

LANDAMERICA FINANCIAL GROUP INC
Form 10-Q
May 04, 2005
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2005

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NO.: 1-13990

LANDAMERICA FINANCIAL GROUP, INC.

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(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

54-1589611
(I.R.S. Employer
Identification No.)

101 Gateway Centre Parkway
Richmond, Virginia
(Address of principal executive offices)

23235-5153
(Zip Code)

(804) 267-8000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, No Par Value 18,088,228 April 29, 2005

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LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(In millions)****(Unaudited)**

	March 31, 2005	December 31, 2004
	<u> </u>	<u> </u>
ASSETS		
INVESTMENTS:		
Fixed maturities available-for-sale at fair value (amortized cost: 2005 \$1,092.4; 2004 \$1,075.8)	\$ 1,109.4	\$ 1,113.3
Equity securities at fair value (cost: 2005 33.0; 2004 \$31.4)	39.4	42.1
Federal funds sold	2.2	4.5
Short term investments	254.7	276.4
	<u> </u>	<u> </u>
Total Investments	1,405.7	1,436.3
CASH	79.4	73.0
LOANS RECEIVABLE	348.8	344.6
ACCRUED INTEREST RECEIVABLE	17.9	16.4
NOTES AND ACCOUNTS RECEIVABLE		
Notes (less allowance for doubtful accounts: 2005 \$4.0; 2004 \$4.1)	16.2	16.5
Trade accounts receivable (less allowance for doubtful accounts: 2005 \$8.8; 2004 \$8.2)	106.7	111.3
	<u> </u>	<u> </u>
Total Notes and Accounts Receivable	122.9	127.8
TAXES RECEIVABLE		12.2
PROPERTY AND EQUIPMENT at cost (less accumulated depreciation and amortization: 2005 \$196.9; 2004 \$202.7)	105.5	106.1
TITLE PLANTS	94.3	93.9
GOODWILL	571.0	568.5
INTANGIBLE ASSETS (less accumulated amortization 2005 \$39.5; 2004 \$32.5)	204.8	213.0
DEFERRED INCOME TAXES	153.6	149.5
OTHER ASSETS	159.7	148.7
	<u> </u>	<u> </u>
Total Assets	\$ 3,263.6	\$ 3,290.0
	<u> </u>	<u> </u>

See Notes to Consolidated Financial Statements.

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LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In millions, except share amounts)

(Unaudited)

	March 31, 2005	December 31, 2004
	<u> </u>	<u> </u>
LIABILITIES		
POLICY AND CONTRACT CLAIMS	\$ 728.8	\$ 715.5
DEPOSITS	377.9	373.1
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	280.6	329.1
NOTES PAYABLE	466.5	465.4
DEFERRED SERVICE ARRANGEMENTS	187.8	202.4
OTHER	58.1	53.4
	<u> </u>	<u> </u>
Total Liabilities	2,099.7	2,138.9
	<u> </u>	<u> </u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY		
Common stock, no par value, 45,000,000 shares authorized, shares issued and outstanding: 2005 18,088,228; 2004 17,962,527	492.9	491.5
Accumulated other comprehensive loss	(33.8)	(17.6)
Retained earnings	704.8	677.2
	<u> </u>	<u> </u>
Total Shareholders Equity	1,163.9	1,151.1
	<u> </u>	<u> </u>
Total Liabilities and Shareholders Equity	\$ 3,263.6	\$ 3,290.0
	<u> </u>	<u> </u>

See Notes to Consolidated Financial Statements.

Table of Contents**LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****THREE MONTHS ENDED MARCH 31, 2005 AND 2004****(In millions, except per share amounts)****(Unaudited)**

	2005	2004
	<u> </u>	<u> </u>
REVENUE		
Operating revenue	\$ 814.7	\$ 759.9
Investment and other income	20.1	16.5
Net realized investment gains	0.8	3.1
	<u>835.6</u>	<u>779.5</u>
EXPENSES		
Agents commissions	324.6	342.9
Salaries and employee benefits	247.3	213.8
General, administrative and other	140.6	129.4
Provision for policy and contract claims	49.2	39.0
Premium taxes	9.7	9.6
Interest expense	7.9	5.8
Amortization of intangibles	7.0	4.7
Exit and termination costs		1.9
	<u>786.3</u>	<u>747.1</u>
INCOME BEFORE INCOME TAXES	49.3	32.4
INCOME TAX EXPENSE	19.0	11.5
NET INCOME	<u>\$ 30.3</u>	<u>\$ 20.9</u>
NET INCOME PER COMMON SHARE	\$ 1.70	\$ 1.12
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	17.8	18.6
NET INCOME PER COMMON SHARE ASSUMING DILUTION	\$ 1.68	\$ 1.11
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING ASSUMING DILUTION	18.0	18.8

See Notes to Consolidated Financial Statements.

Table of Contents**LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****THREE MONTHS ENDED MARCH 31, 2005 AND 2004****(In millions)****(Unaudited)**

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Net income	\$ 30.3	\$ 20.9
Depreciation and amortization	13.8	10.9
Amortization of bond premium	1.7	2.1
Net realized investment gains	(0.8)	(3.1)
Deferred income tax expense (benefit)	4.2	(5.8)
Change in assets and liabilities, net of businesses acquired:		
Accounts and notes receivable	4.6	(1.3)
Income taxes receivable/payable	12.4	12.9
Accounts payable and accrued expenses	(49.1)	(44.3)
Policy and contract claims	13.3	10.7
Deferred service arrangements	(14.6)	1.8
Other	0.9	(0.4)
	<u>16.7</u>	<u>4.4</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment, net	(5.9)	(7.2)
Purchase of business, net of cash acquired	(0.9)	(21.5)
Investments in unconsolidated subsidiaries	(8.3)	(3.8)
Change in cash surrender value of life insurance	(0.3)	(1.8)
Change in short-term investments	21.7	55.9
Cost of investments acquired:		
Fixed maturities	(94.7)	(143.0)
Equity securities	(4.3)	(5.9)
Proceeds from investment sales or maturities:		
Fixed maturities	77.4	111.6
Equity securities	3.5	5.4
Net change in federal funds sold	2.3	(1.7)
Change in loans receivable	(4.5)	(35.6)
	<u>(14.0)</u>	<u>(47.6)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Net change in deposits	4.8	32.0
Proceeds from the exercise of options and incentive plans	0.6	5.5
Cost of common shares repurchased		(2.7)
Dividends paid	(2.7)	(1.9)
Proceeds from issuance of notes payable	5.4	5.0

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Payments on notes payable	(4.4)	(3.1)
Net cash provided by financing activities	3.7	34.8
Net increase (decrease) in cash	6.4	(8.4)
Cash at beginning of period	73.0	52.9
Cash at end of period	\$ 79.4	\$ 44.5

See Notes to Consolidated Financial Statements.

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LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

THREE MONTHS ENDED MARCH 31, 2005 AND 2004

(In millions, except per share amounts)

(Unaudited)

	Common Stock		Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Shareholders Equity
	Shares	Amounts			
BALANCE December 31, 2003	18.8	\$ 520.9	\$ (16.5)	\$ 540.1	\$ 1,044.5
Comprehensive income:					
Net income				20.9	20.9
Other comprehensive income					
Net unrealized gains on securities, net of tax of \$3.5			6.6		6.6
					27.5
Common stock retired	(0.1)	(2.7)			(2.7)
Stock option and incentive plans	0.2	6.9			6.9
Common dividends (\$0.10/share)				(1.9)	(1.9)
BALANCE March 31, 2004	18.9	525.1	(9.9)	559.1	1,074.3
BALANCE December 31, 2004	18.0	491.5	(17.6)	677.2	1,151.1
Comprehensive income:					
Net income				30.3	30.3
Other comprehensive income					
Net unrealized losses on securities, net of tax benefit of \$8.5			(16.2)		(16.2)
					14.1
Stock option and incentive plans	0.1	1.4			1.4
Common dividends (\$0.15/share)				(2.7)	(2.7)
BALANCE March 31, 2005	18.1	\$ 492.9	\$ (33.8)	\$ 704.8	\$ 1,163.9

See Notes to Consolidated Financial Statements.

Table of Contents**LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****1. INTERIM FINANCIAL INFORMATION**

The unaudited consolidated financial information included in this report has been prepared in conformity with the accounting principles and practices reflected in the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 as filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934. This report should be read in conjunction with the aforementioned Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of this information have been made. The results of operations for the interim periods are not necessarily indicative of results for a full year.

Certain 2004 amounts have been reclassified to conform to the 2005 presentation.

2. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended March 31,	
	2005	2004
	(In millions, except per share amounts)	
Numerator:		
Net income numerator for basic and diluted earnings per share	\$ 30.3	\$ 20.9
Denominator:		
Weighted average shares denominator for basic earnings per share	17.8	18.6
Effect of dilutive securities:		
Employee stock options	0.2	0.2
Denominator for diluted earnings per share	18.0	18.8
Basic earnings per common share	\$ 1.70	\$ 1.12
Diluted earnings per common share	\$ 1.68	\$ 1.11



3. INVESTMENTS

The Company had a total of 753 securities which had unrealized losses at March 31, 2005 due primarily to rising interest rates. The duration of these securities range from one year to thirty years. There were 89 securities that the Company owned that have been in a loss position for more than twelve months. The 89 securities with unrealized losses for more than twelve months were primarily investment grade long-term bonds and notes which management has the intent and ability to hold to maturity and which had an aggregate unrealized loss of \$1.2 million.

Management has concluded that none of the available-for-sale securities with unrealized losses at March 31, 2005, has experienced an other-than temporary impairment. This conclusion was based on a number of factors including: (1) there were no securities with fair values less than 80% of amortized cost at March 31, 2005, (2) there were no securities rated below investment grade, and (3) there were no securities for which fair value had been significantly below amortized cost for a period of six months or longer.

Investments totaling \$26.3 million are held on deposit with various state regulatory entities and are not available for use in operations.

Table of Contents**LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****4. PENSIONS AND OTHER POST-RETIREMENT BENEFITS**

The following presents the estimated net pension expense recorded in the financial statements for each of the quarters ending March 31, 2005, and 2004. The 2005 information is based on preliminary data provided by the Company's independent actuaries. The amounts are as follows:

	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(In millions)			
Components of net pension expense:				
Service cost	\$	\$ 3.1	\$ 0.2	\$ 0.2
Interest cost	3.5	3.8	0.8	0.9
Expected return on plan assets	(3.9)	(4.3)		
Amortization of unrecognized transition obligation			0.3	0.3
Prior service cost recognized		(0.4)	0.1	0.1
Recognized loss	1.0	1.3		
Net pension expense	<u>\$ 0.6</u>	<u>\$ 3.5</u>	<u>\$ 1.4</u>	<u>\$ 1.5</u>

Weighted-average assumptions used to determine net cost for each of the quarters ending March 31, 2005, and 2004 are as follows:

	<u>Pension Benefits</u>		<u>Other Benefits</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Discount rate	6.00%	6.00%	6.00%	6.00%
Expected return on plan assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase	4.63%	4.63%	4.63%	4.63%

5. COMMITMENTS AND CONTINGENCIES*Legal Proceedings*

The Company and its subsidiaries are involved in certain litigation arising in the ordinary course of their businesses. Although the ultimate outcome of these matters cannot be ascertained at this time, and the results of legal proceedings cannot be predicted with certainty, the Company believes, based on current knowledge, that the resolution of these matters will not have a material adverse effect on the Company's financial position or results of operations.

Litigation Not in the Ordinary Course of Business

On September 5, 2002, Thomas Branick and Ardra Campbell filed a representative suit on behalf of the general public against Southland Title Corporation (Southland), a subsidiary of the Company, in the Los Angeles Superior Court (Case No. BC 280961). The Complaint, as amended, pleads causes of action for unfair competition (California Business and Professions Code §§ 17200, *et. seq.*) and unfair business practices (California Business and Professions Code §§ 17500, *et. seq.*) and generally alleges that Southland improperly charged its customers for recording documents incident to real estate transactions and overcharged its customers for administrative fees. Plaintiffs seek injunctive relief and restitution. On September 3, 2004, the trial court granted Southland's Motion for Judgment on the Pleadings and on September 16, 2004 entered a final judgment dismissing this case. On November 15, 2004, Plaintiffs filed a Notice of Appeal of the judgment and the matter is

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LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

currently pending in the Second District of the California Court of Appeal. The parties have reached a tentative settlement that provides for injunctive relief and a cash payment of attorneys' fees and costs.

On May 9, 2000, Romeo Jergess filed a putative class action suit (the "Jergess Suit") in the United States District Court for the Eastern District of Michigan, Southern Division (Case No. 00-72124) against Transnation Title Insurance Company ("Transnation"), a subsidiary of the Company. The suit alleges that Transnation's rate for an owner's title insurance policy, charged in accordance with rates for new construction filed with the Insurance Bureau of the State of Michigan, are less than the rate paid by the lender for a simultaneously issued lender's title insurance policy, and that the lower rate paid by the builder/developer for the owner's policy involves an illegal kickback for a referral and an illegal splitting of fees in violation of the Real Estate Settlement Procedures Act ("RESPA"). On April 27, 2001, a similar suit was filed by Elaine Miller (the "Miller Suit") in the same court (Case No. 01-71647) against Lawyers Title Insurance Corporation ("Lawyers Title"), a subsidiary of the Company. The plaintiffs in both suits seek an unspecified amount of damages equal to three times the amount of the charge for each simultaneously issued lender's title insurance policy in connection with a new home purchase commencing with the period one year before the filing of each complaint, plus costs, interest and attorneys' fees. Transnation and Lawyers Title have engaged a forensic accountant to review plaintiffs' estimate that the charges collected for such policies by Transnation and Lawyers Title from the class as originally defined is approximately \$15 million. The Jergess Suit and the Miller Suit were consolidated on July 18, 2002 with cases pending against First American Title Insurance Company and Chicago Title Insurance Company. On December 5, 2002, the court certified a class defined as all individuals who, during the period commencing prior to one year of the filing of the applicable suit and ending on October 30, 2002, purchased a newly constructed one to four family dwelling or condominium and were charged for a lender's title insurance policy allegedly in violation of RESPA. On February 12, 2003, the United States Court of Appeals for the Sixth Circuit denied Transnation's and Lawyers Title's petitions for an interlocutory appeal of the class certification order. On October 30, 2003, the judge ordered that individuals otherwise meeting the class definition, but who closed transactions involving relevant policies between October 31, 2002 through October 30, 2003, would not be subject to a statute of limitations defense raised by Transnation Title or Lawyers Title between October 30, 2003 and October 31, 2004. On October 28, 2004, Transnation and Lawyers Title stipulated to an order that individuals otherwise meeting the class definition, but who closed transactions involving relevant policies between October 31, 2002 through October 30, 2004, would not be subject to a statute of limitations defense raised by Transnation or Lawyers Title between October 30, 2004 and October 31, 2005. The court reserved decision on a Motion to proceed to trial with the certified class as originally defined. On January 13, 2005, the court denied Transnation's and Lawyers Title's motion to dismiss the case for lack of standing. On February 7, 2005, the court dismissed without prejudice Transnation's and Lawyers Title's Motion for Partial Summary Judgment with respect to those members of the class covered by the affiliated business exception under RESPA with the court indicating that the parties could resubmit the motion with additional information. The court has not yet ruled on the parties' cross Motions for Summary Judgment on Count II of plaintiffs' complaint alleging an illegal splitting of fees under RESPA. On April 21, 2005, Transnation and Lawyers Title filed various Motions for Summary Judgment and Limine with respect to multiple issues. The parties have agreed to participate in nonbinding mediation scheduled for May 3-4, 2005. A trial date has been set for July 18, 2005. Transnation and Lawyers Title intend to vigorously defend the consolidated suits.

On June 22, 2004, Gateway Title Company, Inc., Commonwealth Land Title Company, Inc. and LandAmerica Financial Group, Inc. ("Plaintiffs") filed a Complaint, subsequently amended by a First Amended Complaint filed June 25, 2004, in the Superior Court of California, County of Los Angeles, Central District, against the Mercury Company and its affiliates Financial Title, Alliance Title, Investors Title and various individuals including Joseph DiChiacchio, a former manager of LandAmerica (Case No. BC 317441) (collectively, the "Defendants"). The lawsuit claims substantial monetary and punitive damages for unfair

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LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

competitive business practices in conjunction with Plaintiffs' loss of over 200 employees in California, most of which appears to have occurred within an approximately twelve month period. On August 12, 2004, the Court granted a Temporary Restraining Order, followed by a request for a Preliminary Injunction, which was granted September 27, 2004 against the Defendants based upon a showing of significant likelihood of Plaintiffs prevailing on the merits combined with irreparable harm to Plaintiffs if injunctive relief did not issue. The injunctive relief generally prohibited the solicitation of Plaintiffs' employees. The preliminary injunctive relief has now expired and discovery and the calculation of damages are underway. On December 13, 2004, Alliance Title Company, Inc., Financial Title Company, Inc., Roberto Olivera and Ray Arias filed a Cross-Complaint for unfair competitive business practices. On December 13, 2004, Mr. DiChiacchio also filed a Cross-Complaint alleging similar claims, including back wages and additional bonus payments. Plaintiffs are disputing and intend to vigorously defend the Cross-Complaints. A trial date has been set for October 3, 2005. Management believes that damages caused to Plaintiffs by Defendants far exceed any claim of offset raised in the Cross-Complaints.

Regulatory Investigations and Inquiries

The Company has received certain information requests and subpoenas from various state regulatory authorities relating to investigations of the business practices of the Company and the title insurance industry.

In 2004, the Office of the Attorney General of the State of New York (NYAG) initiated an investigation into the business practices of companies engaged in the title insurance business. The Company has received subpoenas and supplemental requests from the NYAG seeking information and documents related to its investigation of certain industry business practices, including, among other things, competitive market practices, the compensation of title insurance agents and producers by underwriters and captive reinsurance arrangements.

In addition, the insurance departments of various states have been making inquiries into the title industry's business practices. The Company has received letters of inquiry from the insurance departments of the states of North Carolina and Pennsylvania as part of their review of competitive market practices and agent compensation in the title insurance industry. The Company has received letters of inquiry from the Connecticut department of insurance seeking information on the Company's agent and producer commission practices and captive reinsurance arrangements. The Hawaii insurance division has issued draft letters of inquiry to the Company to review the relationships between the Company, its producers and other participants in the real estate industry. The California department of insurance is conducting examinations of the Company's adherence to filed premium rates and claims handling practices, and is reviewing the Company's captive reinsurance arrangements.

Multiple states are specifically investigating captive reinsurance arrangements in the title insurance industry and the Company has received inquiries regarding those arrangements from two state attorneys general and eight state departments of insurance. During the period from the Company's inception of its captive reinsurance programs in 1997 through 2004, reinsurance premiums paid by the Company to the reinsurers have totaled approximately \$12 million. In February 2005, the Company announced that it intended to terminate its captive reinsurance arrangements despite its belief that it had operated the programs in accordance with applicable law. The revenues from these programs were not material to the Company's results of operations.

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The Company may receive additional subpoenas and/or requests for information in the future from attorneys general and/or insurance departments of other states. The Company will evaluate, and intends to cooperate fully in connection with, all such subpoenas and requests.

Based on information known to management at this time, it is not possible to predict the outcome of the governmental inquiries and investigations into the title insurance industry's business practices or the market's

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response thereto. However, any material change in the Company's business practices may have an adverse effect on its results of operations.

6. SHAREHOLDERS' EQUITY

The Company's stock-based compensation plans include stock options and equity-based compensation and are valued using the intrinsic value method of accounting for stock option plans in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. Accordingly, no compensation expense has been recognized for the Company's stock options since all options granted had an exercise price equal to the market value of the underlying stock on the date of grant. The following table represents the compensation expense, and related effect on earnings, for the Company's stock option plans if the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, had been applied, rather than the intrinsic value method.

The following pro forma information shows the Company's net income and earnings per basic and diluted share:

	Three Months Ended March 31,	
	2005	2004
	(In millions, except per share amounts)	
Net income, as reported	\$ 30.3	\$ 20.9
Add: Stock-based employee compensation included in reported net income, net of related tax effects	0.5	0.7
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(0.6)	(1.0)
Pro forma net income	\$ 30.2	\$ 20.6
Earnings per share:		
Basic as reported	\$ 1.70	\$ 1.12
Basic pro forma	\$ 1.70	\$ 1.11
Diluted as reported	\$ 1.68	\$ 1.11
Diluted pro forma	\$ 1.68	\$ 1.09

7. EXIT AND TERMINATION CHARGES

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During 2004, the Company announced a facility consolidation and rationalization plan to reduce expenses as a result of a change in the business environment. As a result, the Company closed 61 facilities. In connection with these programs, the Company incurred \$6.5 million of exit costs, net of a \$0.2 reduction in the fourth quarter primarily attributable to title operations. These costs were comprised of \$4.9 million related to lease termination, \$1.2 million of severance and \$0.4 million of other miscellaneous exit costs. Of the \$6.5 million in accruals, \$5.4 million had been paid prior to March 31, 2005. The remaining balance is expected to be substantially paid by the end of 2006.

8. SEGMENT INFORMATION

The Company provides products and services used to facilitate the purchase, sale, transfer, and financing of residential and commercial real estate. The Company's principal business operations are organized under three

Table of Contents**LANDAMERICA FINANCIAL GROUP, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

primary operating segments: Title Insurance, Lender Services and Financial Services. Other operating business segments not required to be reported separately are reported in a category called Corporate and Other.

Title Insurance includes residential and commercial title insurance policies, escrow and closing services, commercial real estate services, and other real estate transaction management services.

Lender Services provides services consisting primarily of real estate tax processing, flood zone certifications, mortgage loan subservicing, consumer mortgage credit reporting and default management services.

Financial Services consists of Orange County Bancorp and its wholly-owned subsidiary, Centennial Bank, a California industrial bank that the Company acquired in November 2003. This business was included in Corporate and Other in 2004; prior year amounts have been restated to conform to current year presentation.

Corporate and Other includes Buyers Home Warranty, a residential home warranty company acquired in August 2004, residential inspection and commercial appraisals and assessments, as well as the unallocated portion of the corporate expenses related to the Company's corporate offices in Richmond, Virginia and unallocated interest expense.

The Company provides its title services through direct operations and agents throughout the United States. It also offers title insurance in Mexico, Europe, Canada, the Caribbean, and Latin America. The international operations account for less than 1 percent of the Company's income before income taxes. Tax related services are offered nationwide. Appraisal services are provided in 40 states.

The following table provides selected financial information about the Company's operations by segment for the quarters ending March 31, 2005, and 2004:

	Operating Revenue	Personnel Cost	Depreciation	Amortization of Intangible Assets	Income Before Taxes
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(In millions)				
2005					
Title Insurance	\$ 730.1	\$ 211.4	\$ 5.0	\$ 2.3	\$ 45.2
Lender Services	63.6	19.2	0.9	3.8	22.5

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Financial Services	0.1	0.6		0.1	2.9
Corporate and Other	20.9	16.1	0.9	0.8	(21.3)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 814.7	\$ 247.3	\$ 6.8	\$ 7.0	\$ 49.3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>2004</i>					
Title Insurance	\$ 710.3	\$ 185.7	\$ 4.3	\$ 0.5	\$ 46.8
Lender Services	40.2	15.5	0.9	3.3	3.8
Financial Services	0.2	0.5		0.1	2.2
Corporate and Other	9.2	12.1	1.0	0.8	(20.4)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 759.9	\$ 213.8	\$ 6.2	\$ 4.7	\$ 32.4
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Table of Contents**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****Overview**

The Company's long-term goal is to enhance its position as one of the largest providers of real estate transaction services. To accomplish this objective, the Company has expanded operations through internal growth and selective strategic acquisitions. The Company's business operations are organized under three primary business segments: Title Insurance, Lender Services and Financial Services. Other business operations not required to be reported separately are reported in a category called Corporate and Other. A description of these segments, including certain key factors impacting these businesses, are provided in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 as filed with the Securities and Exchange Commission on March 11, 2005.

Critical Accounting Estimates

The preparation of the Company's financial statements requires management to make estimates and judgments that affect the reported amounts of certain assets, liabilities, revenue, expenses and related disclosures surrounding contingencies and commitments. A summary of the significant critical accounting estimates of the Company can be found in Management's Discussion and Analysis in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 as filed with the Securities and Exchange Commission. Actual results could differ from these estimates.

Results of Operations***Operating Revenue***

The following table provides a summary of the Company's operating revenue for first quarter 2005 and 2004:

	<u>2005</u>	<u>%</u>		<u>2004</u>	<u>%</u>
(Dollars in millions)					
Title Insurance					
Direct Operations	\$ 323.2	39.7%	\$	284.0	37.4%
Agency Operations	406.9	49.9		426.3	56.1
				<u>30</u>	

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instruments for trading purposes and hold no derivative financial instruments that could expose us to significant market risk. We monitor interest rates and enter into interest rate agreements as considered appropriate.

As of March 31, 2005 and 2004, we have no assets or liabilities that have significant interest rate sensitivity.

At March 31, 2005, we had publicly traded equity securities comprised of DURECT Corporation common stock at fair value totaling \$5.6 million in Other assets. The fair value of this investment is subject to significant fluctuations due to the volatility of the stock market, changes in general economic conditions and changes in the financial condition of DURECT. Based on the fair value of the publicly traded equity securities we held at March 31, 2005, an assumed 25%, 40% and 50% adverse change in the market prices of this security would result in a corresponding decline in total fair value of approximately \$1.4 million, \$2.2 million and \$2.8 million, respectively.

We do not believe that inflation has had a significant impact on our revenues or operations.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective for timely gathering, analyzing and disclosing the information we are required to disclose in our reports filed with the SEC under the Securities Exchange Act of 1934, as amended.

Internal Control Over Financial Reporting

In addition, we evaluated our internal control over financial reporting, and there have been no changes in our internal control over financial reporting that occurred during the first quarter of 2005 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

Purdue Pharma L.P., et al. v. Endo Pharmaceuticals Inc., et al., Index No. 00 Civ. 8029 (SHS) (S.D.N.Y.); Purdue Pharma L.P., et al. v. Endo Pharmaceuticals Inc., et al., Index No. 01 Civ. 2109 (SHS) (S.D.N.Y.); Purdue Pharma L.P., et al. v. Endo Pharmaceuticals Inc., et al., Index No. 01 Civ. 8177 (SHS) (S.D.N.Y.)

On October 20, 2000, The Purdue Frederick Company and related companies (Purdue Frederick) filed suit against us and our subsidiary, Endo Pharmaceuticals Inc. (EPI), in the U.S. District Court for the Southern District of New York alleging that EPI's bioequivalent version of Purdue Frederick's OxyContin® (oxycodone hydrochloride extended-release tablets), 40mg strength, infringes three of its patents. This suit arose after EPI provided the plaintiffs with notice that its ANDA submission for a bioequivalent version of Purdue Frederick's OxyContin®, 40mg strength, challenged the listed patents for OxyContin® 40mg tablets. On March 13, 2001, Purdue Frederick filed a second suit against us and EPI in the U.S. District Court for the Southern District of New York alleging that EPI's bioequivalent versions of Purdue Frederick's OxyContin®, 10mg and 20mg strengths, infringe the same three patents. This suit

arose from EPI having amended its earlier ANDA on February 9, 2001 to add bioequivalent versions of the 10mg and 20mg strengths of OxyContin®. On August 30, 2001, Purdue Frederick filed a third suit against us and EPI in the U.S. District Court for the Southern District of New York alleging that EPI's bioequivalent version of Purdue Frederick's OxyContin®, 80mg strength, infringes the same three patents. This suit arose from EPI having amended its earlier ANDA on July 30, 2001 to add the bioequivalent version of the 80mg strength of OxyContin®.

For each of the 10mg, 20mg, 40mg and 80mg strengths of this product, EPI made the required Paragraph IV certification against the patents listed in the FDA's Orange Book as covering these strengths of OxyContin®. EPI pleaded counterclaims that the patents

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asserted by Purdue Frederick are invalid, unenforceable and/or not infringed by EPI's formulation of oxycodone hydrochloride extended-release tablets, 10mg, 20mg, 40mg and 80mg strengths. EPI also counterclaimed for antitrust damages based on allegations that Purdue Frederick obtained the patents through fraud on the United States Patent and Trademark Office and is asserting them while aware of their invalidity and unenforceability.

The trial of the patent claims in all three of the suits against us and EPI concluded on June 23, 2003. On January 5, 2004, the district court issued an opinion and order holding that, while Endo infringes the three Purdue patents, the patents are unenforceable due to inequitable conduct. The district court, therefore, dismissed the patent claims against us and EPI, declared the patents invalid, and enjoined Purdue from further enforcement of the patents. Purdue filed an appeal, as well as motions to expedite the appeal and to stay the injunction against enforcement of the patents until the appeal is resolved. Both motions were denied on March 18, 2004. In turn, we have cross-appealed the district court's infringement ruling. Briefing on the appeal and cross-appeal concluded in July 2004. By an earlier order, the judge bifurcated

the antitrust counterclaims for a separate and subsequent trial. On November 3, 2004, the oral arguments relating to the appeal of this case were heard by the U.S. Court of Appeals for the Federal Circuit in Washington, D.C., at which hearing both sides presented their arguments before a three-judge panel. We are awaiting the outcome of this appeal.

At this time we have decided to launch our bioequivalent versions of OxyContin® after appellate review of the district court's decision. We will continue to monitor the situation and may in the future decide to launch our bioequivalent versions of OxyContin® in advance of the appellate decision. If we do launch our bioequivalent versions of OxyContin® in advance of the appellate decision and the district court's ruling is overturned, we may be liable for lost profits and damages to Purdue and costs associated with the launching of our products. Our payment of those amounts may materially adversely affect our business, financial condition and cash flows. Whether or not we have launched our bioequivalent versions of OxyContin®, if we receive an unfavorable ruling from the appeals court, we may be unable to sell our generic OxyContin®.

Litigation similar to that described above may also result from products we currently have in

development, as well as those that we may develop in the future. We, however, cannot predict the timing or outcome of any such litigation, or whether any such litigation will be brought against us.

Linda Serafin, et al. v. Purdue Pharma L.P., et al., No. 103031/04 (Supreme Court of the State of New York, County of New York)

On February 27, 2004, EPI was named, along with three other pharmaceutical companies, a hospital, and a doctor, as a defendant in a lawsuit filed by Linda Serafin and Michael Serafin in the Supreme Court of the State of New York, County of New York. According to the complaint, each of the pharmaceutical companies manufactured or distributed the drugs oxycodone and OxyContin®. The complaint alleges that EPI and another defendant manufactured oxycodone, OxyContin® and/or Percocet®. The complaint alleges that the defendants failed to adequately warn about the dangers involved with these drugs and that as a result of this failure to warn, plaintiffs sustained injury. EPI intends to defend itself vigorously in this case.

Litigation similar to that described above may also be brought by other plaintiffs in other jurisdictions. However, we cannot predict the timing or outcome of any such litigation, or whether any such litigation will be

brought against us.

Pricing Litigation

A number of cases, brought by local and state government entities, are pending that allege generally that EPI and numerous other pharmaceutical companies reported false pricing information in connection with certain drugs that are reimbursable under Medicaid. These cases generally seek damages, treble damages, disgorgement of profits, restitution and attorneys' fees. The federal court cases have been or are in the process of being consolidated in the United States District Court for the District of Massachusetts under the Multidistrict Litigation Rules as *In re: Pharmaceutical Industry Average Wholesale Price Litigation, MDL 1456*. The following previously reported cases have now been transferred to *MDL 1456*: *City of New York v. Abbott Laboratories, Inc., et al.*; *County of Rockland v. Abbott Laboratories, Inc., et al.*; and *County of Westchester v. Abbott Laboratories, Inc., et al.* One previously reported federal case is in the process of being transferred to *MDL 1456*: *County of Onondaga v. Abbott Laboratories, Inc., et al.* One previously reported case filed in state court was removed to federal court and is in the process of being transferred to *MDL 1456*: *County of Erie v. Abbott Laboratories, Inc., et al.* Twenty-two new federal

cases naming EPI in addition to numerous other pharmaceutical companies have been filed and are in the process of being transferred to *MDL 1456: County of Albany v. Abbott Laboratories, Inc., et al.*, filed in April 2005 in the United States District Court for the Northern Western District of New York; *County of Allegany v. Abbott Laboratories, Inc., et al.*, filed in April 2005 in the United States District Court for the Western District of New York; *County of Broome v. Abbott Laboratories, Inc., et al.*, filed in April 2005 in the United States District Court for the Northern District of New York; *County of Cattaraugus v. Abbott Laboratories, Inc., et al.*, filed in April 2005 in the United States

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District Court for the Western District of New York; *County of Cayuga v. Abbott Laboratories, Inc., et al.*, filed in April 2005 in the United States District Court for the Northern District of New York; *County of Chautauqua v. Abbott Laboratories, Inc., et al.*, filed in March 2005 in the United States District Court for the Western District of New York; *County of Chenango v. Abbott Laboratories, Inc., et al.*, filed in March 2005 in the United States District Court for the Northern District of New York; *County of Fulton v. Abbott Laboratories, Inc., et al.*, filed in April 2005 in the United States District Court for the Northern District of New York; *County of Genesee v. Abbott Laboratories, Inc., et al.*, filed in April 2005 in the United States District Court for the Western District of New York; *County of Greene v. Abbott Laboratories, Inc., et al.*, filed in April 2005 in the United States District Court for the Northern District of New York; *County of Herkimer v. Abbott Laboratories, Inc., et al.*, filed in April 2005 in the United States District Court for the Northern District of New York; *County of Monroe v. Abbott Laboratories, Inc., et al.*, filed in April 2005 in the United States District Court for the Western District of New York; *County of Oneida v. Abbott Laboratories, Inc.,*

et al., filed in April 2005 in the United States District Court for the Northern District of New York; *County of Rensselaer v. Abbott Laboratories, Inc., et al.*, filed in April 2005 in the United States District Court for the Northern District of New York; *County of Saratoga v. Abbott Laboratories, Inc., et al.*, filed in April 2005 in the United States District Court for the Northern District of New York; *County of St. Lawrence v. Abbott Laboratories, Inc., et al.*, filed in April 2005 in the United States District Court for the Northern District of New York; *County of Steuben v. Abbott Laboratories, Inc., et al.*, filed in May 2005 in the United States District Court for the Western District of New York; *County of Tompkins v. Abbott Laboratories, Inc., et al.*, filed in March 2005 in the United States District Court for the Northern District of New York; *County of Warren v. Abbott Laboratories, Inc., et al.*, filed in April 2005 in the United States District Court for the Northern District of New York; *County of Washington v. Abbott Laboratories, Inc., et al.*, filed in April 2005 in the United States District Court for the Northern District of New York; *County of Wayne v. Abbott Laboratories, Inc., et al.*, filed in March 2005 in the United States District Court for the Western District of New York; and

County of Yates v. Abbott Laboratories, Inc., et al., filed in April 2005 in the United States District Court for the Western District of New York. EPI also believes it will be named in the as yet not filed second amended complaint in *County of Suffolk v. Abbott Laboratories, Inc., et al.*, which is currently pending in MDL 1456.

There is also a similar case pending in a state court against EPI and numerous other pharmaceutical companies: *State of Alabama v. Abbott Laboratories, Inc., et al.* filed in January 2005 in the Circuit Court of Montgomery County, Alabama.

The Company intends to contest all of these cases vigorously. Litigation similar to that described above may also be brought by other plaintiffs in various jurisdictions. However, we cannot predict the timing or outcome of any such litigation, or whether any such litigation will be brought against the Company.

Other Legal Proceedings

In addition to the above proceedings, we are involved in, or have been involved in, arbitrations or various other legal proceedings that arise from the normal course of our business. We cannot predict the timing or outcome of these claims and other proceedings. Currently, we

are not involved in any arbitration and/or other legal proceeding that we expect to have a material effect on our business, financial condition, results of operations or cash flows.

Item 2. Changes in Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

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(a) *Exhibits.*

The information called for by this item is incorporated by reference to the Exhibit Index of this Report.

(b) *Reports on Form 8-K.*

We filed the following Form 8-Ks in the quarter ended March 31, 2005:

Dates	Items
January 24, 2005	1.01 and 9.01
February 18, 2005	1.01 and 9.01
March 11, 2005	5.02 and 9.01

No financial statements were filed in connection with any such Form 8-K.

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SIGNATURES

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

ENDO
PHARMACEUTICALS
HOLDINGS INC.
(Registrant)
/s/ Carol A. Ammon

Name: Carol A. Ammon
Title: *Chairman and
Chief Executive Officer*
/s/ Jeffrey R. Black

Name: Jeffrey R. Black
Title: *Executive Vice
President and Chief
Financial Officer*

Date: May 10, 2005

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Exhibit Index

Exhibit

No	Title
3.1	Amended and Restated Certificate of Incorporation of Endo Pharmaceuticals Holdings Inc. (Endo) (incorporated herein by reference to Exhibit 3.1 of the Form 10-Q for the Quarter ended June 30, 2000 filed with the Commission on August 15, 2000)
3.2	Amended and Restated By-laws of Endo (incorporated herein by reference to Exhibit 3.2 of the Form 10-Q for the Quarter ended March 31, 2003 filed with the Commission on May 14, 2003)
4.1	Amended and Restated Executive Stockholders Agreement, dated as of July 7, 2003, by and among Endo, Endo Pharma LLC (Endo LLC), Kelso Investment Associates V, L.P. (KIA V), Kelso Equity Partners V, L.P. (KEP V) and the Management Stockholders (as defined therein)

(incorporated herein
by reference to
Exhibit 4.1 of the
Form 10-Q for the
Quarter ended
June 30, 2003 filed
with the
Commission on
August 14, 2003)

4.1.2 Amendment to
Amended and
Restated Executive
Stockholders
Agreement, dated as
of June 28, 2004, by
and among Endo,
Endo LLC, KIA V,
KEP V and the
Management
Stockholders (as
defined therein)
(incorporated herein
by reference to
Exhibit 4.1 of the
Form 10-Q for the
Quarter ended
September 30, 2004
filed with the
Commission on
November 5, 2004)

4.2 Amended and
Restated Employee
Stockholders
Agreement, dated as
of June 5, 2003, by
and among Endo,
Endo LLC, KIA V,
KEP V and the
Employee
Stockholders (as
defined therein)
(incorporated herein
by reference to
Exhibit 10.2 of
Amendment No. 2
to the Form S-3
Registration
Statement
(Registration

No. 333-105338)
filed with the
Commission on
July 1, 2003)

- 4.2.2 Amendment to Amended and Restated Employee Stockholders Agreement, dated as of June 28, 2004, by and among Endo, Endo LLC, KIA V, KEP V and the Management Stockholders (as defined therein) (incorporated herein by reference to Exhibit 4.1 of the Form 10-Q for the Quarter ended September 30, 2004 filed with the Commission on November 5, 2004)
- 4.3 [Intentionally Omitted.]
- 4.4 Registration Rights Agreement, dated as of July 17, 2000, by and between Endo and Endo LLC (incorporated herein by reference to Exhibit 4.4 of the Form 10-Q for the Quarter ended June 30, 2000 filed with the Commission on August 15, 2000)
- 4.5 Amendment to Registration Rights Agreement, dated as of June 30, 2003, by and between Endo and Endo LLC

(incorporated herein
by reference to
Exhibit 10.1 of
Amendment No. 2
to the Form S-3
Registration
Statement
(Registration
No. 333-105338)
filed with the
Commission on
July 1, 2003)

- 10.1 [Intentionally
Omitted.]
- 10.2 Shelf Registration
Agreement, dated
April 30, 2004,
between Endo
Pharmaceuticals
Holdings Inc. and
Endo Pharma LLC
(incorporated herein
by reference to
Exhibit 10.2 of
Amendment No. 1
to the Form S-3
Registration
Statement
(Registration No.
333-115032) filed
with the
Commission on
June 10, 2004)
- 10.3 Amendment to Shelf
Registration
Agreement, dated
June 10, 2004
between Endo
Pharmaceuticals
Holdings Inc. and
Endo Pharma LLC
(incorporated herein
by reference to
Exhibit 10.3 of
Amendment No. 1
to the Form S-3
Registration
Statement

(Registration
No. 333-115032)
filed with the
Commission on
June 10, 2004)

- 10.4 [Intentionally
Omitted.]
- 10.5 Tax Sharing
Agreement, dated as
of July 17, 2000, by
and among Endo,
Endo Inc. and Endo
LLC (incorporated
herein by reference
to Exhibit 10.5 of
the Form 10-Q for
the Quarter ended
June 30, 2000 filed
with the
Commission on
August 15, 2000)
- 10.6 Amended and
Restated Tax
Sharing Agreement,
dated as of April 30,
2004 by and among
Endo, Endo Inc. and
Endo LLC
(incorporated herein
by reference to
Exhibit 10.6 of the
Form 10-Q for the
Quarter ended
March 31, 2004
filed with the
Commission on May
10, 2004)

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Exhibit

No	Title
10.7	Amended and Restated Credit Agreement, dated as of December 21, 2001, by and between Endo, Endo Pharmaceuticals, the Lenders Party Thereto and JPMorgan Chase Bank (incorporated by reference to Exhibit 10.7 of the Annual Report on Form 10-K for the Year Ended December 31, 2001 filed with the Commission on March 29, 2002)
10.8	Amendment No.1, dated as of April 30, 2004, to the Amended and Restated Credit Agreement dated as of December 21, 2001, among Endo, Endo Pharmaceuticals Inc., the Lenders thereto and JP Morgan Chase. (incorporated herein by reference to Exhibit 10.8 of the Form 10-Q for the Quarter ended March 31, 2004 filed with the Commission on May 10, 2004)
10.9	Amendment No.2, dated as of July 13, 2004, to the

Amended and Restated Credit Agreement dated as of December 21, 2001, among Endo, Endo Pharmaceuticals Inc., the Lenders thereto and JP Morgan Chase. (incorporated herein by reference to Exhibit 10.9 of the Form 10-Q for the Quarter ended June 30, 2004 filed with the Commission on August 9, 2004)

- 10.10 Sole and Exclusive License Agreement, dated as of November 23, 1998, by and between Endo Pharmaceuticals Inc. (Endo Pharmaceuticals) and Hind Health Care, Inc. (incorporated herein by reference to Exhibit 10.10 of the Registration Statement filed with the Commission on June 9, 2000)
- 10.11 [Intentionally Omitted.]
- 10.12 [Intentionally Omitted.]
- 10.13 [Intentionally Omitted.]
- 10.14 Supply and Manufacturing Agreement, dated as of November 23,

1998, by and
between Endo
Pharmaceuticals and
Teikoku Seiyaku
Co., Ltd
(incorporated herein
by reference to
Exhibit 10.14 of the
Registration
Statement filed with
the Commission on
June 9, 2000)

10.15 Supply Agreement,
dated as of July 1,
1998, by and
between Endo
Pharmaceuticals and
Mallinckrodt Inc.
(Mallinckrodt)
(incorporated herein
by reference to
Exhibit 10.15 of the
Registration
Statement filed with
the Commission on
June 9, 2000)

10.16 Supply Agreement
for Bulk Narcotics
Raw Materials, dated
as of July 1, 1998,
by and between
Endo
Pharmaceuticals and
Mallinckrodt
(incorporated herein
by reference to
Exhibit 10.16 of the
Registration
Statement filed with
the Commission on
June 9, 2000)

10.17 Manufacture and
Supply Agreement,
dated as of
August 26, 1997, by
and among Endo
Pharmaceuticals,
DuPont Merck

Pharmaceutical and
DuPont Merck
Pharma (n/k/a
Bristol-Myers
Squibb Pharma
Company)
(incorporated herein
by reference to
Exhibit 10.17 of the
Registration
Statement filed with
the Commission on
June 9, 2000)

10.17.2 Amendment
Agreement effective
August 27, 2002 by
and between Endo
Pharmaceuticals and
Bristol-Myers
Squibb Pharma
Company as
successor-in-interest
to DuPont
Pharmaceuticals
Company formerly
known as The
DuPont Merck
Pharmaceutical
Company
(incorporated herein
by reference to
Exhibit 10.17.2 of
the Current Report
on Form 8-K dated
August 27, 2002)

10.18 Amended and
Restated Strategic
Alliance Agreement,
dated as of April 2,
2002, by and
between Endo
Pharmaceuticals and
Penwest
Pharmaceuticals Co.
(incorporated herein
by reference to
Exhibit 10.18 of the
Quarterly Report on
Form 10-Q for the

Quarter Ended
March 31, 2002 filed
with the Commission
on May 14, 2002)

- 10.19 Agreement, dated as of February 1, 2000, by and between Endo Pharmaceuticals and UPS Supply Chain Solutions, Inc. (f/d/b/a Livingston Healthcare Services Inc.) (incorporated herein by reference to Exhibit 10.19 of the Registration Statement filed with the Commission on June 9, 2000)
- 10.20 Medical Affairs Support Services Agreement, dated as of June 1, 1999, by and between Endo Pharmaceuticals and Kunitz and Associates, Inc. (incorporated herein by reference to Exhibit 10.20 of the Registration Statement filed with the Commission on June 9, 2000)
- 10.21 Endo Pharmaceuticals Holdings Inc. 2000 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.21 of the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2000 filed with the Commission on

November 13, 2000)

10.22 Endo LLC Amended
and Restated 1997
Employee Stock
Option Plan
(incorporated herein
by reference to
Exhibit 10.22 of
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Exhibit	
No	Title
	the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2000 filed with the Commission on November 13, 2000)
10.23	Endo LLC Amended and Restated 1997 Executive Stock Option Plan (incorporated herein by reference to Exhibit 10.23 of the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2000 filed with the Commission on November 13, 2000)
10.24	Endo LLC 2000 Amended and Restated Supplemental Employee Stock Option Plan (incorporated herein by reference to Exhibit 10.24 of the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2000 filed with the Commission on November 13, 2000)
10.25	Endo LLC 2000 Amended and Restated Supplemental Executive Stock Option Plan

(incorporated herein by reference to Exhibit 10.25 of the Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2000 filed with the Commission on November 13, 2000)

- 10.26 Employment Agreement, dated as of July 17, 2000, by and between Endo and John W. Lyle (incorporated herein by reference to Exhibit 10.26 of the Form 10-Q for the Quarter ended June 30, 2000 filed with the Commission on August 14, 2000)
- 10.27 Amended and Restated Employment Agreement, dated as of September 1, 2001, by and between Endo Pharmaceuticals and Carol A. Ammon (incorporated herein by reference to Exhibit 10.27 of the Current Report on Form 8-K dated August 31, 2001)
- 10.27.1 Letter Agreement, dated as of January 21, 2005, by and between Endo Pharmaceuticals and Carol A. Ammon (incorporated herein by reference to Exhibit 10.27.1 of

the Current Report
on Form 8-K dated
January 24, 2005)

10.28 Amended and
Restated
Employment
Agreement, dated as
of September 1,
2001, by and
between Endo
Pharmaceuticals and
Jeffrey R. Black
(incorporated herein
by reference to
Exhibit 10.28 of the
Current Report on
Form 8-K dated
August 31, 2001)

10.28.1 Letter Agreement,
dated as of
January 21, 2005, by
and between Endo
Pharmaceuticals and
Jeffrey R. Black
(incorporated herein
by reference to
Exhibit 10.28.1 of
the Current Report
on Form 8-K dated
January 24, 2005)

10.29 Amended and
Restated
Employment
Agreement, dated as
of September 1,
2001, by and
between Endo
Pharmaceuticals and
David Allen Harvey
Lee, MD, Ph.D.
(incorporated herein
by reference to
Exhibit 10.29 of the
Current Report on
Form 8-K dated
August 31, 2001)

10.29.1

Letter Agreement,
dated as of
January 21, 2005, by
and between Endo
Pharmaceuticals and
David Allen Harvey
Lee, MD, Ph.D.
(incorporated herein
by reference to
Exhibit 10.29.1 of
the Current Report
on Form 8-K dated
January 24, 2005)

10.30 Amended and
Restated
Employment
Agreement, dated as
September 1, 2001,
by and between
Endo
Pharmaceuticals and
Mariann T.
MacDonald
(incorporated herein
by reference to
Exhibit 10.30 of the
Current Report on
Form 8-K dated
August 31, 2001)

10.31 [Intentionally
Omitted.]

10.32 [Intentionally
Omitted.]

10.33 [Intentionally
Omitted.]

10.34 Lease Agreement,
dated as of May 5,
2000, by and
between Endo
Pharmaceuticals and
Painters Crossing
One Associates, L.P.
(incorporated herein
by reference to
Exhibit 10.34 of the
Registration

Statement filed with
the Commission on
June 9, 2000)

10.35 Amended and
Restated
Employment
Agreement, dated as
of September 1,
2001, by and
between Endo and
Caroline B.
Manogue (formerly
Berry) (incorporated
herein by reference
to Exhibit 10.35 of
the Current Report
on Form 8-K dated
August 31, 2001)

10.35.1 Letter Agreement,
dated as of
January 21, 2005, by
and between
Registrant and
Caroline B.
Manogue (formerly
Berry)
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Exhibit	
No	Title
	(incorporated herein by reference to Exhibit 10.35.1 of the Current Report on Form 8-K dated January 24, 2005)
10.36	Amended and Restated Employment Agreement, dated as of September 1, 2001, by and between Endo and Peter A. Lankau (incorporated herein by reference to Exhibit 10.36 of the Current Report on Form 8-K dated August 31, 2001)
10.36.1	Letter Agreement, dated as of January 21, 2005, by and between Registrant and Peter A. Lankau (incorporated herein by reference to Exhibit 10.36.1 of the Current Report on Form 8-K dated January 24, 2005)
10.37	Endo Pharmaceuticals Holdings Inc. 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.37 of the Form 10-Q for the Quarter ended June 30, 2004 filed with the

Commission on
August 9, 2004)

- 10.38 [Intentionally
Omitted.]
- 10.39 Master
Development and
Toll Manufacturing
Agreement, dated as
of May 3, 2001, by
and between
Novartis Consumer
Health, Inc. and
Endo
Pharmaceuticals
(incorporated herein
by reference to
Exhibit 10.39 of the
Form 10-Q for the
Quarter Ended
June 30, 2001 filed
with the
Commission on
August 14, 2001)
- 10.40 [Intentionally
Omitted.]
- 10.41 Policy of Endo
Pharmaceuticals
Holdings Inc.
Relating to Insider
Trading in Company
Securities and
Confidentiality of
Information
- 10.42 Development,
Commercialization
and Supply License
Agreement, dated as
of November 8,
2002, by and
between DURECT
Corporation and
Endo
Pharmaceuticals
(incorporated herein
by reference to
Exhibit 10.42 of the

Current Report on
Form 8-K dated
November 14, 2002)

- 10.42.2 Amendment to Development, Commercialization and Supply License Agreement, dated January 28, 2004, between DURECT Corporation and Endo Pharmaceuticals (incorporated herein by reference to Exhibit 10.42.2 of the Annual Report on Form 10-K for the Year Ended December 31, 2003 filed with the Commission on March 15, 2004)
- 10.43 Development and Marketing Strategic Alliance Agreement, dated as of December 31, 2002, by and among Endo Pharmaceuticals, SkyePharma, Inc. and SkyePharma Canada, Inc. (incorporated herein by reference to Exhibit 10.43 of the Current Report on Form 8-K dated January 8, 2003)
- 10.43.2 Amendment to Development and Marketing Strategic Alliance Agreement, dated March 2, 2004, between Endo Pharmaceuticals, SkyePharma, Inc. and SkyePharma

Canada, Inc.
(incorporated herein
by reference to
Exhibit 10.43.2 of
the Annual Report
on Form 10-K for
the Year Ended
December 31, 2003
filed with the
Commission on
March 15, 2004)

10.44 Lease Agreement,
dated as of
January 6, 2003, by
and between Endo
Pharmaceuticals and
Dawson Holding
Company
(incorporated by
reference to
Exhibit 10.44 of the
Annual Report on
Form 10-K for the
Year Ended
December 31, 2002
filed with the
Commission on
March 27, 2003)

10.45 Lease Agreement,
dated as of
November 13, 2003,
by and between
Endo
Pharmaceuticals and
Painters Crossing
Two Associates,
L.P. (incorporated
herein by reference
to Exhibit 10.45 of
the Annual Report
on Form 10-K for
the Year Ended
December 31, 2003
filed with the
Commission on
March 15, 2004)

10.45.1 Amendment to
Lease Agreement,

dated as of
February 16, 2005,
by and between
Endo
Pharmaceuticals and
Painters Crossing
Two Associates,
L.P. (incorporated
herein by reference
to Exhibit 10.45.1 of
the Current Report
on Form 8-K dated
February 18, 2005)

10.46 License Agreement,
dated as of
February 25, 2004,
by and between
Endo
Pharmaceuticals and
Noven
Pharmaceuticals,
Inc. (incorporated
herein by reference
to Exhibit 10.46 of
Amendment No. 2
to the Annual
Report on
Form 10-K for the
Year Ended
December 31, 2003
filed with the
Commission on
June 25, 2004)

10.47 Supply Agreement,
dated as of
February 25, 2004,
by and between
Endo
Pharmaceuticals and
Noven
Pharmaceuticals,
Inc. (incorporated
herein by reference
to Exhibit 10.47 of
Amendment No. 2
to the Annual
Report on
Form 10-K for the
Year Ended

December 31, 2003
filed with the
Commission on
June 25, 2004)

10.48 License and
Co-Promotion
Rights Agreement,
dated as of July 14,
2004, by and
between Endo
Pharmaceuticals and
Vernalis

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Exhibit	
No	Title
	Development Limited (incorporated herein by reference to Exhibit 10.48 of the Current Report on Form 8-K dated July 19, 2004)
10.49	Loan Agreement, dated as of July 14, 2004, by and between Endo Pharmaceuticals and Vernalis Development Limited (incorporated herein by reference to Exhibit 10.49 of the Current Report on Form 8-K dated July 19, 2004)
31.1	Certification of the Chairman and Chief Executive Officer of Endo pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer of Endo pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certificate of the Chairman and Chief Executive Officer of Endo pursuant to 18 U.S.C. Section 1350, as

adopted pursuant to
Section 906 of the
Sarbanes-Oxley Act
of 2002

32.2 Certificate of the
Chief Financial
Officer of Endo
pursuant to 18
U.S.C.
Section 1350, as
adopted pursuant to
Section 906 of the
Sarbanes-Oxley Act
of 2002

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