		M
Timothy D. Proctor.	Director	M		M	
Russell T. Ray.	Director	C		M	
Henri A. Termeer	Director		M	M	

C indicates Chair and M indicates Member of the respective committee.

Board Recommendation

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE TEN NAMED DIRECTOR NOMINEES.

Although it is anticipated that each nominee will be able to serve as a director, should any nominee become unavailable to serve, the shares of our common stock represented by the proxies will be voted for such other person or persons as may be designated by our Board, unless our Board reduces the number of directors accordingly. As of the date of this Proxy Statement, our Board is not aware of any nominee who is unable or will decline to serve as a director.

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Information About Director Nominees

Set forth below are descriptions of the backgrounds of each nominee, their principal occupations for at least the past five years and their public-company directorships as of the record date as well as those held during the past five years. There are no relationships among any of our directors or among any of our directors and executive officers.

DAVID E.I. PYOTT, 60, has been our Chief Executive Officer since January 1998 and in 2001 became Chairman of the Board. Mr. Pyott also served as our President from January 1998 until February 2006, and again from March 2011 until June 2013. Mr. Pyott has driven the growth of Allergan by fueling internal development through significant investment in Research & Development while also identifying and leveraging unique, synergistic external opportunities. Allergan's investment in Research & Development has increased from less than \$100 million in 1998 to over \$1 billion in 2013. Allergan is currently the fastest growing and second largest global ophthalmic pharmaceutical company and holds leadership positions in other specialty areas including neurosciences, medical aesthetics and medical dermatology. In addition to internally driven innovation, Allergan acquired Inamed Corp. for over \$3 billion in 2006 and Groupe Laboratoires Cornéal in France in 2007 primarily for their breast implant and dermal filler technologies. In adding these products to BOTOX® Cosmetic, Allergan created a new global category: medical aesthetics, and is the world's largest medical aesthetics company.

Before joining Allergan, Mr. Pyott served as the Head of the Novartis Nutrition Division and as a member of the Executive Committee of the Switzerland-based Novartis AG, working over 17 years in several positions in strategic planning, marketing and general management in five countries around the world.

Mr. Pyott is also the lead independent director of the board of Avery Dennison Corporation, a publicly-traded company focused on pressure-sensitive technology and self-adhesive solutions, where he serves as Chairman of its Compensation and Executive Personnel Committee and as a member of its Governance and Social Responsibility Committee, and a member of the board of directors of Edwards Lifesciences Corporation, a publicly-traded company focused on products and technologies to treat advanced cardiovascular diseases, where he serves on its Audit and Public Policy Committee. Mr. Pyott is a former member of the board of Pacific Life Corp and Pacific Mutual Holding Company, the parent companies of Pacific Life Insurance Company. Mr. Pyott is a member of the Directors' Board of The Paul Merage School of Business at the University of California, Irvine. Mr. Pyott serves on the board and Executive Committee of the Biotechnology Industry Organization. Mr. Pyott also serves as a member of the board of the Pan-American Ophthalmological Foundation, President of the International Council of Ophthalmology Foundation and as a member of the Advisory Board for the Foundation of The American Academy of Ophthalmology. Mr. Pyott also serves as Vice Chairman of the Board of Trustees of Chapman University. Mr. Pyott was recognized in the Queen's Birthday Honors List in 2006 and holds the title of Commander of the British Empire.

Mr. Pyott's in-depth knowledge of our operations and the markets and industries in which we compete, combined with his entrepreneurial leadership experience in the healthcare industry, position him well to serve as our Chairman and Chief Executive Officer and provide a critical link between management and our Board, enabling our Board to provide its oversight function with the benefit of management's perspective of the business. For these reasons, and given Mr. Pyott's substantial public company governance experience from serving on the boards of several large public companies, our Board has concluded that Mr. Pyott should serve as one of our directors.

MICHAEL R. GALLAGHER, 68, was Chief Executive Officer and a Director of Playtex Products, Inc., a publicly-traded personal care and consumer products manufacturer, from July 1995 through his retirement in December 2004. Prior to that, Mr. Gallagher was Chief Executive Officer of North America for Reckitt & Colman plc, a consumer products company based in London. Mr. Gallagher was President and Chief Executive Officer of Eastman Kodak's subsidiary L&F Products, a cleaning products company, from 1988 until the subsidiary was sold to Reckitt & Colman plc in 1994. Mr. Gallagher held various executive positions with the Lehn & Fink Products group of Sterling Drug, maker of *Lysol*® and other household cleaning products, from 1984 until its sale to Eastman Kodak in 1988. Mr. Gallagher held various general management and brand management positions with The Clorox Company and The Procter & Gamble Company.

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Mr. Gallagher is a member of and past Chairman of the Board of Advisors of the Haas School of Business, University of California, Berkeley. Mr. Gallagher was elected to our Board in 1998, is Chairman of the Corporate Governance and Compliance Committee, is a member of the Organization and Compensation Committee and serves as our Board's lead independent director.

Our Board has concluded that, with more than three decades of experience in key leadership roles at public and private personal care and consumer products companies, including as the former Chief Executive Officer of Playtex Products, Mr. Gallagher provides our Board with a wealth of business and management experience, as well as invaluable broad-based personal care and consumer products experience and should serve as one of our directors and as our Board's lead independent director.

DEBORAH DUNSIRE, M.D., 51, has served as President and Chief Executive Officer of EnVivo Pharmaceuticals, a company dedicated to developing a broad range of novel therapies for central nervous system diseases since July 2013. Prior to joining EnVivo, she served as President and Chief Executive Officer of Millennium Pharmaceuticals, Inc., The Takeda Oncology Company, from July 2005 to July 2013. Prior to joining Millennium Pharmaceuticals, Dr. Dunsire was Senior Vice President, Head of North American Oncology Operations from July 2000 to July 2005, and Vice President, Oncology Business Unit from August 1996 to June 2000, of Novartis AG, a publicly-traded company focused on the research and development of products to protect and improve health and well-being. At Novartis, she helped increase the North American oncology revenues from approximately \$50 million to over \$2.1 billion in 10 years. From April 1988 to August 1996, Dr. Dunsire held various positions with Sandoz Laboratories, a pharmaceutical company, in the areas of product management, scientific development and clinical research.

Dr. Dunsire is a member of the boards of numerous nonprofit organizations, such as Gabrielle's Angels Foundation for Cancer Research, CancerCare, the Museum of Science, Boston, and the Massachusetts General Hospital Research Advisory Council. Dr. Dunsire was the 2001 recipient of the American Cancer Society's Excalibur Award and was the 2009 recipient of The Healthcare Businesswomen's Association's Woman of The Year. Dr. Dunsire is a graduate of the medical school of the University of the Witwatersrand, South Africa. Dr. Dunsire was appointed to our Board in December 2006 and is a member of the Corporate Governance and Compliance Committee and the Science & Technology Committee.

Dr. Dunsire brings to our Board considerable pharmaceutical management and operations experience. Dr. Dunsire also brings to our Board valuable insights as both a clinical researcher and a physician. Our Board has concluded that, with over 22 years of leadership experience in the scientific, clinical, operational and commercial aspects of the biological/pharmaceutical business, including as President and Chief Executive Officer of EnVivo Pharmaceuticals, President and Chief Executive Officer of Millennium Pharmaceuticals, Inc. and the head of the Novartis North American oncology operations, Dr. Dunsire should serve as one of our directors.

DAWN HUDSON, 56, has served as Vice Chairman of The Parthenon Group, an advisory firm focused on strategy consulting, since March 2009. Prior to that, Ms. Hudson served as President and Chief Executive Officer of Pepsi-Cola North America (PCNA), the multi-billion dollar refreshment beverage unit of PepsiCo, Inc. in the United States and Canada from March 2005 until November 2007. From May 2002 through March 2005, Ms. Hudson served as President of PCNA. In addition, Ms. Hudson served as Chief Executive Officer of PCNA and concurrently of the PepsiCo Foodservice Division from March 2005 to November 2007. Prior to joining PepsiCo, Ms. Hudson was Managing Director at D'Arcy Masius Benton & Bowles, a leading advertising agency based in New York.

In 2006 and 2007, Ms. Hudson was named among Fortune Magazine's 50 Most Powerful Women in Business and the Forbes 100 Most Powerful Women globally. In 2002, she received the honor of Advertising Woman of the Year by Advertising Women of New York. Ms. Hudson was also inducted into the American Advertising Federation's Advertising Hall of Achievement, and has been featured twice in Advertising Age's Top 50 Marketers. Ms. Hudson is a director of Lowe's Companies, Inc., a publicly-traded nationwide chain of home improvement superstores, where she serves on the Compensation Committee and the Governance Committee, and Interpublic Group of Companies, a publicly-traded company, one of the world's leading organizations of advertising agencies and marketing services companies where she serves on the Audit

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Committee. She also serves since August 2013 as a director of Nvidia, a computer graphics company, where she serves on the Compensation Committee. Ms. Hudson is a former director of P.F. Chang's China Bistro, Inc. Ms. Hudson was appointed to our Board effective January 2008, is Chairman of the Organization and Compensation Committee and is a member of the Audit and Finance Committee.

Having served in key leadership roles at PepsiCo and previously as a Managing Director of a leading advertising agency, Ms. Hudson contributes considerable management experience to our Board as well as valuable expertise and insights in consumer brand management, business strategy and marketing. In addition, by serving on the boards of several large public companies, Ms. Hudson also brings to our Board considerable public company governance experience. For these reasons, our Board has concluded that Ms. Hudson should serve as one of our directors.

TREVOR M. JONES, PH.D., 71, served as the Director General of the Association of the British Pharmaceutical Industry, an association representing the interests of approximately 75 British and international pharmaceutical companies, from 1994 through his retirement in August 2004. From 1987 to 1994, Prof. Jones was a director at Wellcome plc, a major healthcare business that merged with GlaxoSmithKline plc, where he was responsible for all research and development activities. At Wellcome, Prof. Jones led the successful development of numerous pharmaceutical compounds, as well as a number of over-the-counter medicines. Prof. Jones received his bachelor of pharmacy degree and Ph.D. from the University of London and is currently a visiting professor at King's College London. He has also gained an honorary doctorate from the University of Athens as well as honorary doctorates in science from the Universities of Strathclyde, Nottingham, Bath and Bradford in the United Kingdom. Prof. Jones was recognized in the Queen's Honors List and holds the title of Commander of the British Empire. He is also a fellow of the Royal Society of Chemistry, a fellow of the Royal Society of Medicine, a fellow of the Royal Pharmaceutical Society, an honorary fellow of the Royal College of Physicians and of its Faculty of Pharmaceutical Medicine and an honorary fellow of the British Pharmacological Society.

Prof. Jones is a member of the board of Arthurian Life Sciences Ltd., an investment fund established by the government of Wales with the objective of supporting and growing employment in life sciences and wealth creation in Wales, Simbec Research Ltd, a leading clinical research organization in the United Kingdom and one of the longest established Contract Research Organizations in Europe, Synexus Ltd., a clinical study recruitment and management specialist organization, and Verona Pharma plc, a public biotechnology company dedicated to research in respiratory diseases. Prof. Jones is a founder of the Geneva-based public-private partnership, Medicines for Malaria Venture and a founder and board member of the UK Stem Cell Foundation. Prof. Jones is a former chairman of the boards of ReNeuron Group plc and Synexus Ltd. Prof. Jones is also a former member of the boards of NextPharma Technologies Holdings Ltd., Sigma-Tau Industrie Farmaceutiche Riunite S.p.A., ReNeuron Group plc, Tecnogen S.p.A., Sigma-Tau Finanziaria S.p.A. and Sigma-Tau Pharmaceuticals, Inc. Prof. Jones was appointed to our Board in July 2004 and is a member of the Corporate Governance and Compliance Committee and is Chairman of the Science & Technology Committee.

With over 43 years of experience in research and development, and experience in the European and global pharmaceutical industry, Prof. Jones brings to our Board valuable insights in the areas of global pharmaceutical management and operations, as well as drug development. Serving as a member of the UK Government Regulatory Agency-The Medicines Commission, a member of the Prime Minister's Task Force on the Competitiveness of the Pharmaceutical Industry, and as Chair of the Government Advisory Group on Genetics Research, Prof. Jones also brings to our Board in-depth government relations experience. For these reasons, our Board has concluded that Prof. Jones should serve as one of our directors.

LOUIS J. LAVIGNE, JR., 65, is Managing Director of Lavrite, LLC, a management consulting firm in the areas of corporate finance, accounting, management and strategy since March 2005. Prior to these consulting activities, Mr. Lavigne served as Executive Vice President and Chief Financial Officer of Genentech, Inc., a publicly-traded biotechnology company, from March 1997 through his retirement in March 2005. Mr. Lavigne joined Genentech in July 1982, was named controller in 1983 and, in that position, built Genentech's operating financial functions. In 1986, he was promoted to Vice President and assumed the position of Chief Financial Officer in September of 1988. Mr. Lavigne was named Senior Vice President in 1994 and was promoted to Executive Vice President in 1997. Prior to joining Genentech, he held various financial management positions with Pennwalt Corporation, a pharmaceutical and chemical company.

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Mr. Lavigne serves on the board of Accuray Incorporated, a publicly-traded company specializing in the design, development and sale of the CyberKnife System, an image-guided robotic radiosurgery system used for the treatment of solid tumors, and is Chairman of the Board and serves on its Organization and Compensation Committee. He also serves on the board and Audit Committee of Depomed, Inc., a publicly-traded specialty pharmaceutical company focused on treating pain and other central nervous system conditions. Mr. Lavigne also serves on the boards of and is the Chairman of the Audit Committee for DocuSign, Inc., a privately-held digital transaction management company, SafeNet Inc., a privately-held computer security company, and Novocure Limited, a privately-held oncology company. Mr. Lavigne is a board member of Children’s Hospital Oakland, where he serves as Chairman of the Board of the Hospital and Foundation at the Children’s Enterprise Executive Council with the University of California, San Francisco and is a member of the Audit Committee. Mr. Lavigne is a faculty member of the Babson College Executive Education’s Bio-Pharma: Mastering the Business of Science program. Mr. Lavigne is also a Trustee of Babson College and Babson Global. Mr. Lavigne is a former member of the board and Chairman of the Audit Committees of Arena Pharmaceuticals, BMC Software, Inc., Equinix, Inc. and Kyphon, Inc. Mr. Lavigne is also a former Trustee of the California Institute of Technology and the Seven Hills School. Mr. Lavigne was appointed to our Board in July 2005 and is a member of the Audit and Finance Committee and the Science & Technology Committee.

As the former Executive Vice President and Chief Financial Officer of Genentech, where Mr. Lavigne was a member of Genentech’s Executive Committee and was responsible for Genentech’s financial, corporate relations and information technology functions, Mr. Lavigne brings to our Board a wealth of management, business operations, finance and accounting and business strategy experience in the biotechnology and pharmaceutical industries, which has led our Board to conclude that Mr. Lavigne should serve as one of our directors. Serving on the boards of several large public companies and as a member of the West Audit Committee Chair Networks, Mr. Lavigne also brings to our Board substantial public company corporate governance experience. Given his expertise in finance and accounting, Mr. Lavigne has been determined to be an audit committee financial expert by our Board.

PETER J. McDONNELL, M.D., 55, has served as the Director and William Holland Wilmer Professor of the Wilmer Eye Institute of the Johns Hopkins University School of Medicine since 2003, where he leads the Wilmer Eye Institute, the largest academic ophthalmology department in the country. Dr. McDonnell has also served as the Chief Medical Editor of *Ophthalmology Times* since 2004, and has served on the editorial boards of numerous ophthalmology journals. He served as a consultant to the United States Department of Health and Human Services in 1996 and also served as the Assistant Chief of Service at the Wilmer Eye Institute from 1987 to 1988.

Dr. McDonnell is a Member of the American Academy of Ophthalmology, American University Professors of Ophthalmology, Association for Research in Vision and Ophthalmology, Maryland Society of Eye Physicians and Surgeons, and Pan American Association of Ophthalmology. In 1999, Dr. McDonnell was named the Irving H. Leopold Professor and Chair of the Department of Ophthalmology at the University of California, Irvine. Dr. McDonnell is the recipient of research grants from the National Eye Institute, Research to Prevent Blindness, and other funding agencies. The American Academy of Ophthalmology honored Dr. McDonnell with the Honor Award in 1991 and the Senior Achievement Award in 2001. Dr. McDonnell is the elected president of the National Alliance for Eye and Vision Research, a board member of the Doheny Eye Institute, and a former member of the board of Tissue Banks International. Dr. McDonnell was appointed to our Board in January 2013, and is a member of the Corporate Governance and Compliance Committee and Science & Technology Committee.

Our Board has concluded that Dr. McDonnell should serve as one of our directors because he provides our Board with wide-ranging expertise in ophthalmology and is widely recognized as an international leader in corneal transplantation, laser refractive surgery and the treatment of dry eye. Dr. McDonnell’s depth of expertise in one of our most important specialty areas and the foundation of our success will benefit our Board and Allergan.

TIMOTHY D. PROCTOR, 64, served as General Counsel of Diageo plc, the world’s leading premium drinks business with a broad range of beverage alcohol brands across spirits, beer and wine, from January 2000 to June

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2013. Prior to joining Diageo, Mr. Proctor served as the Director, Worldwide Human Resources, of Glaxo Wellcome, plc (now GlaxoSmithKline plc), a British multinational pharmaceutical company, from 1998 to 1999. From 1993 to 1998, Mr. Proctor held various roles with the United States operation subsidiary of Glaxo Wellcome, plc, including Senior Vice President, Human Resources, General Counsel and Secretary. Prior to that, Mr. Proctor served in senior legal roles at Merck & Co., a publicly-traded pharmaceutical company, from 1980 to 1993.

Mr. Proctor is a member of the several notable legal associations, including the American Bar Association, Association of Corporate Counsel and the International Bar Association. Mr. Proctor has previously served on the boards of Wachovia Corporation and Northwestern Mutual Life and on the charitable boards for the Association of Corporate Counsel, CARE USA, Duke Law School, and the North Carolina Symphony Orchestra. Mr. Proctor was appointed to our Board in February 2013 and is a member of the Audit and Finance Committee and the Organization and Compensation Committee.

Mr. Proctor brings to our Board a depth of international expertise and is a well-respected leader in the area of international law. Our Board has concluded that, with more than 35 years of domestic and international corporate legal experience, Mr. Proctor should serve as one of our directors.

RUSSELL T. RAY, 66, has served as a Special Advisor to HLM Venture Partners, a private equity firm that provides venture capital to health care information technology, health care services and medical technology companies, since January 1, 2014 and Partner from September 1, 2003 to December 31, 2013. Mr. Ray was Founder, Managing Director and President of Chesapeake Strategic Advisors, a firm specializing in providing advisory services to health care and life sciences companies, from April 2002 to August 2003. From June 1999 to March 2002, Mr. Ray was Managing Director and Global Co-Head of the Credit Suisse First Boston Health Care Investment Banking Group, where he focused on providing strategic and financial advice to life sciences, health care services and medical device companies. Prior to joining Credit Suisse First Boston, Mr. Ray spent 12 years at Deutsche Bank, and its predecessor entities BT Alex. Brown and Alex. Brown & Sons, Inc., and most recently as Global Head of Health Care Investment Banking.

During Mr. Ray's investment banking career he successfully completed over 175 acquisitions and financing transactions for health care companies in the United States, Europe and Israel. Mr. Ray is a Director of Prism Education Group, Inc., a closely-held post-secondary career education company and SWP Media, Inc., a closely-held distributor of digital content. Mr. Ray served as a director of InfoMedics, Inc., a closely-held healthcare information technology company, from December 2009 through December 2012 when the company was acquired. Mr. Ray is also a director of the Midwest Peregrine Society. Mr. Ray is a former director of Socios Mayores en Salud. Mr. Ray was elected to our Board in April 2003, is Chairman of the Audit and Finance Committee and is a member of the Organization and Compensation Committee.

Mr. Ray is a leading expert with extensive knowledge and experience in the banking and health care industries. He contributes to our Board over 30 years of business strategy, finance and investment banking experience for life sciences, health care services and medical device companies. For these reasons, our Board has concluded that Mr. Ray should serve as one of our directors. Given his expertise in finance and accounting, Mr. Ray has been determined to be an audit committee financial expert by our Board.

HENRI A. TERMEER, 67, served as President and a director of Genzyme Corporation, a global biotechnology company, beginning October 1983, as Chief Executive Officer beginning 1985 and as Chairman of the Board beginning May 1988. Mr. Termeer resigned from Genzyme in June 2011 following the acquisition of Genzyme by Sanofi in a transaction valued at more than \$20 billion. In 2008, he was appointed to Massachusetts Governor Deval Patrick's Council of Economic Advisors.

Mr. Termeer is Chairman of the Board of Aveo Pharmaceuticals, a publicly-traded cancer therapeutics company, and a member of the boards of ABIOMED Inc., a publicly-traded medical device company, Verastem, Inc., a publicly-traded biopharmaceutical company, Medical Simulation Corporation, a privately-held healthcare industry consulting service provider and Moderna Therapeutics, a privately-held biotechnology company. Mr. Termeer is a director of Massachusetts General Hospital, a board member of Partners HealthCare and a

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member of the board of fellows of Harvard Medical School. Mr. Termeer is also a member of the board of the Massachusetts Institute of Technology and serves on its Executive Committee, is a board member of the Biotechnology Industry Organization, the Life Sciences Foundation, WGBH and Boston Ballet. He is Chairman Emeritus of the New England Healthcare Institute, a nonprofit, applied research health policy organization he was instrumental in founding. Mr. Termeer was a former member of the board of the Federal Reserve Bank of Boston from 2007 to 2011 and its chairman from 2010 to 2011, and a former member of the board of Pharmaceutical Research and Manufacturers of America. In 2010, Mr. Termeer was inducted into the Academy of Distinguished Entrepreneurs, which was established by Babson College to recognize the economic and social contributions of business pioneers. Mr. Termeer received the Pharmaceuticals and Biotechnology Lifetime Achievement Award from Frost and Sullivan in 2009, and was selected by Ernst & Young for its Master Entrepreneur Award in 2007 for the role he has played in guiding the overall development of the biotech industry. Mr. Termeer has also been inducted as a Fellow in the American Academy of Arts and Sciences and was elected in 2005 to Honorary Fellowship at the British Royal College of Physicians. Mr. Termeer was appointed to our Board in January 2014, is a member of the Corporate Governance and Compliance Committee and the Organization and Compensation Committee.

Mr. Termeer brings to our Board over 30 years of experience in key leadership roles at Genzyme, a global biotechnology company dedicated to making a major impact on the lives of people with serious diseases. Mr. Termeer provides our Board with a wealth of expertise in the pharmaceutical and biotechnology industries, having served as a director of several public and private healthcare companies and organizations. For these reasons, our Board has concluded that Mr. Termeer should serve as one of our directors.

Table of Contents**Item No. 2****RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit and Finance Committee of our Board is responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm. The Audit and Finance Committee has selected Ernst & Young LLP (Ernst & Young) as our independent registered public accounting firm for fiscal year 2014 and has further directed that management submit the selection of the independent registered public accounting firm for ratification by our stockholders at the annual meeting. Ernst & Young has audited our financial statements since June 24, 2005.

Although ratification by our stockholders is not a prerequisite to the Audit and Finance Committee's ability to select Ernst & Young as our independent registered public accounting firm, the Audit and Finance Committee believes such ratification is advisable and in the best interests of our stockholders. Accordingly, stockholders are being requested to ratify, confirm and approve the selection of Ernst & Young as our independent registered public accounting firm to conduct the annual audit of our consolidated financial statements and our internal controls over financial reporting for fiscal year 2014. If the stockholders do not ratify the selection of Ernst & Young, the selection of our independent registered public accounting firm will be reconsidered by the Audit and Finance Committee; provided, however, the Audit and Finance Committee may select Ernst & Young notwithstanding the failure of our stockholders to ratify its selection. If the appointment of Ernst & Young is ratified, the Audit and Finance Committee will continue to conduct an ongoing review of Ernst & Young's scope of engagement, pricing and work quality, among other factors, and will retain the right to replace Ernst & Young at any time.

Board Recommendation

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF ERNST & YOUNG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2014.

Audit Matters**Independent Registered Public Accounting Firm's Fees**

Aggregate fees billed to us for the fiscal years ended December 31, 2013 and December 31, 2012 by our independent registered public accounting firm, Ernst & Young, are as follows:

Type of Fees	2013	2012
Audit Fees(1)	\$ 5,552,211	\$ 5,040,053
Audit-Related Fees(2)	109,516	14,950
Tax Fees(3)	179,844	133,815
All Other Fees(4)	509,624	440,650
Total	\$ 6,351,195	\$ 5,629,468

- (1) Represents the aggregate fees billed to us by Ernst & Young for professional services rendered for the audit of our annual consolidated financial statements and our internal controls over financial reporting, for the reviews of our consolidated financial statements included in our Form 10-Q filings for each fiscal quarter, for statutory audits of our international operations, and procedures with respect to registration statements.
- (2) Represents the aggregate fees billed to us by Ernst & Young for assurance and related services that are reasonably related to the performance of the audit and review of our consolidated financial statements that are not already reported in Audit Fees. These services include accounting consultations and attestation services that are not required by statute.

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- (3) Represents the aggregate fees billed to us by Ernst & Young for professional services relating to tax compliance and tax advice.

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- (4) Represents the aggregate fees billed to us by Ernst & Young for other professional services primarily relating to procedures performed in the role of independent review organization as required by our Corporate Integrity Agreement.

Independent Registered Public Accounting Firm's Independence and Attendance at the Annual Meeting

The Audit and Finance Committee has considered whether the provision of the above noted services by Ernst & Young is compatible with maintaining the independent registered public accounting firm's independence and has determined that the provision of such services by Ernst & Young has not adversely affected the independent registered public accounting firm's independence.

Representatives of Ernst & Young are expected to be present at the annual meeting, will have the opportunity to make a statement if they so request, and will be available to respond to appropriate questions.

Policy on Audit and Finance Committee Pre-Approval

As part of its required duties, the Audit and Finance Committee pre-approves audit and non-audit services performed by our independent registered public accounting firm to assure that the provision of such services does not impair the independent registered public accounting firm's independence. The Audit and Finance Committee has adopted a policy for the pre-approval of audit and non-audit services rendered by our independent registered public accounting firm. The policy generally provides that services are to be pre-approved, up to specified amounts, in the defined categories of audit services, audit-related services, tax services and other related services, and sets requirements for specific case-by-case pre-approval of discrete projects that are not otherwise pre-approved or for services over the pre-approved amounts. Pre-approval may be given as part of the Audit and Finance Committee's approval of the scope of the engagement of the independent registered public accounting firm or on an individual basis. The pre-approval of services may be delegated to one or more of the Audit and Finance Committee's members, but the decision must be presented to the full Audit and Finance Committee at its next scheduled meeting. The policy prohibits retention of the independent registered public accounting firm to perform the prohibited non-audit functions defined in Section 201 of the Sarbanes-Oxley Act of 2002 or the rules of the SEC and also considers whether proposed services are compatible with the independence of the independent registered public accounting firm. All services provided by our independent registered public accounting firm in 2013 were pre-approved in accordance with the Audit and Finance Committee's pre-approval requirements.

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Item No. 3

ADVISORY VOTE TO APPROVE THE COMPENSATION

OF OUR NAMED EXECUTIVE OFFICERS

(SAY-ON-PAY VOTE)

Summary

We are asking our stockholders to provide advisory approval of the compensation of our named executive officers (which consist of our Chief Executive Officer, Chief Financial Officer and our other three highest paid executive officers), as such compensation is described in the Compensation Disclosure section of this Proxy Statement, beginning on page 36. In 2013, our stockholders approved the 2012 compensation of our named executive officers with a 91.5% approval rating. The following is a summary of some of the key points of our 2013 executive compensation program. We urge our stockholders to review the Compensation Disclosure Compensation Discussion and Analysis section of this Proxy Statement on page 36.

2013 Company Financial Performance and Total Stockholder Return. Our positive financial and operating results continued during 2013:

Adjusted diluted earnings per share attributable to continuing operations increased 18.1% to \$4.77. The adjusted earnings per share value used to calculate our 2012 bonus awards was further adjusted to give effect to the delayed adoption of the 2012 U.S. Research and Development tax credit (the 2012 R&D Tax Credit). After giving effect to the 2012 R&D Tax Credit, the adjusted earnings per share attributable to continuing operations increase in 2013 was 16.6%.

Annual sales revenues increased 11.7% to \$6,197.5 million.

Research and development reinvestment was 16.8% of sales revenue, or \$1,042.3 million.

Our total stockholder return (stock price appreciation plus dividends) (TSR) for the one-, three- and five-year periods ending on December 31, 2013 was 21.3%, 17.7% and 22.8%, respectively.

We emphasize pay-for-performance and tie a significant amount of our named executive officers pay to our performance. Consistent with our performance-based compensation philosophy, approximately 83% of our named executive officers potential compensation for 2013 was comprised of either performance- and/or equity-based programs. The performance goals under our bonus program are key drivers of performance in our business, in order to ensure quality earnings per share while continuing to reinvest in the long-term growth of our business through research and development.

We believe that our executive compensation programs are strongly aligned with the long-term interests of our stockholders. We believe that equity awards coupled with our stock ownership guidelines serve to align the interests of our executives with those of our long-term stockholders by encouraging long-term performance. As such, equity awards are a key component of our executive compensation program. In 2013, equity awards represented approximately 67% of our named executive officers aggregate cash and equity compensation. Stock options closely align the interests of our executives with those of our stockholders because our executives will only realize a return on the option if our stock price increases over the term of the option. In addition, awards of stock options align with our growth strategy and provide significant leverage if our growth objectives are achieved; they also place a significant portion of the executives compensation at risk if our objectives are not achieved and provide no guaranteed value.

We are committed to having strong governance standards in place with respect to our executive compensation programs, procedures and practices. The Organization and Compensation Committee (the Compensation Committee) consistently reviews our executive compensation program to ensure that it not only provides competitive pay opportunities, but also reflects best practices. As part of its commitment to strong corporate governance and best practices, the Compensation Committee has retained an external, independent compensation consultant and has incorporated compensation analytical tools such as market surveys, tally sheets,

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compensation history for each executive and termination analyses as part of its annual executive compensation review. The Compensation Committee has implemented claw-back provisions in our incentive plans, stock ownership guidelines, prohibitions on hedging, short-selling and trading derivative company securities, equity compensation grant procedures and an annual process to assess the risks related to our company-wide compensation programs. In addition, the Compensation Committee recently expanded the Company's claw-back policy to permit the Compensation Committee to cause the Company to recoup certain compensation paid to applicable executive officers in the event such officer engages in misconduct, or is negligent in exercising his or her responsibility to manage or monitor conduct or risks, that results in a material violation of law or Company policy that causes significant financial or reputational harm to the Company.

Board Recommendation

Our Board believes that the information provided above and within the Compensation Disclosure section of this Proxy Statement demonstrates that our executive compensation program was designed appropriately and is working to ensure that management's interests are aligned with our stockholders' interests and support long-term value creation.

The Board has approved holding a say-on-pay advisory vote every year. In accordance with this policy and Section 14A of the Securities Exchange Act of 1934, as amended, and as a matter of good corporate governance, we are asking stockholders to approve the following advisory resolution at the annual meeting:

RESOLVED, that the stockholders of Allergan approve, on an advisory basis, the compensation of Allergan's named executive officers, as disclosed in the Compensation Discussion and Analysis, compensation tables and narrative discussion set forth in this Proxy Statement.

The say-on-pay vote is advisory, and therefore not binding on the Company, Compensation Committee or our Board. Although non-binding, the Board and the Compensation Committee will review and consider the voting results when making future decisions regarding our executive compensation program. Unless the Board modifies its policy on the frequency of future say-on-pay advisory votes, the next say-on-pay advisory vote will be held at the 2015 annual meeting of stockholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR APPROVAL OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS, AS DESCRIBED IN THE COMPENSATION DISCUSSION AND ANALYSIS, COMPENSATION TABLES AND NARRATIVE DISCUSSION SET FORTH IN THIS PROXY STATEMENT.

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Item No. 4

APPROVE THE AMENDMENT AND RESTATEMENT OF OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

The Board recommends that our stockholders approve a further amendment and restatement of our Amended and Restated Certificate of Incorporation (the *Certificate*) that would permit our stockholders to effect corporate action by written consent. Consistent with the General Corporation Law of the State of Delaware (the *DGCL*), the *Certificate* and our Amended and Restated Bylaws (the *Bylaws*) currently provide that any action required or permitted to be taken by our stockholders may be taken only upon the vote of our stockholders at an annual or special meeting duly called and may not be taken by written consent.

With rare exceptions, the annual meeting of stockholders is sufficient to handle all business on which stockholders must act. Where action is required outside of the annual meeting, the Board recently recommended, and our stockholders approved, amendments to the *Certificate* to give our stockholders the right to request special stockholder meetings. The ability to request a special stockholder meeting gives our stockholders a powerful means to consider and approve stockholder-sponsored action and timely effect changes, while retaining the processes that ensure that stockholders act in a deliberate and fully informed manner. In contrast, stockholder action by written consent could allow fundamental corporate action to be taken in secrecy by stockholders that do not owe a fiduciary duty to all stockholders, without deliberation and comment from our management or the Board. Depriving stockholders of this important deliberative process, whereby stockholders can consider the advice of directors who owe a fiduciary duty to all stockholders, is contrary to our culture of open communication and good corporate governance. To mitigate these concerns, the Board is proposing the revisions to the *Certificate* that, while enabling stockholder action by written consent, include procedural safeguards to ensure that a stockholder action by written consent does not occur without adequate notice, transparency to all stockholders, time, and the recommendations of the Company's management and the Board. Without these procedural safeguards, stockholder action by written consent creates the potential for uninformed action and stockholder confusion and, in the face of an unsolicited takeover, may inhibit or disable the Company from pursuing superior alternatives, or realizing the highest value for the Company and our stockholders.

The Board believes that requiring holders of at least 25% of the voting power of our outstanding common stock to request a record date for any action taken by written consent provides our stockholders with a meaningful right to act by written consent, while mitigating the risk that corporate action is taken without the Board's knowledge and in the absence of deliberation or comment from our management or the Board. Additional procedural protections include: no record date for action by written consent may be set during the period commencing 90 days prior to the first anniversary of the date of the immediately preceding annual meeting and ending on the date of the final adjournment of the next annual meeting; action by written consent cannot cover business substantially similar to what was covered at an annual or special meeting held within one year, subject to certain exceptions; the stockholder request to set a record date must provide certain information regarding the business proposed to be conducted; and information regarding the stockholder giving notice and any person or entity acting in concert with the stockholder giving notice. To protect against stockholder disenfranchisement, the proposed amendments to the *Certificate* require that consents must be solicited from all stockholders, giving each stockholder the right to consider and act on a proposal. This protection would eliminate the possibility that a small group of stockholders could act without a public and transparent discussion of the merits of any proposed action, and without input from all of our stockholders. In addition, our proposed amendments to the *Certificate* include certain administrative changes.

This summary does not contain all the information that may be important to you. The complete text of the proposed further amendment and restatement of the *Certificate* (the *Revised Certificate*) is attached to this Proxy Statement as **Annex A**, and the complete text of the proposed further amendment and restatement of the *Bylaws* (the *Revised Bylaws*) is attached to this Proxy Statement as **Annex B**. To illustrate the proposed amendments in **Annexes A** and **B**, language that is struck through is proposed to be deleted from our current *Certificate* and *Bylaws*, respectively, and language that is underlined is proposed to be added to our current *Certificate* and *Bylaws*, respectively. You are urged to read **Annexes A** and **B** in their entirety.

An affirmative vote of a majority of outstanding shares entitled to vote generally in the election of directors is required to adopt the *Revised Certificate*. If approved by the stockholders, the *Revised Certificate* would become

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effective upon the filing of a certificate setting forth the amendment and restatement with the Secretary of State of the State of Delaware, which we would file promptly after the 2014 annual meeting of stockholders. If our stockholders approve the Revised Certificate, the Board proposes to adopt the Revised Bylaws, which would be effective upon the approval by our stockholders of the Revised Certificate.

OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE AMENDMENT AND RESTATEMENT OF OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION.

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Item No. 5

STOCKHOLDER PROPOSAL

A stockholder has informed the Company that he intends to present the non-binding proposal set forth below at the annual meeting. If the stockholders (or their respective qualified representatives) are present at the annual meeting and properly submit their proposals for a vote, then each such properly submitted stockholder proposal will be voted upon at the annual meeting.

In accordance with the federal securities laws, the stockholder proposal and supporting statement are presented below as submitted by the stockholder and are quoted verbatim in italics. The Company disclaims all responsibility for the content of the proposal and the supporting statement, including websites and other sources that may be referenced in the supporting statement. The stock holdings of the proponent will be provided upon request to the Secretary of the Company.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE AGAINST THE STOCKHOLDER PROPOSAL FOR THE REASONS STATED IN THE BOARD'S RESPONSE, WHICH FOLLOWS THE STOCKHOLDER PROPOSAL.

Mr. John Chevedden with an address of 2215 Nelson Avenue, No. 205, Redondo Beach, CA 90278, has notified the Company that he intends to submit the following proposal at the annual meeting:

RESOLVED: Shareholders request that our Board of Directors to adopt a policy, and amend other governing documents as necessary to reflect this policy, to require the Chair of our Board of Directors to be an independent member of our Board. This independence requirement shall apply prospectively so as not to violate any contractual obligation at the time this resolution is adopted. Compliance with this policy is waived if no independent director is available and willing to serve as Chair. The policy should also specify how to select a new independent chairman if a current chairman ceases to be independent between annual shareholder meetings.

When our CEO is our board chairman, this arrangement can hinder our board's ability to monitor our CEO's performance. Many companies already have an independent Chairman. An independent Chairman is the prevailing practice in the United Kingdom and many international markets. This proposal topic won 50%-plus support at 5 major U.S. companies in 2013 including 73%-support at Netflix. Plus David Pyott, our CEO/COB, was potentially distracted by his service on 3 company boards. And Michael Gallagher, our lead director, had the same 15-year tenure as Mr. Pyott, which detracts from his ability to have some sort of monitoring influence on Mr. Pyott. Meanwhile Mr. Pyott received \$41 million in one year and shareholders faced a potential 15% dilution. Dawn Hudson, who chaired our executive pay committee, was potentially distracted by her service on 4 company boards.

This proposal should also be more favorably evaluated due to our Company's clearly improvable environmental, social and corporate governance performance as reported in 2013:

GMI Ratings, an independent investment research firm, said Mr. Pyott could get long-term incentive pay for below-median performance. Unvested equity pay would not lapse upon CEO termination. Allergan did not have links to environmental or social performance in its incentive pay policies. And not one independent director had expertise in risk management.

Allergan shareholders have expressed their interest in governance reforms since 2011 by giving majority votes to proposals for annual election of each director, the right for shareholders to call a special meeting and the right for shareholder to act by consent (in 2013). GMI said Allergan had a higher accounting and governance risk than 89% of companies and had a higher shareholder class action litigation risk than 99% of all rated companies. Management also had a unilateral right to amend our company's by-laws without shareholder approval.

Returning to the core topic of this proposal from the context of our clearly improvable corporate governance, please vote to protect shareholder value.

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BOARD OF DIRECTORS RESPONSE TO THE STOCKHOLDER PROPOSAL

The Board Recommends a vote AGAINST the Stockholder Proposal for the following reasons:

Our Board of Directors has considered this proposal and has concluded that it is not in the best interests of the Company or its stockholders.

The Company's governing documents permit the roles of the Chairman of the Board and Chief Executive Officer to be filled by the same or different individuals. This flexibility permits the Board to choose a leadership structure that can be tailored to the strengths of the Company's officers and directors and best addresses the Company's evolving and highly complex business needs. The Board has previously exercised its discretion to bifurcate the Company's leadership structure, first between 1992 and 1995, when the our founder, Gavin S. Herbert, served as Chairman of the Board and William C. Shepherd served as Chief Executive Officer, then again between 1998 and 2001, when Herbert W. Boyer served as Chairman of the Board and Mr. Pyott served as Chief Executive Officer. The Board annually reviews the Company's leadership structure to determine whether combining or separating the roles of Chairman of the Board and Chief Executive Officer is in the best interests of the Company and its stockholders. In December 2013, the Board determined that maintaining the combined roles of Chairman of the Board and Chief Executive Officer in Mr. Pyott offers several distinct benefits to the Company and its stockholders. In determining that the Company and its stockholders are best served by having Mr. Pyott continue as Chief Executive Officer and Chairman of the Board, our Board considered the following benefits:

Mr. Pyott possesses unique knowledge regarding the Company's operations and the industries and markets in which the Company competes. This understanding of the challenges and opportunities the Company faces best positions Mr. Pyott to set the Board's agenda and lead effective discussions on important matters related to the Company's businesses.

Mr. Pyott is best situated to act as a bridge between management and the Board by promoting communication and coordinating the strategic objectives of both groups. The Board believes that having Mr. Pyott continue to serve as the Chairman and the leader of the management team optimizes the Company's ability to execute its initiatives to maximize stockholder value.

The combined role of Chief Executive Officer and Chairman of the Board unifies the message of the Company's leadership and facilitates centralized responsibility in one person so that there is no ambiguity about accountability.

The strength and effectiveness of the communications between Mr. Pyott and the Board's lead independent director results in effective Board oversight with respect to issues, operations, plans and prospects of the Company. Independent oversight of management is a keystone of the Company's corporate governance structure. The Board remains committed to having both a substantial majority of independent directors and a strong committee system – currently, 9 out of the 10 director nominees (90%) are independent as defined by the NYSE listing standards and the requirements of the SEC, with Mr. Pyott representing the sole exception. All members of the Board's key committees (Audit and Finance, Organization and Compensation, Corporate Governance and Compliance, and Science and Technology) are independent. This means that oversight of critical issues such as the integrity of the Company's financial statements, the efficacy of the Company's enterprise risk management program, executive development and succession, as well as the development and implementation of the Company's corporate governance policies and practices is entrusted to independent directors. In addition, the Organization and Compensation Committee annually evaluates the Chief Executive Officer's performance, determines the Chief Executive Officer's and other executive officer compensation, and has the sole authority to retain and to terminate the Company's outside compensation advisor. Further, the Company's independent directors routinely meet in executive session outside the presence of management, including at each regularly scheduled Board meeting, to review the Company's performance, management effectiveness, proposed programs and transactions and the Board meeting agenda items, as needed.

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Additionally, Mr. Gallagher, the Chairman of the Corporate Governance and Compliance Committee, serves as the Company's lead independent director. Mr. Gallagher's primary responsibilities as lead independent director include:

presiding over executive sessions of the Board and over Board meetings when the Chairman is not in attendance;

consulting with the Chairman and outside Board members on corporate governance practices and policies, and assuming the primary leadership role in addressing issues of this nature if, under the circumstances, it is inappropriate for the Chairman to assume such leadership;

meeting or communicating informally with the outside directors between Board meetings to assure free and open communication within the group of outside directors;

assisting the Chairman in preparing the Board agenda so that the agenda includes items requested by the outside directors;

administering the annual Board evaluation and reporting the results to the Corporate Governance and Compliance Committee; and

assuming such other responsibilities that the outside directors might designate from time to time.

Given Mr. Pyott's unique skillset, the Company's independent Board structure, role of the lead independent director and other strong corporate governance practices, the Board believes that mandating a separation of the positions of Chairman of the Board and Chief Executive Officer would weaken the Company's current leadership structure. Further, the proposal would deprive the Board of the valuable flexibility to exercise its business judgment in selecting the individual best suited to serve as Chairman of the Board in the future. Accordingly, the Board does not believe that implementing the proposal would be in the best interests of the Company or its stockholders.

THE BOARD OF DIRECTORS BELIEVES THAT THIS PROPOSAL IS NOT IN THE BEST INTERESTS OF ALL STOCKHOLDERS OR THE COMPANY AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE AGAINST THE STOCKHOLDER PROPOSAL.

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CORPORATE GOVERNANCE

Director Independence

Our Amended and Restated Bylaws and our Board of Directors Guidelines on Significant Corporate Governance Issues require that a majority of our directors meet the criteria for independence set forth under applicable securities laws, including the Securities Exchange Act of 1934, as amended (the Exchange Act), applicable rules and regulations of the SEC and applicable rules and regulations of the New York Stock Exchange (the NYSE). The NYSE Listed Company Manual and corresponding listing standards provide that, in order to be considered independent, our Board must determine that a director has no material relationship with us other than as a director. Our Board has reviewed the relationships between us, including our subsidiaries or affiliates, and each board member (and each such director's immediate family members).

Based on its review, our Board has affirmatively determined that none of Drs. Dunsire or McDonnell, Messrs. Gallagher, Lavigne, Proctor, Ray or Termeer, Ms. Hudson or Prof. Jones currently have any material relationship with us other than as a director and each is independent within the foregoing independence standards. Mr. Pyott was determined to not be independent based on his service as our President and Chief Executive Officer. Our Board's independence determinations included reviewing Prof. Jones and Dr. McDonnell's service as a director on the board of directors of a company with which Allergan had done business with and a commercial relationship between Allergan and a company where Dr. Dunsire previously served on the management team, where the amount was significantly less than \$1 million or 2% of such company's consolidated gross revenues.

Our Board has also determined that each member of the Audit and Finance Committee, the Corporate Governance and Compliance Committee, the Organization and Compensation Committee and the Science & Technology Committee, respectively, is independent under the applicable listing standards of the NYSE and, with respect to members of the Audit and Finance Committee, the audit committee requirements of the SEC. None of the members of these committees is an officer, employee or former employee of us or any of our subsidiaries.

Our Board of Directors Guidelines on Significant Corporate Governance Issues are available on the Corporate Governance & Certificates section of our website at www.allergan.com.

Board Meetings

Our business and affairs are managed under the direction of our Board. Our Board held five (5) full meetings during 2013 and each incumbent director attended at least 75% of those meetings when he or she was a member of our Board. Directors are also kept informed of our business through personal meetings and other communications, including considerable telephone contact with our Chairman of the Board, lead independent director and others regarding matters of interest and concern to us and our stockholders.

Executive Sessions

Our independent directors meet regularly in executive sessions without management. It is our Board's policy that our lead independent director presides over the executive sessions. If not present, a different independent director is selected by the independent directors to chair the executive session. Our Board has appointed Mr. Gallagher to serve as our lead independent director. Executive sessions of our independent directors are typically held in conjunction with each regularly scheduled board meeting; however, our lead independent director possesses the authority to call a meeting of our independent directors that is not in conjunction with a regularly scheduled board meeting.

Board Committees

Our Board has a standing Audit and Finance Committee, Corporate Governance and Compliance Committee, Organization and Compensation Committee and Science & Technology Committee. Our Board has reviewed, assessed the adequacy of, and approved a formal written charter for each of these committees, each of which is available on the Corporate Governance & Certificates section of our website at www.allergan.com.

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Audit and Finance Committee

The Audit and Finance Committee is composed of Mr. Ray (chairperson), Messrs. Lavigne and Proctor and Ms. Hudson. Our Board has determined that Messrs. Ray and Lavigne meet the definition of an audit committee financial expert, as set forth in Item 407(d)(5)(ii) of SEC Regulation S-K. The Audit and Finance Committee held ten (10) meetings during 2013 and each incumbent member of the Audit and Finance Committee attended at least 75% of the total meetings of the committee held when he or she was a member.

Pursuant to the charter adopted for the Audit and Finance Committee, the primary role of the Audit and Finance Committee is to assist our Board in its oversight of our financial reporting process. Our management is responsible for the preparation, presentation and integrity of our financial statements, and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Our independent registered public accounting firm is responsible for auditing our financial statements and expressing an opinion as to their conformity with generally accepted accounting principles as well as auditing our internal controls over financial reporting and expressing an opinion as to their effectiveness. The Audit and Finance Committee:

reviews the integrity of our financial statements, financial reporting process and systems of internal controls regarding finance, accounting and legal compliance;

assists our Board in its oversight of our compliance with legal and regulatory requirements;

assists our Board in its oversight of enterprise-wide risk management;

reviews the independence, qualifications and performance of our independent registered public accounting firm and internal audit department;

provides an avenue of communication among the independent registered public accounting firm, management, the internal audit department and our Board;

prepares the report that SEC rules require be included in our annual proxy statement;

reviews and discusses with management and our independent registered public accounting firm our annual audited consolidated financial statements, audit of internal controls over financial reporting and quarterly unaudited financial statements;

retains, terminates and annually reconfirms our independent registered public accounting firm for the fiscal year;

meets with our independent registered public accounting firm to discuss the scope and results of their audit examination and the fees related to such work;

meets with our internal audit department and financial management to:

review the internal audit department's activities and to discuss our accounting practices and procedures;

review the adequacy of our accounting and control systems; and

report to our Board any considerations or recommendations the Audit and Finance Committee may have with respect to such matters;

reviews the audit schedule and considers any issues raised by members of the Audit and Finance Committee, our independent registered public accounting firm, the internal audit staff, the legal staff or management;

reviews the independence of our independent registered public accounting firm, and the range of audit and non-audit services provided and fees charged by our independent registered public accounting firm;

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manages the receipt, retention and treatment of complaints we may receive regarding accounting, internal accounting controls or audit matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;

performs an annual self-evaluation;

pre-approves audit and non-audit services performed by our independent registered public accounting firm in order to assure that the provision of such services does not impair the independent registered public accounting firm's independence;

reviews, approves or modifies management recommendations on corporate financial strategy and policy and, where appropriate, makes recommendations to our Board; and

discusses with our management the certification of our financial reports by our principal executive officer and principal financial officer.

The report of the Audit and Finance Committee is on page 72 of this Proxy Statement.

Corporate Governance and Compliance Committee

The Corporate Governance and Compliance Committee is composed of Messrs. Gallagher (chairperson) and Termeer, Drs. Dunsire and McDonnell and Prof. Jones. The Corporate Governance and Compliance Committee held five (5) meetings during 2013 and each incumbent member of the Corporate Governance and Compliance Committee attended at least 75% of the total meetings of the committee held when he or she was a member. The Corporate Governance and Compliance Committee:

receives reports from management regarding compliance-related matters and provides general compliance oversight;

reviews and oversees compliance programs related to our Corporate Integrity Agreement;

considers the performance of incumbent directors;

considers and makes recommendations to our Board concerning the size and composition of our Board;

develops and recommends to our Board guidelines and criteria to determine the qualifications of directors;

considers and reports to our Board concerning its assessment of our Board's performance;

performs an annual self-evaluation;

considers, from time to time, our current board committee structure and membership;

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recommends changes to the amount and type of compensation of board members as appropriate;

makes recommendations to our Board from time to time as to matters of corporate governance, and reviews and assesses our Guidelines on Significant Corporate Governance Issues;

reviews and updates our Code of Business Conduct and Ethics and ensures that management has established a system to enforce the Code of Business Conduct and Ethics; and

reviews political spending by the Company and any affiliated political action committees.

The Corporate Governance and Compliance Committee is responsible for recommending qualified candidates for election as directors, including the slate of directors that our Board proposes for election by our stockholders

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at the annual meeting. In identifying, evaluating and selecting potential director nominees, including nominees recommended by our stockholders, the Corporate Governance and Compliance Committee generally engages in the following selection process:

the Corporate Governance and Compliance Committee, our Chief Executive Officer or any other board member identifies the need to add a new member to our Board with specific criteria or to fill a vacancy on our Board. Alternatively, stockholders may recommend a nominee for election to fill a vacancy or as an addition to our Board;

the Corporate Governance and Compliance Committee initiates a search, working with support staff and seeking input from board members and senior management, and considering stockholder recommendations. The Corporate Governance and Compliance Committee may hire a search firm if deemed appropriate;

the initial slate of candidates that satisfy specific criteria and otherwise qualify for membership on our Board are identified and presented to the chairperson of the Corporate Governance and Compliance Committee, or in the chairperson's absence, any member of the Corporate Governance and Compliance Committee delegated to initially review director candidates;

the appropriate Corporate Governance and Compliance Committee member makes an initial determination in his or her own independent business judgment as to the qualification and fit of such director candidate(s) and whether there is a need for additional directors to join our Board at that time;

if the reviewing Corporate Governance and Compliance Committee member determines that it is appropriate to proceed, our Chief Executive Officer and several members of the Corporate Governance and Compliance Committee interview prospective director candidate(s);

the Corporate Governance and Compliance Committee provides informal progress updates to our Board;

the Corporate Governance and Compliance Committee meets to consider and approve the final director candidate(s); and

if approved by the Corporate Governance and Compliance Committee, the Corporate Governance and Compliance Committee seeks board approval of the director candidate(s).

Among other things, when assessing a candidate's qualifications, the Corporate Governance and Compliance Committee looks for the following qualities and skills:

directors should be of the highest ethical character and share our values;

directors should have reputations, both personal and professional, that are consistent with our image and reputation;

directors should be highly accomplished in their respective fields, having achieved superior credentials and recognition;

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in selecting directors, the Corporate Governance and Compliance Committee will generally seek leaders affiliated or formerly affiliated with major organizations, including scientific, business, government, educational and other non-profit institutions;

the Corporate Governance and Compliance Committee will also seek directors who are widely recognized as leaders in the fields of medicine or the biological sciences, including those who have received the most prestigious awards and honors in those fields;

each director should have relevant expertise and experience, and be able to offer advice and guidance to our management based on that expertise and experience; and

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directors should be independent of any particular constituency and be able to represent all of our stockholders, should have the ability to exercise sound business judgment, and should be selected so that our Board is a diverse body, with diversity reflecting gender, ethnic background, country of citizenship and professional experience.

The Corporate Governance and Compliance Committee considers all of the qualities mentioned above when considering a candidate for director, without regard to whether such candidate was nominated by the Chairman of the Board, another director or a stockholder. Stockholders can suggest qualified candidates for director by submitting to us any recommendations for director candidates or nominate a director in accordance with our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws. All submissions should be sent to the Corporate Governance and Compliance Committee of Allergan, Inc.'s Board of Directors, c/o Allergan, Inc., Attn: Secretary, P.O. Box 19534, Irvine, CA 92623. We may request from the recommending stockholder or recommending stockholder group such other information as may reasonably be required to determine whether each person recommended by a stockholder or stockholder group as a nominee meets the minimum director qualifications established by our Board and is independent based on applicable laws and regulations. Submissions that meet the criteria outlined above will be forwarded to the chairperson of the Corporate Governance and Compliance Committee or such other member of the Corporate Governance and Compliance Committee delegated to review and consider candidates for director nominees.

Organization and Compensation Committee

The Organization and Compensation Committee (the "Compensation Committee") is composed of Ms. Hudson (chairperson) and Messrs. Gallagher, Proctor, Ray and Termeer. The Compensation Committee held six (6) meetings during 2013 and each incumbent member of the Compensation Committee attended at least 75% of the total meetings of the committee held when he or she was a member. The Compensation Committee:

reviews and approves the compensation of executive officers, including salary and bonus awards;

establishes, and approves for submission to our Board when required, overall employee compensation plans and policies;

reviews and assesses risks relating to overall employee compensation plans and policies;

reviews, discusses with our Board and approves the corporate organizational structure;

reviews and approves the election of executive officers for submission to our Board;

reviews and discusses with our Board and management our succession and organization plans, criteria for success related to key positions, as well as talent development activities and milestones;

reviews and discusses with our Board the performance of corporate officers;

performs an annual self-evaluation;

recommends to our Board major compensation programs; and

administers our various compensation and stock option plans.

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The Compensation Committee works with an external compensation consultant to assist the Compensation Committee in its duties. Frederick W. Cook & Co. was engaged for 2013 as the compensation consultant for the Compensation Committee. The compensation consultant performs no work for us other than its work providing executive compensation consulting services to the Compensation Committee and reports directly to the Compensation Committee through its chairperson. For 2013, the compensation consultant provided the Compensation Committee with:

market survey data;

advice regarding competitive levels of executive base salaries, annual and special performance incentive awards, annual and special equity awards and executive benefits;

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a comprehensive review of our executive compensation strategy, including reviewing our peer group companies and the criteria for selecting peers, as well as advising on our short- and long-term compensation incentives, our equity compensation strategy and preparation of our annual stock-based compensation guidelines;

tally sheets disclosing our executive officers' total compensation (including severance benefits and the value of outstanding equity awards); and

support for the preparation of our disclosure in this Proxy Statement.

For more information on the processes and procedures followed by the Compensation Committee for the consideration and determination of executive compensation and the role of our Chief Executive Officer in recommending compensation amounts, see the Compensation Disclosure section beginning on page 36 of this Proxy Statement.

Science & Technology Committee

The Science & Technology Committee is composed of Prof. Jones (chairperson), Drs. Dunsire and McDonnell and Mr. Lavigne. The Science & Technology Committee held five (5) meetings during 2013 and each incumbent member of the Science & Technology Committee attended at least 75% of the total meetings of the committee held when he or she was a member. The Science & Technology Committee:

reviews our discovery and development research portfolio, including the relevant underlying science;

reviews the staffing of key scientific and management positions, including significant changes, within our research and development organization;

evaluates the investment allocation for our research and development portfolio, including project expenditures;

reviews the major strategic priorities within our research and development organization and the competitive environment surrounding those priorities;

reviews variances to our operating plan for major research and development projects;

monitors the progress of our research and development projects, including milestones;

reviews the process for research and development patents and our strategic patent portfolio; and

reviews our major technology-based collaborations, in-licensing and out-licensing agreements.

Board Leadership Structure

Our Board has carefully considered our Board leadership structure and determined that it is in the best interests of the Company and our stockholders to have our Chief Executive Officer lead our Board as Chairman, together with a lead independent director. Our Board believes our leadership structure, with its emphasis on board independence together with strong board and committee involvement, provides sound and robust oversight of management.

Board Independence

In determining the most appropriate board leadership structure for the Company, our Board closely considered our current system for ensuring significant independent oversight of management, including the following, effective immediately prior to the annual meeting:

nine of our ten director nominees (90%) are independent as defined by the applicable listing standards of the NYSE and requirements of the SEC, with Mr. Pyott being the sole exception;

each director serving on our Audit and Finance Committee, Compensation Committee, Corporate Governance and Compliance Committee, and Science & Technology Committee is independent;

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the Compensation Committee annually evaluates the Chief Executive Officer's performance and has the sole authority to retain and to terminate compensation advisors; and

our Board's ongoing practice of regularly holding executive sessions without management and under the direction of our lead independent director.

Mr. Gallagher, as the Board's lead independent director, holds a critical role in assuring effective corporate governance and in managing the affairs of our Board. Among other responsibilities, Mr. Gallagher:

presides over executive sessions of the Board and over board meetings when the Chairman of the Board is not in attendance;

consults with the Chairman of the Board and other board members on corporate governance practices and policies, and assuming the primary leadership role in addressing issues of this nature if, under the circumstances, it is inappropriate for the Chairman of the Board to assume such leadership;

meets informally with other outside directors between board meetings to assure free and open communication within the group of outside directors;

assists the Chairman of the Board in preparing the board agenda so that the agenda includes items requested by the independent members of our Board;

administers the annual board evaluation and reporting the results to the Corporate Governance and Compliance Committee; and

assumes other responsibilities that the non-management directors might designate from time to time.

Benefits of a Combined Leadership Structure

Our governing documents permit the roles of the Chief Executive Officer and Chairman to be filled by the same or different individuals. This flexibility permits the Board to choose a leadership structure that best addresses the Company's evolving and highly complex business based on the individuals available and circumstances present at the time. In determining that we are best served by having Mr. Pyott serve as Chief Executive Officer and Chairman of the Board, our Board considered the following benefits:

Mr. Pyott possesses unique knowledge regarding our operations and the industries and markets in which we compete. This understanding of the challenges our Company faces positions Mr. Pyott to set the Board's agenda and lead effective discussions on important matters related to our business.

Mr. Pyott is best situated to act as a bridge between management and the Board by promoting communication and coordinating the strategic objectives of both groups. The Board believes that having Mr. Pyott serve as the Chairman and the leader of the management team optimizes the Company's ability to execute its initiatives to maximize stockholder value.

The combined role of Chief Executive Officer and Chairman unifies the message of the Company's leadership and facilitates centralized responsibility in one person so that there is no ambiguity about accountability.

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The strength and effectiveness of the communications between Mr. Pyott and the Board's lead independent director results in effective board oversight over issues, plans and prospects of the Company.

Board Risk Oversight

Our Board oversees an enterprise-wide approach to risk management that is designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance stockholder value. A fundamental part of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding

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what level of risk is appropriate for us. In setting our business strategy, our Board assesses the various risks being mitigated by management and determines what constitutes an appropriate level of risk for us. Our Board meets with management at least quarterly to receive updates with respect to our operations, business strategies and the monitoring of related risks.

While our Board has the ultimate oversight responsibility for the risk management process, various committees of our Board also have responsibility for risk management. The Audit and Finance Committee oversees our financial risk exposures, including monitoring the integrity of our financial statements, financial reporting process and systems of internal controls, accounting and legal compliance and the independence and qualifications of our independent registered public accounting firm. The Audit and Finance Committee receives an annual risk and internal controls assessment report from our internal audit department. The Audit and Finance Committee meets at least quarterly with our financial management, independent registered public accounting firm and legal advisors for updates on risks related to our financial reporting function and also assists our Board in its oversight of our compliance with legal and regulatory requirements.

Risks related to our company-wide compensation programs are reviewed by the Compensation Committee. For more information on the Compensation Committee's compensation risk assessment see Compensation Disclosure Compensation Risk Management section beginning on page 71 of this Proxy Statement. Our Corporate Governance and Compliance Committee provides compliance oversight and reports to the full Board on compliance matters, including issues arising under our Code of Business Conduct and Ethics, and makes recommendations to our Board on corporate governance matters, including director nominees, the determination of director independence, board and committee structure and membership. Our Science & Technology Committee helps evaluate the investment allocation for our research and development portfolio, reviews the major strategic priorities within our research and development organization, and reviews risks associated with potential acquisitions and partners.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics, which contains general guidelines for conducting our business and is designed to help directors, employees and independent consultants resolve ethical issues in an increasingly complex business environment. The Code of Business Conduct and Ethics applies to all directors, consultants and employees, including our principal executive officer and our principal financial officer and any other employee with any responsibility for the preparation and filing of documents with the SEC. The Code of Business Conduct and Ethics covers topics including, but not limited to, conflicts of interest, confidentiality of information and compliance with laws and regulations. A copy of the Code of Business Conduct and Ethics is available on the Corporate Governance & Certificates section of our website at www.allergan.com. We may post amendments to or waivers of the provisions of the Code of Business Conduct and Ethics, if any, made with respect to any directors and employees on that website.

Contacting our Board of Directors

Any interested person, including any stockholder, who desires to contact the current director presiding over the executive sessions or the other board members may do so by writing to the Allergan, Inc. Board of Directors, Attn: Secretary, P.O. Box 19534, Irvine, CA 92623. Communications received will be distributed by our Secretary to the director presiding over the executive sessions or such other board member or members as deemed appropriate by our Secretary, depending on the facts and circumstances outlined in the communication received. For example, if any complaints regarding accounting, internal accounting controls or auditing matters are received, they will be forwarded by our Secretary to the chairperson of the Audit and Finance Committee for review.

Director Attendance at Annual Meetings

Although we have no policy with regard to board members' attendance at our annual meeting of stockholders, it is customary for, and we encourage, all board members to attend. All of the directors then in office attended our 2013 annual meeting of stockholders.

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Non-Employee Directors Compensation

Our Board believes that providing competitive compensation is necessary to attract and retain qualified non-employee directors. The key elements of director compensation are a cash retainer, committee chair fees, meeting fees and equity-based grants. It is our Board's practice to provide a mix of cash and equity-based compensation that it believes aligns the interests of our Board and our stockholders. As an employee director, Mr. Pyott does not receive additional compensation for board service. Our non-employee directors are also subject to certain stock ownership guidelines. For more information on non-employee director compensation and stock ownership guidelines, see the Director Compensation section beginning on page 68 of this Proxy Statement.

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS
AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth information as of January 31, 2014, regarding the beneficial ownership of our common stock by (i) each director, (ii) our Chief Executive Officer, Chief Financial Officer, each of our three other most highly compensated executive officers for the year ended December 31, 2013 and (iii) all of our current directors and executive officers as a group.

	Vested Shares of Common Stock Owned(1)	Rights to Acquire Shares of Common Stock(2)	Unvested Shares of Restricted Stock/Units	Total Shares of Common Stock Beneficially Owned	Percent of Class(3)
Directors:					
Deborah Dunsire, M.D.	29,111	58,169	1,551	88,831	*
Michael R. Gallagher	36,400	54,783	1,551	92,734	*
Dawn Hudson	15,800	34,200	0	50,000	*
Trevor M. Jones, Ph.D.	200	51,349	3,102	54,651	*
Louis J. Lavigne, Jr.	19,821	54,600	3,102	77,523	*
Peter J. McDonnell, M.D.	0	0	3,102	3,102	*
Timothy D. Proctor	0	136	3,102	3,238	*
David E.I. Pyott	234,168	2,517,200	165,000	2,916,368	*
Russell T. Ray	22,810	54,600	3,102	80,512	*
Henri A. Termeer(4)	0	0	0	0	*
Other Named Executive Officers:					
Douglas S. Ingram	29,597	612,217	0	641,814	*
Jeffrey L. Edwards	20,004	352,250	535	372,789	*
Scott M. Whitcup, M.D.	20,229	556,200	544	576,973	*
Julian S. Gangolli.	17,435	140,500	8,000	165,935	*
All current directors and executive officers (as a group 18 persons, including those named above)	469,383	4,966,779	205,666	5,641,828	1.863%

* Beneficially owns less than 1% of our outstanding common stock.

(1) In addition to shares held in the individual's sole name, this column includes: (1) shares held by the spouse of the named person and shares held in various trusts; and (2) for executive officers, shares held in trust for the benefit of the named employee in our Savings and Investment Plan and Employee Stock Ownership Plan as of January 31, 2014.

(2) This column also includes shares which the person or group has the right to acquire within sixty (60) days of January 31, 2014 as follows: (1) for executive officers, these shares may be acquired upon the exercise of stock options and vesting of restricted stock units; and (2) for non-employee directors, these shares include shares that may be acquired upon the exercise of stock options and vesting of restricted stock units, as well as shares accrued under our Deferred Directors' Fee Program as of January 31, 2014. Under our Deferred Directors' Fee Program, participants may elect to defer all or a portion of their retainer and meeting fees until termination of their status as a director. Deferred amounts are treated as having been invested in our common stock such that on the date of deferral the director is credited with a number of phantom shares of our common stock equal to the amount of fees deferred divided by the market price of a share of our common stock as of the date of deferral. Upon termination of the director's service on our Board, the director will receive shares of our common stock equal to the number of phantom shares of our common stock credited to such director under the Deferred Directors' Fee Program.

(3)

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Based on 297,915,765 shares of our common stock outstanding as of January 31, 2014 (exclusive of approximately 9,638,295 shares of our common stock held in treasury). Unless otherwise indicated in the footnotes and subject to community property laws where applicable, each of the directors and nominees, named executive officers and executive officers has sole voting and/or investment power with respect to such shares.

- (4) Mr. Termeer was appointed to our Board on January 24, 2014.

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Except as set forth below, our management is not aware of any person who is the beneficial owner of more than 5% of our issued and outstanding common stock.

Name and Address of Beneficial Owners	Shares Beneficially Owned	Percent of Class(1)
Capital Research Global Investors	17,472,533(2)	5.86%
40 East 52 nd Street		
New York, NY 10022		
BlackRock, Inc.	17,416,972(3)	5.85%
40 East 52 nd Street		
New York, NY 10022		

- (1) Based on 297,915,765 shares of our common stock outstanding as of January 31, 2014 (exclusive of approximately 9,638,295 shares of our common stock held in treasury).
- (2) Based on information provided pursuant to a statement on a Schedule 13G filed with the SEC on February 10, 2014 by Capital Research Global Investors, a division of Capital Research and Management Company. Capital Research Global Investors reported that it has sole voting power with respect to 17,472,533 shares and sole dispositive power with respect to 17,472,533 shares.
- (3) Based on information provided pursuant to a statement on a Schedule 13G/A filed with the SEC on January 28, 2014 by BlackRock, Inc. BlackRock reported that it has sole voting power with respect to 14,470,789 shares and sole dispositive power with respect to 17,416,972 shares.

Equity Compensation Plan Information

The following table summarizes information about our common stock that may be issued upon the exercise of options, warrants and rights under all of our equity compensation plans, as of December 31, 2013:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	22,017,081(1)	\$ 73.38(2)	19,545,670(3)
Equity compensation plans not approved by security holders	174,343(4)	\$ 37.25	705,432(5)

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Total	22,191,424	\$	73.32	20,251,102
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- (1) Represents 22,017,081 shares to be issued upon exercise of outstanding options under the Allergan, Inc. 2011 Incentive Award Plan, the Allergan 2008 Incentive Award Plan and the Allergan, Inc. 1989 Incentive Compensation Plan.
- (2) Represents the weighted-average exercise price of outstanding options and is calculated without taking into account 476,291 shares of common stock subject to outstanding restricted stock units that become issuable as those units vest and following any applicable deferral, without any cash consideration or other payment required for such shares.
- (3) Represents the number of securities remaining available for issuance under the Allergan, Inc. 2011 Incentive Award Plan. The Allergan, Inc. 2011 Incentive Award Plan superseded the Allergan 2008 Incentive Award Plan.
- (4) Represents 34,803 shares credited to the accounts of participants under the Allergan, Inc. Deferred Directors Fee Program and 139,540 options outstanding under the Allergan Irish Share Participation Scheme.

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- (5) Represents the number of securities remaining available for issuance under the Deferred Directors' Fee Program and Irish Share Participation Scheme.

The following compensation plans under which our common stock may be issued upon the exercise of options, warrants and rights have not been approved by our stockholders:

Allergan Pharmaceuticals (Ireland) Ltd., Inc. Savings Related Share Option Scheme (2000)

The purpose of the Allergan Pharmaceuticals (Ireland) Ltd., Inc. Savings Related Share Option Scheme (2000) (the "SRSOS") is to enable our wholly-owned subsidiary, now known as Allergan Pharmaceuticals Ireland, to attract, retain and motivate its employees and directors, and to further align its employees' and full-time directors' interests with those of our stockholders by providing for or increasing their proprietary interests in us. The SRSOS is not subject to the provisions of the United States Employee Retirement Income Security Act of 1974 and is not required to be qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code").

The SRSOS authorizes the board of Allergan Pharmaceuticals Ireland to invite eligible employees to apply for a grant of an option to acquire an estimated number of shares of our common stock with the proceeds of a savings account established under a special savings contract with a bank. Employees make monthly contributions to the account and interest in the form of a bonus payment is paid by the bank at the end of the savings period, which is three years from the date of the first monthly contribution. Provided that the option does not lapse, at the end of the savings period, and in special circumstances before that date, each employee may decide whether they wish to use all of their savings and bonus to buy the maximum number of option shares possible, to take all of their savings and bonus in cash and allow the option to lapse, or to choose some combination of the foregoing. The right to choose to buy shares of our common stock lapses six months after completion of each employee's savings contract, except in special circumstances. All eligible employees may participate in the SRSOS on similar terms. No invitation may be made to an eligible employee after the tenth anniversary of the date that the board of directors of Allergan Pharmaceuticals Ireland adopted the SRSOS. The SRSOS was approved by our Board and Allergan Pharmaceuticals Ireland's board in January 2000. The SRSOS expired in January 2010 and as a result no shares remain available for issuance under this plan.

Allergan Irish Share Participation Scheme

The Allergan Irish Share Participation Scheme (the "ISPS") enables eligible employees to elect to receive a portion of certain cash compensation in our common stock. Our eligible employees and eligible employees of our subsidiary, Allergan Pharmaceuticals Ireland, can elect to participate in the ISPS.

Under the terms of the ISPS, an eligible employee is given the opportunity each year to purchase shares of our common stock. An eligible employee who has agreed to participate may invest an amount equal to up to 8% of their salary from his or her bonus and a further 7.5% of their basic salary (total 15.5%) in the ISPS. Upon receipt of a signed Form of Acceptance and Contract of Participation from the eligible employee, the trustees of the ISPS will purchase shares of our common stock on behalf of all participants. Shares of our common stock are then allocated to each participant based on the amount of bonus and salary invested by the participant. For a period of two years, the shares of our common stock are held by the trustees on the participant's behalf. After this two-year time period, the participant may instruct the trustees to sell his or her shares of our common stock or to transfer them into the participant's own name; however, the participant will lose the benefit of income tax relief. If a participant allows the trustee to hold the shares of our common stock for an additional year, i.e. three years in total, the participant can sell or transfer the shares of our common stock free of income tax. The ISPS was modified and readopted by our Board in November 1989 to reflect the effects of the spin-off of us from SmithKline Beckman Corporation in July 1989. Our Board has reserved a total of 814,000 shares of our common stock for issuance to ISPS participants, inclusive of the additional 150,000 shares reserved and registered for issuance in December 2013. As of January 31, 2014, 674,460 shares of our common stock have been issued under the ISPS and 139,540 shares remain available for issuance.

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Allergan, Inc. Deferred Directors Fee Program

The purpose of the Allergan, Inc. Deferred Directors Fee Program (the DDF Program) is to provide non-employee members of our Board with a means to defer all or a portion of their retainer and meeting fees received from us until termination of their status as a director. Deferred amounts are treated as having been invested in our common stock, such that on the date of deferral the director is credited with a number of phantom shares of our common stock equal to the amount of fees deferred divided by the market price of a share of our common stock as of the date of deferral. Upon termination of the director s service on our Board, the director will receive shares of our common stock equal to the number of phantom shares of our common stock credited to such director under the DDF Program. The DDF Program initially became effective as of March 1, 1994, was amended and restated effective as of November 15, 1999, was amended and restated effective as of July 30, 2007 and was amended and restated effective as of December 1, 2010. A total of 1,038,012 shares of our common stock have been authorized for issuance to DDF Program participants. As of December 31, 2013, 297,777 shares of our common stock have been issued and participants are entitled to receive an additional 34,803 shares of our common stock under the DDF Program upon termination of their status as director. Excluding the 34,803 shares that participants are entitled to receive under the DDF Program upon termination of their status as director, 705,432 shares remain available for issuance.

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SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers, directors and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC and the NYSE. Executive officers, directors and greater than ten-percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms furnished to us and the written representations from certain of the reporting persons that no other reports were required, we believe that during the fiscal year ended December 31, 2013, all executive officers, directors and greater than ten-percent beneficial owners complied with the reporting requirements of Section 16(a).

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COMPENSATION DISCLOSURE

Compensation Discussion and Analysis

This Compensation Discussion and Analysis section discusses our executive compensation policies and programs and the compensation decisions made in 2013 for our named executive officers who are generally defined under the SEC's proxy rules as a company's chief executive officer, chief financial officer and the other three most highly compensated employees who were serving as executive officers at year-end. For 2013, our named executive officers were:

David E.I. Pyott, Chairman of the Board and Chief Executive Officer;

Douglas S. Ingram, President;

Jeffrey L. Edwards, Executive Vice President, Finance and Business Development, Chief Financial Officer;

Scott M. Whitcup, M.D., Executive Vice President, Research and Development, Chief Scientific Officer; and

Julian S. Gangolli, Corporate Vice President and President, North America.

The Compensation Committee administers the compensation policies and programs for our senior executives, as well as our equity-based incentive compensation plans and rewards strategies for all employees. A summary of this year's highlights follows below.

2013 Company Performance and Link to Pay Decisions

Company Financial Performance

Our executive compensation programs are designed to reward superior company performance and provide consequences for underperformance. Our positive financial and operating results continued during 2013:

Adjusted diluted earnings per share attributable to continuing operations increased 18.1% to \$4.77. The adjusted earnings per share value used to calculate our 2012 bonus awards was further adjusted to give effect to the delayed adoption of the 2012 U.S. Research and Development tax credit (the 2012 R&D Tax Credit). After giving effect to the 2012 R&D Tax Credit, the adjusted earnings per share attributable to continuing operations increase in 2013 was 16.6%.

Annual sales revenues increased 11.7% to \$6,197.5 million.

Research and development reinvestment was 16.8% of sales revenue, or \$1,042.3 million.

Our total stockholder return (stock price appreciation plus dividends) (TSR) for the one-, three- and five-year periods ending on December 31, 2013 was 21.3%, 17.7% and 22.8%, respectively.

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Total Stockholder Return

Our executive compensation program is designed to have a significant portion of our executives' compensation opportunity delivered in the form of equity-based compensation to tie our executives' long-term interests to those of our stockholders. We achieved strong absolute TSR for the one-, three- and five-year periods ending on December 31, 2013 of 21.3%, 17.7% and 22.8%, respectively. Our TSR for these periods as compared to our peers is shown below. The Company continues to deliver consistent long-term, stockholder value creation, realizing a five-year TSR in the top half of our peer group in each of the past three years. In 2013, the Company encountered significant unforeseen business issues, including the unanticipated publication of draft guidance by the U.S. Food and Drug Administration, or FDA, that proposes certain approaches for demonstrating bioequivalence in abbreviated new drug applications referring to the new drug application related to our *Restasis*[®] product, delays related to the clinical development of the anti-VEGF *DARPin*[®] for the treatment of serious ophthalmic diseases and *Latisse*[®] for scalp hair growth, and receipt of a Complete Response Letter from the FDA with regard to our new drug application for *Levalex*[®]. The Company also faced patent litigation concerns related to our *Lumigan*[®] 0.01% product that were not resolved in 2013. In January 2014, a U.S. District Court in Texas ruled that all five of our *Lumigan*[®] 0.01% patents are valid until their expiries, the latest of which is in 2027.

These unexpected events negatively impacted our one-year TSR; nevertheless, the Company generated over \$5.5 billion in total stockholder value over the period. We believe the longer-term TSR is a more reliable metric of company performance, as the one-year TSR is impacted by short-term share price fluctuations. For example, our 13-month TSR as of January 31, 2014 would have been 25.2% and, if pulled forward as of February 19, 2014, would have been 36.8%. The TSR gains generated in 2009 and 2010 are reflected in our strong five-year TSR, but negatively impact the comparative results of our three-year TSR as our peer group benefits from their comparatively poor 2009 and 2010 stock price performance when reporting their stock price increase from 2011 through 2013.

2013 Compensation Highlights and Key Decisions

Base Salaries and Target Bonus Opportunities. Base salaries were adjusted for our named executive officers in 2013 to reflect merit increases consistent with our company-wide increase and as needed to bring their salaries closer to the market median. Additionally, Mr. Ingram received a 15% increase to his base salary and a 5% increase to his target bonus in connection with his promotion to President in July 2013. Mr. Pyott's 2013 target bonus opportunity was also increased by 5% to recognize his performance and tenure, and to improve the position of his total target cash compensation versus the median. None of the other named executive officers received any increases to their target bonus opportunities. Following these adjustments, the total annualized salary and target bonus opportunities for our named executive officers were within 0.4% of the market median overall.

Cash Bonuses Reflected Positive 2013 Company Performance. We use annual performance-based cash incentive awards to motivate our executives to achieve our company-wide short-term performance

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objectives. For our executives, we generally target the market median for our annual target cash compensation levels, which provides focus on the importance of achieving our annual corporate goals. We used the following three performance measures for the 2013 calendar year: (i) adjusted earnings per share, (ii) sales revenue growth and (iii) R&D reinvestment rate. These three measures provide focus on key drivers of performance in our business, in order to ensure quality earnings per share while continuing to reinvest in the long-term growth of our business through R&D.

For 2013, we achieved 100.2% of the adjusted earnings per share target. The goal set was challenging and the target adjusted earnings per share was set at a level that would require the Company to achieve an adjusted earnings per share in 2013 that was approximately 13.4% higher than the adjusted earnings per share achieved in 2012. Additionally, we attained 97.6% of the revenue growth target and 99.4% of the R&D reinvestment target. These targets were also ambitious and set at levels that would require the Company to achieve significant revenue growth and R&D reinvestment in 2013. As a result of our performance and in accordance with the bonus structure approved at the beginning of 2013, the bonus payout under our Executive Bonus Plan to our Chief Executive Officer was approximately 99.32% of his target bonus opportunity. The bonus pool for our other named executive officers under our Management Bonus Plan was funded slightly higher, at approximately 101.8% of their aggregate target bonus opportunities due to exceptional performance in the global regions where Messrs. Ingram and Gangolli participated (for purposes of determining the bonus pool allocation).

Stock Options as a Key Component of Compensation. We tailor our cash incentive awards to align with our foreseeable business objectives on an annual basis and utilize long-term equity incentives to promote sustained stockholder value creation in line with the Company's growth aspirations. The Compensation Committee believes that stock options, in lieu of alternative equity awards, most effectively align the interests of our executives with those of our stockholders and are therefore the primary long-term compensation vehicle for our named executive officers. Awards of stock options align with our growth strategy and provide significant leverage if our growth objectives are achieved; they also place a significant portion of compensation at risk if our objectives are not achieved. In the event that our executives fail to increase stockholder value over the term of their stock options, or if stockholder value remains stagnant, then our executives will realize no value in their stock options – put simply, stock options provide no guaranteed value for the executives.

For additional information on our use of stock options please see the Long-Term Equity Incentives section beginning on page 48. Equity awards, mainly in the form of stock options, represented approximately 67% of our named executive officers' aggregate cash and equity compensation in 2013. While we generally target the market median for our base salary and annual target cash compensation levels, we continue to target the market 75th percentile for equity compensation. This positioning places greater emphasis on long-term at-risk pay, offers exceptional alignment with stockholder interests, and drives long-term performance and retention.

Elimination of Excise Tax Gross-Ups in Change of Control Arrangements. In furtherance of its commitment to promote strong governance and pay practices, the Compensation Committee elected not to renew existing change of control agreements with its named executive officers, thereby eliminating the executives' right to receive excise tax gross-ups under the agreements. Instead, upon termination of the change of control agreements, the executives became eligible to participate in the Company's Change of Control Policy, which does not contain excise tax gross-up provisions. In addition, the Change in Control Policy calculates cash severance benefits differently than the individual change in control agreements, by basing the calculation, in part, on the target bonus amount for the year in which a qualifying termination occurs rather than the average of the two highest of the last five bonuses paid to the participant. The Change in Control Policy also eliminates certain retirement benefits executives are eligible to receive upon a change of control with qualifying termination, including the elimination of a cash payment in lieu of service credit under our retirement plans. As of December 31, 2013, each named executive officer's change in control agreement had terminated and each executive was a participant in the Company's Change of Control Policy.

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2013 CEO Compensation Significantly Below TSR Trend Performance. In 2013, the Company delivered approximately a \$5.5 billion increase in stockholder value, while Mr. Pyott's total compensation, as reported in the Summary Compensation Table, decreased by more than \$9.1 million. Over the past three years, the Company has delivered approximately a \$14.5 billion increase in stockholder value, while Mr. Pyott's 2013 total compensation was more than \$1.9 million below his 2011 total compensation and approximately \$600,000 less than his 2010 total compensation. This 2013 decrease in total compensation comes in a year when Mr. Pyott was voted to the Institutional Investor All-America Executive Team in the healthcare pharmaceuticals sector, voted best CEO in the sector by sell side investors and third by buy side investors. The following table shows the alignment between our CEO's total compensation, as reported in the Summary Compensation Table, against our indexed TSR over the last five years.

A review of Mr. Pyott's compensation over the prior three years includes a one-time performance-based retention grant made in 2012. The terms of this grant were discussed with Institutional Shareholder Services, Inc., or ISS, in 2013 and ISS agreed that a FOR recommendation was warranted on our Say-on-Pay proposal in 2012. Additionally, in 2013 our stockholders agreed and approved, on an advisory basis, the compensation of our named executive officers, including the 2012 compensation of Mr. Pyott, with 91.5% approval rate. However, when this one-time performance grant is incorporated into a comparative review of Mr. Pyott's three-year pay in relation to the Company's three-year TSR, each as compared to an anticipated peer group devised by ISS, Mr. Pyott's compensation appears to be out of alignment with this peer group. As a result, this year under ISS's relative pay-TSR quantitative test, we expect to fall under the high concern level. This high concern is principally attributable to two factors: (1) the inclusion of Mr. Pyott's 2012 one-time performance grant that ISS recommended in favor of approving, and our stockholders reviewed and overwhelmingly approved in 2013 as part of the 2013 Say-on-Pay proposal; and (2) the impact of the Company's exceptional financial performance in 2009 and 2010, which had the negative effect of dampening our three-year TSR as compared against the three-year TSR of our peers that more recently rebounded from poor stockholder returns. A more complete comparison of our performance as compared to the same peers is illustrated by our five-year relative TSR which ranks close to the 75th percentile of the peers. For more information on the 2012 performance-based grant see the Long-Term Equity Incentive CEO 2012 Performance-Based Restricted Stock Unit Award section beginning on page 50.

Mr. Pyott's 2013 total compensation is approximately 1.63x the market median of the anticipated peer group determined by ISS, which falls well under the threshold ISS concern of 2.33x. This modest multiple of median is particularly notable considering Mr. Pyott's 16 year tenure as our Chief Executive Officer

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during which he has consistently returned significant stockholder value. Under Mr. Pyott's leadership, our annual revenues have grown from approximately \$1.15 billion in 1998 to approximately \$6.19 billion in 2013, and our market capitalization has grown from approximately \$2 billion when Mr. Pyott joined us to over \$37 billion as of February 19, 2014.

Compensation Governance and Best Practices

We are committed to having strong governance standards with respect to our compensation programs, procedures and practices. The Compensation Committee has, among other things, taken the following actions:

retained an external, independent compensation consultant who reports directly to the Compensation Committee and does not provide any other services to management or the Company;

incorporated compensation analytical tools such as market data for all compensation components, tally sheets, compensation history for each executive and termination analyses as part of its annual executive compensation review;

implemented enhanced clawback provisions for all incentive compensation under defined circumstances;

implemented stock ownership guidelines that align our executives' and our directors' long-term interests with those of our stockholders and discourage excessive risk-taking;

implemented equity compensation grant date and formula procedures that comply with evolving best practices and avoid market timing concerns; and

implemented an annual process to review our global incentive compensation and benefit programs, and assess the risks related to our company-wide compensation structure, policies and programs.

Fiscal 2013 Compensation Details

Compensation Objectives

The Compensation Committee evaluates and sets executive compensation consistent with our stated philosophy to provide a compensation package that ensures the focus, motivation and retention of a superior senior management team, and delivers significant rewards for superior performance and consequences for underperformance. Specifically, the Compensation Committee's philosophy is to:

provide a total executive compensation program that is competitive with other companies in the pharmaceutical, biotechnology and medical device industries with which we compete for executive talent;

place a significant portion of executive compensation at risk by linking cash incentive compensation to the achievement of pre-established corporate financial performance objectives and other key objectives within the executive's area of responsibility, and by using equity as a key component of our executive compensation program;

provide long-term incentive compensation that focuses executives' efforts on building stockholder value by aligning their interests with those of our stockholders; and

promote stability and retention of our senior management team.

Consistent with our performance-based philosophy, approximately 83% of our named executive officers' potential 2013 compensation was delivered pursuant to performance- and/or equity-based compensation programs. These programs include annual cash incentive awards based on our short-term financial performance and our equity awards, typically in the form of stock options, which primarily reward long-term performance. These, coupled with mandatory stock ownership guidelines, further align the interests of management with those of our stockholders.

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At our annual meeting of stockholders last year, our stockholders expressed strong support for our executive compensation programs and the compensation of our named executive officers, with an approval rate of approximately 91.5% for our Say-on-Pay resolution. In light of this support, the Company's continued strong performance and the continuing success of our executive compensation programs, the Compensation Committee made no significant changes to the overall design of our executive compensation program during 2013, other than to shift our named executive officers from individual change in control agreements to our Company's Change in Control Policy. For more information on our Change in Control Policy, please see Change in Control Benefits beginning on page 53 and the Potential Payments Upon Termination or Change in Control Table beginning on page 64. The Compensation Committee continuously endeavors to ensure that management's interests are aligned with those of our stockholders and support long-term value creation.

Approach for Determining Form and Amount of Compensation

The Compensation Committee annually determines the compensation levels for our executive officers by considering several factors, including competitive market practices, each executive officer's role and responsibilities, the executive officer's performance of those responsibilities and our current and historical financial performance.

Use of External Compensation Consultant

The Compensation Committee works with an external, independent compensation consultant to assist the Compensation Committee in its duties, including providing advice regarding market trends relating to the form and amount of compensation. Frederic W. Cook & Co., Inc. (Cook & Co.) was engaged for 2013 as the compensation consultant for the Compensation Committee. The Compensation Committee has taken great care to ensure that the advice provided by its external compensation consultant is objective and unbiased. Cook & Co. performs no work for us other than its work providing executive compensation consulting services to the Compensation Committee and reports directly to the Compensation Committee through its chairperson. In addition, Cook & Co. annually provides a certification to the Compensation Committee regarding its independence and provision of services. The Compensation Committee has assessed the independence of Cook & Co. and concluded that no conflicts of interest exist that would prevent Cook & Co. from providing independent and objective advice to the Compensation Committee.

Cook & Co. provides the Compensation Committee with third-party data and analyses, advice and expertise on competitive practices and trends, executive compensation plan design and proposed compensation forms and levels. For more information on the services provided by the compensation consultant and the compensation consultant's fees, please see the Corporate Governance Board Committees Organization and Compensation Committee section beginning on page 26.

Comparison to Market Practices

The Compensation Committee annually compares the levels and elements of compensation that we provide to our executive officers with the levels and elements of compensation provided to their counterparts in the pharmaceutical, biotechnology and medical device industries with which we compete for executive talent. The Compensation Committee uses this comparison data as a guideline in its review and determination of base salaries, annual performance incentive awards and long-term incentive compensation. We strongly believe in retaining the best talent available on our senior management team. To retain and motivate these key individuals, the Compensation Committee may determine that it is in our best interests to provide compensation packages to one or more members that may deviate from the general principle of targeting compensation at specified levels.

The levels and elements of cash compensation that we provide are compared to a market composite of data that includes, where available, proxy information for all of the companies in our peer group as well as industry-specific published survey data. The survey data and the peer group data are intended to be complementary to one another, with the survey data providing a broader industry-wide component and the peer group data providing information regarding companies most directly comparable to us. Both data sources are based on job and functional responsibility and are adjusted to reflect the size and scope of responsibility for each position. For its 2012 year-end market analysis, which the Compensation Committee reviewed in making compensation decisions

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for 2013, Cook & Co. generally used a blend of peer group and pharmaceutical survey data. The pharmaceutical survey data was collected from the following published compensation surveys: Towers Watson 2012 U.S. CDB Executive Compensation Survey Pharmaceutical and Health Sciences, and Mercer 2012 U.S. SIRS Executive Survey Life Sciences Industry. Long-term incentive award guidelines also were constructed based on pharmaceutical and general industry survey data from the Towers Watson 2012 U.S. CDB Pharmaceutical and General Industry Executive Compensation Databases. Equity awards to our executive officers are based on these guidelines as well as peer group company data where available.

The peer group that the Compensation Committee used to compare the levels and elements of compensation that we provided to our executive officers in 2013 consisted of the following companies: Johnson & Johnson, Abbott Laboratories, Eli Lilly and Company, Bristol-Myers Squibb Company, Amgen Inc., Gilead Sciences, Inc., Stryker Corporation, Inc., St. Jude Medical, Inc., Biogen Idec Inc., Forest Laboratories, Inc., Celgene Corporation, Endo Health Solutions Inc. and Valeant Pharmaceuticals. The companies in the peer group for whom public data is available have the following profile:

	Allergan, Inc.		Peer Group	
Revenue(1)	\$ 6.2 billion	Range:	\$3.0	\$71.3 billion
		Median:	\$9.0 billion	
Market Capitalization(2)	\$ 37.1 billion	Range:	\$8.7	\$258.6 billion
		Median:	\$62.7 billion	

(1) Revenue reflects the most recent four quarters available as of February 7, 2014.

(2) As of February 19, 2014.

The Compensation Committee, with the help of Cook & Co., periodically reviews the composition of the peer group and the criteria used for selection, considering modifications where needed. We believe that company size should not be the only factor in determining our peer group. Instead, we also look to whether a company competes directly with us in the pharmaceutical, biotechnology and medical device markets, in terms of products and services, reinvestment capital or key talent. In recent years there has been significant consolidation in our industry through mergers and acquisitions, thereby limiting the number of companies available as appropriate peers. As a result, some of our peer companies fall outside of the target revenue range of one-half to two times our size that might be considered optimal. However, we believe that it is important to include in our peer group companies that may be outside this range, but with which we compete for products, capital and executive talent, rather than select peer companies that may be engaged in entirely different and unrelated businesses such as pharmaceutical generics, pharmaceutical distribution or medical insurance companies. We are a branded pharmaceutical and medical device company with an innovative high growth, high margin business model requiring significant R&D reinvestment annually. We do not compete with low margin generic manufacturers which have significantly different R&D and investment and operating models. The companies in our 2013 primary peer group represented our primary competitors for executive talent and operate in a similarly complex regulatory and research-driven environment.

For our market comparisons in 2014, we added AbbVie Pharmaceuticals to the peer group used in 2013 after it was split off from Abbott Laboratories. For its 2013 year-end market analysis, which the Compensation Committee reviewed in making compensation decisions for 2014, the pharmaceutical survey data was collected from the following published compensation surveys: Towers Watson 2013 U.S. CDB Executive Compensation Survey Pharmaceutical and Health Sciences, and Mercer 2013 U.S. SIRS Executive Survey Life Sciences Industry.

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Emphasis on Equity Compensation and At Risk Compensation

The Compensation Committee sets total compensation in a fashion that ensures a significant percentage of annual compensation is delivered in the form of at risk pay, with the majority being in equity-based compensation in order to provide the greatest emphasis on long-term performance, thus promoting alignment with long-term stockholder interests. The following charts reflect the average compensation mix of our named executive officers as compared to the pay mix at our peer group companies.

Compensation History and Tally Sheets

At least annually, with the help of the external, independent compensation consultant, the Compensation Committee reviews the form of tally sheet and each named executive officer's compensation history for the past three years, including each component of compensation and how it compared to market data, as well as each named executive officer's level of stock ownership. The Compensation Committee also reviews tally sheets setting forth the expected value of annual compensation and benefits for each named executive officer, including base salaries, potential annual cash incentive payouts at minimum, target and maximum levels, long-term incentive compensation, including the number of stock options and restricted stock awards or restricted stock units granted and their grant date fair values, and the annualized cost of other benefits and perquisites. The tally sheets also set forth the accumulated value of benefits and compensation to each named executive officer, including the accumulated value of equity grants, the accumulated value of benefits under our retirement and savings and investment plans, and the accumulated value of potential payouts under different termination scenarios, including under our severance and change in control arrangements.

The Role of Our Chief Executive Officer

While the Compensation Committee has overall responsibility for establishing the elements, level and administration of our executive compensation programs, our Chief Executive Officer and members of our Human Resources Department routinely participate in this process, as does the Compensation Committee's external, independent compensation consultant. Our Chief Executive Officer conducts in-depth performance reviews of each of the other executive officers and provides a summary of this review to the Compensation Committee. Our Chief Executive Officer also makes recommendations to the Compensation Committee regarding adjustments to

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these executives' base salaries, target bonus opportunities, equity awards and perquisites, as required and based on their performance and market considerations. Subject to the Compensation Committee's approval, our Chief Executive Officer also allocates the Management Bonus Plan pool to our businesses and/or functions based on each business' and/or function's results, and recommends any adjustments to the other named executive officers' awards based on his evaluation of their performance. Our Chief Executive Officer's recommendations are one of several important factors considered by the Compensation Committee in making its determinations regarding our executive compensation programs. The Chief Executive Officer also prepares a detailed assessment of his own performance and submits such self-assessment to the Compensation Committee and full Board for their review and consideration.

Components of Compensation

The major compensation elements for our named executive officers are base salaries, annual performance-based bonuses, equity grants primarily in the form of stock options, and retirement and other benefits. In designing and administering our executive compensation programs, we attempt to strike an appropriate balance among each of these key elements of compensation. Each of these elements is an integral part of, and supports, our overall compensation objectives.

Base Salaries

Base salaries provide our executive officers with a reasonable degree of financial certainty and stability. The Compensation Committee annually reviews and determines the base salaries of our executive officers. Salaries are also reviewed in the case of executive promotions or other significant changes in responsibilities and, in the case of new-hires, are evaluated at the time of hire.

In setting an executive's base salary in a particular year, the Compensation Committee takes into account competitive salary practices, the executive's scope of responsibilities, the results previously achieved by the executive, the executive's development potential and the executive's historical base salary level. In order to attract and retain highly qualified executives, base salaries paid to our executive officers are generally targeted at the market median.

In January 2013, the Compensation Committee approved salary increases, effective February 2013, of 5% for Mr. Pyott, 5% for Mr. Edwards, 4% for Dr. Whitcup, 3% for Mr. Ingram and 9% for Mr. Gangolli. In connection with the expansion of responsibilities related to his promotion to President effective July 1, 2013, Mr. Ingram's base salary was increased by an additional 15%. Each salary adjustment was intended to recognize the executive's contributions and provide our executives with market-competitive base pay and, in the case of Messrs. Pyott, Edwards and Gangolli, to bring each executive's salary closer to market median.

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As depicted in the following table, our named executive officers' annualized base salaries are at approximately the market median. The market position of the named executive officers' 2013 base salaries based on our 2012 year-end market study are shown in the table below:

Named Executive Officer	2013 Annualized Base Salary(1)	% of Market Median
David E.I. Pyott Chairman of the Board and Chief Executive Officer	\$1,365,000	101%
Douglas S. Ingram President	\$ 700,000	92%(2)
Jeffrey L. Edwards Executive Vice President, Finance and Business Development, Chief Financial Officer	\$ 645,000	94%
Scott M. Whitcup, M.D. Executive Vice President, Research and Development, Chief Scientific Officer	\$ 645,000	102%
Julian S. Gangolli Corporate Vice President and President, North America	\$ 556,000	96%

(1) Represents 2013 base salaries effective as of: February 2013 for Messrs. Pyott, Edwards, Whitcup and Gangolli and July 2013 for Mr. Ingram. Mr. Ingram's salary was increased in July 2013 in connection with his promotion to President.

(2) Represents information regarding the market median determined annually: (2,388,780)

Trust Corpus, End of Period	\$ 7,222,038	\$ 12,430,213	\$ 14,505,979
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The accompanying notes are an integral part of these financial statements.

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EASTERN AMERICAN NATURAL GAS TRUST

NOTES TO FINANCIAL STATEMENTS

1. Organization of the Trust:

The Eastern American Natural Gas Trust (the "Trust") was formed under the Delaware Business Trust Act pursuant to a Trust Agreement (the "Trust Agreement") among Energy Corporation of America ("ECA"), as grantor, Bank of Montreal Trust Company, as Trustee, and Wilmington Trust Company, as Delaware Trustee (the "Delaware Trustee"). Effective May 8, 2000, The Bank of New York acquired the corporate trust business of the Bank of Montreal Trust Company / Harris Trust, and consequently, The Bank of New York served as trustee of the Trust. On November 20, 2004, the holders of a majority of the Trust Units voting at a special meeting approved the resignation of The Bank of New York as trustee and depository of the Trust and the appointment of JPMorgan Chase Bank, N.A. as successor trustee of the Trust, effective as of January 1, 2005. Effective October 2, 2006, The Bank of New York Trust Company, N. A. replaced JPMorgan Chase Bank, N.A. as trustee in connection with the sale by JPMorgan Chase Bank of substantially all of its corporate trust business to The Bank of New York. Consequently, references herein to the "Trustee" mean Bank of Montreal Trust Company until May 8, 2000; The Bank of New York as successor Trustee from May 8, 2000 through December 31, 2004; JPMorgan Chase Bank, N.A. as successor trustee, from January 1, 2005 through October 2, 2006; and The Bank of New York, N.A. as successor Trustee (now known as The Bank of New York Mellon Trust Company, N.A.), effective as of October 2, 2006. The transfer agent for the Trust is Bondholder Communications, an affiliate of The Bank of New York Mellon Trust Company, N.A. Until January 1, 2010, Eastern American Energy Corporation was a wholly-owned subsidiary of Energy Corporation of America. Effective January 1, 2010, Eastern American Energy Corporation was merged into Energy Corporation of America, with Energy Corporation of America being the surviving corporation. Except as otherwise required by the context, references herein to "ECA" mean Eastern American Energy Corporation at all times prior to January 1, 2010, and mean Energy Corporation of America at all times on and after January 1, 2010. The merger of Eastern American Energy Corporation into its parent Energy Corporation of America did not have any significant effect on the Trust.

The purpose of the Trust is to acquire and hold net profits interests owned by ECA in 650 producing gas wells and 65 proved development well locations in West Virginia and Pennsylvania (the "Underlying Properties"). The Underlying Properties are operated by ECA. The Net Profits Interests (the "Net Profits Interests") consist of a Royalty interest in 258 wells and a Term interest in the remaining wells and locations. ECA drilled 59 of the 65 development wells.

The Royalty NPI is not limited in term or amount. Under the Trust Agreement, the Trustee is directed to sell all remaining Royalty NPI prior to May 15, 2013, and net proceeds from selling such Royalty NPI will be distributed to Unitholders on or about August 15, 2013. The Term NPI will expire on the earlier of May 15, 2013 or such time as 41,683 MMcf of gas has been produced which is attributable to ECA's net revenue interests in the properties burdened by the Term NPI. As of December 31, 2012, 28,239 MMcf of such gas had been produced.

ECA can sell the Underlying Properties, subject to and burdened by the Net Profits Interests, without the consent of the Trustee or the Unitholders. In limited circumstances, ECA also can transfer the Underlying Properties and require the Trust to release the NPI burdening that property, without the consent of the Trustee or Unitholders, subject to payment to the Trust of the fair value of the interest released. In addition, any abandonment of a well included in the Underlying Properties or the Development Wells will extinguish that portion of the Net Profits Interests that relate to such well.

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EASTERN AMERICAN NATURAL GAS TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

1. Organization of the Trust: (Continued)

Four (4) of the remaining six (6) development wells were closely offset by third parties. Since the wells drilled by the third parties were within 1,000 feet of these development wells, ECA had a disagreement with the Trust over ECA's obligation to drill these closely offset development wells. The Trust agreed that, in lieu of drilling these closely offset development wells ECA can provide the Trust, on an annual basis commencing on April 1, 1997, and over the remaining life of the Trust, a volume of gas which is equal to the projected volumes of the wells as if they had been drilled. These volumes have been estimated by the Ryder Scott Company.

The two (2) remaining development wells were not drilled because ECA was unable to cure various title defects associated with these wells. ECA advised the Trust that it made a diligent effort to cure title but was unsuccessful. In West Virginia, an oil and gas well cannot be drilled unless a full and complete 100% leasehold interest is first obtained. Drilling an oil and gas well without obtaining the entire leasehold estate would expose the oil and gas operator and the Trust to a possible suit for trespass. Pursuant to the Term Net Profits Interest Conveyance, if the state of title to the drill site to any development well renders such property undrillable in the good faith opinion of ECA under the Reasonably Prudent Operator Standard then such drill site(s) shall be construed as a development well(s). Consequently, ECA has fulfilled its commitment to the Trust to drill the required number of development wells.

On March 15, 1993, 5,900,000 depositary units were issued in a public offering at an initial public offering price of \$20.50 per depositary unit. Each depositary unit consists of beneficial ownership of one unit of beneficial interest ("Trust Unit") in the Trust and a \$20 face amount beneficial ownership interest in a \$1,000 face amount zero coupon United States Treasury Obligation ("Treasury Obligation") maturing on May 15, 2013. Of the net proceeds from such offering, \$27,787,820 was used to purchase \$118,000,000 in face amount of Treasury Obligations and \$93,162,180 was paid to ECA in consideration for the conveyance of the Net Profits Interests to the Trust. The Trust acquired the Net Profits Interests effective as of January 1, 1993. The Treasury Obligations are directly owned by the Unitholders and are not part of the Trust Corpus. The Treasury Obligations are on deposit with the Trustee pursuant to the Deposit Agreement.

The Net Profits Interests are passive in nature, and neither the Trustee nor the Delaware Trustee has management control or authority over, nor any responsibility relating to, the operation of the properties subject to the Net Profits Interests. The Trust Agreement provides, among other things, that the Trust shall not engage in any business or commercial activity or acquire any asset other than the Net Profits Interests initially conveyed to the Trust; the Trustee may establish a reserve for payment of any liability which is contingent, uncertain in amount or that is not currently due and payable; the Trustee is authorized to borrow funds required to pay liabilities of the Trust, provided that such borrowings are repaid in full prior to further distributions to Unitholders; and the Trustee will make quarterly cash distributions to Unitholders from funds of the Trust.

2. Significant Accounting Policies:

The following is a summary of the significant accounting policies followed by the Trust.

Basis of Accounting:

The financial statements of the Trust differ from financial statements prepared in accordance with accounting principles generally accepted in the United States of America due to the

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EASTERN AMERICAN NATURAL GAS TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies: (Continued)

following: (i) certain cash reserves may be established for contingencies which were not accrued in the financial statements; (ii) amortization of the Net Profits Interests in gas properties is charged directly to Trust Corpus; and (iii) the sale of the Net Profits Interests is reflected in the Statements of Distributable Income as cash proceeds to the Trust.

Most accounting pronouncements apply to entities whose financial statements are prepared in accordance with U.S. generally accepted accounting principles. Because the Trust's financial statements are prepared on a comprehensive basis of accounting other than U.S. generally accepted accounting principles, as described above, most accounting pronouncements are not applicable to the trust's financial statements.

Cash:

Cash consists of highly liquid instruments with maturities at the time of acquisition of three months or less.

Net Profits Interests in Gas Properties:

The Net Profits Interests in gas properties are assessed to determine whether their net capitalized cost is impaired, whenever events or changes in circumstances indicate that its carrying amount may not be recoverable, pursuant to ASC 360. The Trust will determine if a writedown is necessary to its investment in the Net Profits Interests in gas properties to the extent that total capitalized costs, less accumulated amortization, exceed undiscounted future net revenues attributable to proved gas reserves of the Underlying Properties. The Trust will then provide a writedown to the extent that the net capitalized costs exceed the fair value of the investment in net profits interests attributable to proved gas reserves of the Underlying Properties. Any such writedown would not reduce Distributable Income, although it would reduce Trust Corpus. See Note 4 for discussion of the impairment in the Underlying Properties recognized during the three month period ended September 30, 2012 and the three month period ended December 31, 2012.

Significant dispositions or abandonment of the Underlying Properties are charged to Net Profits Interests and the Trust Corpus.

Amortization of the Net Profits Interests in gas properties is calculated on a units-of-production basis, whereby the Trust's cost basis in the properties is divided by total Trust proved reserves to derive an amortization rate per reserve unit. Such amortization does not reduce Distributable Income, rather it is charged directly to Trust Corpus. Revisions to estimated future units-of-production are treated on a prospective basis beginning on the date significant revisions are known.

The conveyance of the Royalty and Term Interests to the Trust was accounted for as a purchase transaction. The \$93,162,180 reflected in the Statements of Assets, Liabilities and Trust Corpus as Net Profits Interests in Gas Properties represents 5,900,000 Trust Units valued at \$20.50 per depository unit less the \$27,787,820 paid for Treasury obligations. The carrying value of the Trust's investment in the Royalty Interests is not necessarily indicative of the fair value of such Royalty Interests.

Revenues and Expenses:

The Trust serves as a pass-through entity, with items of depletion, interest income and expense, and income tax attributes being based upon the status and election of the Unitholders. Thus, the

EASTERN AMERICAN NATURAL GAS TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

2. Significant Accounting Policies: (Continued)

Statements of Distributable Income purport to show Distributable Income, defined as Trust income available for distribution to Unitholders before application of those Unitholders' additional expenses, if any, for depletion, interest income and expense, and income taxes.

The Trust uses the accrual basis to recognize revenue, with royalty income recorded as reserves are extracted from the Underlying Properties and sold. Expenses are also recognized on an accrual basis. Operating expenses which include Taxes on Property and Production and Operating Cost Charges are recognized as incurred pursuant to the Conveyances on a per well production basis. The payment provisions of the Gas Purchase Contract between the Trust and Eastern Marketing, and now with ECA as successor by merger, require payment with respect to gas production for a calendar quarter to be made to the Trust on or before the tenth day of the third month following such quarter.

Use of Estimates in the Preparation of Financial Statements:

The preparation of financial statements requires the Trust to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. The estimates include an estimate of the revenues attributable to the Trust from natural gas production for the last several months of the year, as the revenues from natural gas sales are typically received several months after delivery. Actual results could differ from those estimates.

Segment Information:

The Trust's sole activity is earning royalty income from gas properties and, consequently, the Trust has only one operating segment, net profits interests in gas properties. Substantially all of the Trust's net profits interests are located in the Appalachian region.

3. Effects of New Pronouncements:

Recent pronouncements issued by the FASB or other authoritative accounting standards groups with future effective dates are either not applicable or are not expected to be significant to the Trust's financial statements.

4. Impairment of Net Profits Interests in Oil and Gas Properties

As of August 16, 2012, the Trustee initiated the process to sell its Royalty NPI and engaged EnergyNet (a third party) to assist with the sale. As a result of this decision, at September 30, 2012, the Royalty NPI is considered to be a long-lived asset to be disposed of. Based upon the agreement described in Note 6, the fair value less cost to sell of the Royalty NPI was calculated to be \$5.8 million. Since this amount together with the undiscounted estimated future cash flows of the Term NPI were less than the carrying value of the total NPI as of September 30, 2012, the Trustee assessed the recoverability of the remaining Term NPI and determined the fair value of the Term NPI to be \$1.8 million. The difference between the calculated fair values of \$7.6 million and the carrying amount of \$10.2 million (\$2.6 million) was recorded as a reduction to Net Profits Interests and the Trust Corpus.

EASTERN AMERICAN NATURAL GAS TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

4. Impairment of Net Profits Interests in Oil and Gas Properties (Continued)

As of December 31, 2012, Ryder Scott Company, L.P. (Ryder Scott) has prepared an estimate of the proved reserves, future production, and income attributable to certain leasehold interests of Eastern American Natural Gas Trust (the Trust). Based upon the agreement described in Note 6, the fair value less cost to sell of the Royalty NPI was calculated to be \$5.8 million. Since this amount together with the undiscounted estimated future cash flows of the Term NPI were less than the carrying value of the total NPI as of December 31, 2012, the Trustee assessed the recoverability of the remaining Term NPI and determined the fair value of the Term NPI to be \$0.8 million. The difference between the calculated fair values of \$0.8 million and the carrying amount of \$1.6 million (\$0.8 million) was recorded as a reduction to Net Profits Interests and the Trust Corpus.

5. Income Taxes:

Tax counsel to ECA advised ECA at the time of formation that, under then current tax laws, the Trust would be classified as a grantor trust for federal and state income tax purposes and, therefore, would not be subject to taxation at the Trust level.

Accordingly, no provision for federal or state income taxes has been made. However, the opinion of tax counsel is not binding on taxing authorities.

The Unitholders are considered, for income tax purposes, to own the Trust's income and principal as though no trust were in existence. Thus, the taxable year for reporting a Unitholder's share of the Trust income, expense and credits are controlled by the Unitholder's taxable year and method of accounting, not the taxable year and method of accounting employed by the Trust.

6. Subsequent Events

The Trust entered into a Purchase and Sale Agreement dated October 24, 2012 (the "Softvest Purchase Agreement") with Softvest, LP, a Delaware limited partnership ("Softvest"), pursuant to which the Trust agreed to sell the Royalty NPI to Softvest. On November 5, 2012, ECA exercised its right of first refusal to purchase the Royalty NPI on the terms set forth in the Softvest Purchase Agreement. The sale price, after making the price adjustment required by the Softvest Purchase Agreement relating to decreases to the closing price of the NYMEX natural gas December 2012 contract, was \$5,917,275. The sale of the Royalty NPI to ECA closed on January 10, 2013.

The expenses incurred in connection with the sale of the Royalty NPI include payment pursuant to the Sale Brokerage/Consulting Agreement dated August 16, 2012 (the "Brokerage Agreement") between the Trust and EnergyNet.com, Inc. ("EnergyNet"). The Brokerage Agreement provided that at the closing of a sale of the Royalty NPI or any portion thereof, during the term of the engagement or within 180 days following the end of the engagement, the Trust would pay EnergyNet a fee equal to 4.0% of the sales price if the sales price was \$2 million or less, and an additional 2.0% of any amount of the sales price in excess of \$2 million. The fee paid to EnergyNet pursuant to the Brokerage Agreement was \$158,345.

In the Softvest Purchase Agreement, the Trust agreed to reimburse Softvest for up to \$25,000 of Softvest's out-of-pocket expenses incurred on or after the date of the Softvest Purchase Agreement in connection with its review of title to the Royalty NPI if ECA exercised its right of first refusal after October 26, 2012. Because ECA exercised its right of first refusal after October 26, 2012, the Trust was required to reimburse Softvest for up to \$25,000 of such expenses. ECA voluntarily reimbursed the

EASTERN AMERICAN NATURAL GAS TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

6. Subsequent Events (Continued)

Trust, for the benefit of the Trust unitholders, for the amount the Trust was required to pay to Softvest as reimbursement of Softvest's expenses.

In marketing the Royalty NPI, the Trustee solicited bids on the basis of the distribution for the third quarter of 2012 being for the account of the Trust, and the distribution for the fourth quarter of 2012 being for the account of the purchaser of the Royalty NPI. The Softvest Purchase Agreement, and the amount offered by Softvest, reflected that allocation of the distributions. Upon ECA's exercise of its right of first refusal, ECA became entitled to acquire the Royalty NPI on the terms of the Softvest Purchase Agreement, and consequently, ECA became entitled, to any distribution for the fourth quarter of 2012. Therefore, unitholders did not and will not receive any direct distribution relating to the fourth quarter of 2012 for revenues attributable to the Royalty NPI.

7. Distributions to Unitholders:

The Trustee determines for each quarter the amount available for distribution to the Unitholders. Such amount will be equal to the excess, if any, of the cash received by the Trust, on or before the tenth day of the third month following the end of each calendar quarter ending prior to the dissolution of the Trust, from the Net Profits Interests then held by the Trust attributable to production during such quarter, plus, with certain exceptions, any other cash receipts of the Trust during such quarter, over the liabilities of the Trust paid during such quarter, subject to adjustments for changes made by the Trustee during such quarter in any cash reserves established at the discretion of the Trustee for the payment of contingent or future obligations of the Trust. Cash received by the Trustee in a particular quarter from the Net Profits Interests will reflect actual gas production for a portion of such quarter and a production estimate for the remainder of such quarter, such estimate to be adjusted to actual production in the following quarter. In accordance with the Trust Agreement and Delaware law, Unitholders should be shielded from direct liability for any environmental liabilities. However, costs and expenses incurred by ECA for certain Capital Costs associated with environmental liabilities arising after the effective date of the Conveyances would reduce Net Proceeds, and would therefore be borne, in part, by the Unitholders.

Net Proceeds Receivable included in the Statements of Assets, Liabilities and Trust Corpus as of December 31, 2012 are expected to be received by the Trust and distributed to the Unitholders on or about August 15, 2013. The December 31, 2011 Net Proceeds Receivable were received and distributed by the Trust on March 15, 2012.

8. Related Party Transactions:

The Trust is responsible for paying all legal, accounting, engineering and stock exchange fees, printing costs and other administrative expenses incurred at the direction of the Trustee. The total of all Trustee fees and Trust administrative expenses was \$1,017,119 for the year ended December 31, 2012, \$739,133 for the year ended December 31, 2011 and \$779,064 for the year ended December 31, 2010. In accordance with the Trust Agreement, the Trustee pays Eastern American an annual fee which increases by 3.5% per year, payable quarterly, to reimburse ECA for overhead expenses. The initial fee at the inception of the Trust was \$210,000. The Trustee paid ECA \$403,724, \$390,072 and \$376,880 for overhead expenses for 2012, 2011 and 2010, respectively. Operating Cost Charges included in the Statements of Distributable Income are paid to ECA.

EASTERN AMERICAN NATURAL GAS TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

8. Related Party Transactions: (Continued)

Gas production attributable to the Net Profits Interests is purchased from the Trust by Eastern Marketing, and now with ECA as successor by merger, pursuant to a Gas Purchase Contract, which effectively commenced as of January 1, 1993 and expires upon the termination of the Trust.

Pursuant to the Gas Purchase Contract, Eastern Marketing, and now with ECA as successor by merger, is obligated to purchase such gas production at a purchase price per Mcf equal to the greater of the Index Price, as defined below, or a Floor Price, for gas produced in any quarter during the Primary Term, which ended December 31, 1999. Effective January 1, 2000, ECA is obligated to purchase such gas production at a purchase price per Mcf equal to the Index Price for gas produced in any quarter after the Primary Term.

The Index Price for any quarter subsequent to the Primary Term, which expired December 31, 1999, is determined solely by reference to the Variable Price component. The Variable Price for any quarter is equal to the Henry Hub Average Spot Price (as defined) per MMBtu plus \$0.30 per MMBtu, multiplied by 110% to effect a fixed adjustment for Btu content. The Henry Hub Average Spot Price is defined as the price per MMBtu determined for any calendar quarter equal to the price obtained with respect to each of the three months in such quarter, in the manner specified below, and then taking the average of the prices determined for each of such three months. The price determined for any month of such quarter is equal to the average of (i) the final settlement prices per MMBtu for Henry Hub Gas Futures Contracts (as defined), as reported in *The Wall Street Journal*, for such contracts which expired in each of the five months prior to such month, (ii) the final settlement price per MMBtu for Henry Hub Gas Futures Contracts, as reported in *The Wall Street Journal*, for such contracts which expire during such month and (iii) the closing settlement prices per MMBtu of Henry Hub Gas Futures Contracts determined as of the contract settlement date for such month, as reported in *The Wall Street Journal*, for such contracts which expire in each of the six months following such month. A Henry Hub Gas Futures Contract is defined as a gas futures contract for gas to be delivered to the Henry Hub which is traded on the New York Mercantile Exchange.

The Trust Agreement required the Trustee to use its best efforts to sell the Royalty NPI for cash, effective after May 15, 2012 and prior to May 15, 2013, and the Trustee did so and entered into an agreement to sell the Royalty NPI dated October 24, 2012 (the "October 24, 2012 Agreement"). On November 5, 2012, ECA exercised its right of first refusal under the Trust Agreement to purchase the Royalty NPI on the terms set forth in the October 24, 2012 Agreement. As a consequence of ECA's exercise of its right of first refusal, the October 24, 2012 Agreement terminated in accordance with its terms, and the Trust became obligated to sell the Royalty NPI to ECA for the purchase price determined by the October 24, 2012 Agreement. On January 3, 2013, the Trust entered into a Purchase and Sale Agreement with ECA to document the terms of the sale of the Royalty NPI to ECA and to eliminate provisions of the October 24, 2012 Agreement that were inapplicable to the sale of the Royalty NPI to ECA. The sale of the Royalty NPI to ECA was completed on January 10, 2013. The price, after making the adjustment for gas price changes required by the October 24, 2012 Agreement, was \$5,917,275, and was paid in cash.

ECA conducted an offer to exchange common units of ECA Marcellus Trust I, a Delaware statutory trust ("ECT"), for outstanding depository units ("NGT Depository Units") of Eastern American Natural Gas Trust, a Delaware statutory trust ("NGT"), until ECA has exchanged all 3,957,527 of the ECT common units that it owns ("ECT Common Units"). The exchange ratio was determined based on the volume weighted average trading prices of ECT Common Units for the

EASTERN AMERICAN NATURAL GAS TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

8. Related Party Transactions: (Continued)

10-day period ending three days prior to the Settlement Date. The exchange offer terminated on March 13, 2013, with ECA accepting all NGT Depository Units validly tendered and not withdrawn in the offer.

Supplemental Reserve Information (Unaudited):

Information regarding estimates of the proved gas reserves attributable to the Trust are based on reports prepared by independent petroleum engineering consultants. Such estimates were prepared in accordance with guidelines established by the Securities and Exchange Commission. Accordingly, the estimates were based on existing economic and operating conditions. Numerous uncertainties are inherent in estimating reserve volumes and values and such estimates are subject to change as additional information becomes available.

The reserves actually recovered and the timing of production of these reserves may be substantially different from the original estimates.

The standardized measure of discounted future net cash flows was determined based on reserve estimates prepared by the independent petroleum engineering consultants, Ryder Scott. Fixed gas prices were used during the Primary Term, which ended December 31, 1999. The gas prices used thereafter are based solely on the fourth quarter Variable Price component.

The reserves and revenue values for the Underlying Properties transferred to the Trust were estimated from projections of reserves and revenue values attributable to the combined ECA and Trust interests in these properties. Reserve quantities are calculated differently for the Net Profits Interests because such interests do not entitle the Trust to a specific quantity of gas but to 90% of the Net Proceeds derived therefrom. Accordingly, there is no precise method of allocating estimates of the quantities of proved reserves between those held by the Trust and the interests to be retained by ECA. For purposes of this presentation, the proved reserves attributable to the Net Profits Interests have been proportionately reduced to reflect the future estimated costs and expenses deducted in the calculation of Net Proceeds with respect to the Net Profits Interests. The reserves presented for the Net Profits Interests reflect quantities of gas that are free of future costs or expenses. The allocation of proved reserves between the Trust and ECA will vary in the future as relative estimates of future gross revenues and future costs and expenses vary.

The royalty portion of the Net Profits Interests was calculated beyond the liquidation date of the Trust (May 15, 2013), even though the terms of the Trust Agreement require that the Royalty Net Profits Interest be sold by the Trustee on or about this date and a liquidating distribution from the sales proceeds from such sale would be made to the Unitholders. The Term Net Profits Interests was limited to the 20-year period as defined by the Trust Agreement.

EASTERN AMERICAN NATURAL GAS TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

8. Related Party Transactions: (Continued)

The following table reconciles the change in proved reserves attributable to the Trust's share of the Net Profits Interests ("NPI") from January 1, 2010 to December 31, 2012:

	Royalty NPI (MMcf)	Term NPI (MMcf)	Total NPI (MMcf)
Balance, January 1, 2010	8,383	2,317	10,700
Production	(654)	(877)	(1,531)
Revisions of previous estimates	(152)	131	(21)
Balance, December 31, 2010	7,577	1,571	9,148
Production	(646)	(841)	(1,487)
Revisions of previous estimates	272	167	439
Balance, December 31, 2011	7,203	897	8,100
Production	(574)	(824)	(1,398)
Sales of reserves in place(1)	(6,629)		(6,629)
Revisions of previous estimates		153	153
Balance, December 31, 2012		226	226

(1)

Sales of reserves in place are attributable to the sale of the Royalty NPI to ECA completed on January 10, 2013 with an effective date of October 1, 2012.

The Trust's share of proved developed gas reserves are as follows:

	Royalty NPI (MMcf)	Term NPI (MMcf)	Total NPI (MMcf)
December 31, 2010	7,577	1,571	9,148
December 31, 2011	7,203	897	8,100
December 31, 2012		226	226

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Reserves:

The following is the standardized measure of discounted future net cash flows as of December 31, 2012 (in thousands):

	Royalty NPI	Term NPI	Total NPI
Future cash inflows	\$	\$ 1,029	\$ 1,029
Future production taxes		(55)	(55)
Future production costs		(160)	(160)
Future net cash inflows		814	814
10% discount factor		(18)	(18)

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Standardized measure of discounted future net cash flows \$ \$ 796 \$ 796

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EASTERN AMERICAN NATURAL GAS TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

8. Related Party Transactions: (Continued)

The following is the standardized measure of discounted future net cash flows as of December 31, 2011 (in thousands):

	Royalty NPI	Term NPI	Total NPI
Future cash inflows	\$ 48,726	\$ 5,339	\$ 54,065
Future production taxes	(2,979)	(267)	(3,246)
Future production costs	(10,275)	(655)	(10,930)
Future net cash inflows	35,472	4,417	39,889
10% discount factor	(20,309)	(300)	(20,609)
Standardized measure of discounted future net cash flows	\$ 15,163	\$ 4,117	\$ 19,280

The following is the standardized measure of discounted future net cash flows as of December 31, 2010 (in thousands):

	Royalty NPI	Term NPI	Total NPI
Future cash inflows	\$ 55,156	\$ 9,919	\$ 65,075
Future production taxes	(2,706)	(418)	(3,124)
Future production costs	(11,965)	(1,107)	(13,072)
Future net cash inflows	40,484	8,395	48,879
10% discount factor	(23,327)	(893)	(24,220)
Standardized measure of discounted future net cash flows	\$ 17,157	\$ 7,502	\$ 24,659

EASTERN AMERICAN NATURAL GAS TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

8. Related Party Transactions: (Continued)

Changes in Standardized Measure of Discounted Future Net Cash Flows:

The following schedule reconciles the changes during 2010, 2011 and 2012 in the standardized measure of discounted future net cash flows relating to proved reserves (in thousands):

	Royalty NPI	Term NPI	Total NPI
Standardized measure, January 1, 2010	\$ 19,490	\$ 10,968	\$ 30,458
Net proceeds to the Trust	(5,703)	(1,183)	(6,886)
Revisions of previous estimates	(410)	353	(57)
Accretion of discount	1,949	1,097	3,046
Net change in price and production costs	(1,167)	(217)	(1,384)
Other	2,998	(3,516)	(518)
Standardized measure, December 31, 2010	\$ 17,157	\$ 7,502	\$ 24,659
Net proceeds to the Trust	(5,523)	(688)	(6,211)
Revisions of previous estimates	647	398	1,045
Accretion of discount	1,716	750	2,466
Net change in price and production costs	(2,185)	(230)	(2,415)
Other	3,351	(3,615)	(264)
Standardized measure, December 31, 2011	\$ 15,163	\$ 4,117	\$ 19,280
Net proceeds to the Trust	(3,945)	(135)	(4,080)
Sales of reserves in place(1)	(10,219)		(10,219)
Revisions of previous estimates		311	311
Accretion of discount	1,516	412	1,928
Net change in price and production costs	(2,278)	(25)	(2,303)
Other	(237)	(3,884)	(4,121)
Standardized measure, December 31, 2012	\$	\$ 796	\$ 796

(1)

Sales of reserves in place are attributable to the sale of the Royalty NPI to ECA completed on January 10, 2013 with an effective date of October 1, 2012.

EASTERN AMERICAN NATURAL GAS TRUST

NOTES TO FINANCIAL STATEMENTS (Continued)

8. Related Party Transactions: (Continued)

Quarterly Financial Data (Unaudited):

The following is a summary of royalty income and distributable income per unit by quarter in 2012, 2011 and 2010 (all amounts in thousands except Distributable income per unit):

2012	Mar 31	June 30	Sept 30	Dec 31	Total
Royalty Income	\$ 1,499	\$ 1,269	\$ 1,388	\$ 817	\$ 4,973
Distributable Income	\$ 860	\$ 797	\$ 785	\$ 217	\$ 2,659
Distributable Income Per Unit	\$ 0.1457	\$ 0.1352	\$ 0.1330	\$ 0.0368	\$ 0.4507

2011	Mar 31	June 30	Sept 30	Dec 31	Total
Royalty Income	\$ 1,746	\$ 1,912	\$ 1,921	\$ 1,744	\$ 7,323
Distributable Income	\$ 1,052	\$ 1,587	\$ 1,432	\$ 1,192	\$ 5,263
Distributable Income Per Unit	\$ 0.1784	\$ 0.2689	\$ 0.2427	\$ 0.2021	\$ 0.8921

2010	Mar 31	June 30	Sept 30	Dec 31	Total
Royalty Income	\$ 2,153	\$ 2,067	\$ 2,060	\$ 1,892	\$ 8,172
Distributable Income	\$ 1,308	\$ 1,530	\$ 1,548	\$ 1,344	\$ 5,730
Distributable Income Per Unit	\$ 0.2217	\$ 0.2592	\$ 0.2625	\$ 0.2278	\$ 0.9712

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