



**COMMON STOCK OWNERSHIP GUIDELINES FOR  
NON-EMPLOYEE DIRECTORS AND EXECUTIVE MANAGEMENT OF  
ENDO HEALTH SOLUTIONS INC.  
(formerly Endo Pharmaceuticals Holdings Inc.)**

On December 6, 2010, the Compensation Committee of the Board of Directors approved revised stock ownership guidelines (the “Ownership Guidelines”) for both non-employee Directors and for executive officers and senior management of the Company (collectively “Executive Management”). The Board of Directors approved the revised Ownership Guidelines on December 10, 2010. The Board believes that non-employee Directors and Executive Management should have a significant equity position in the Company and that the Ownership Guidelines will serve to further the Board’s interest in encouraging a longer-term focus in managing the Company. The Board also believes that the Ownership Guidelines align the Interest of its Directors and Executive Management with the interests of stockholders and further promote Endo’s commitment to good corporate governance.

***Ownership Guidelines for Non-Employee Directors***

The Ownership Guidelines advise that each non-employee Director should have an ownership equal in value to at least five times his or her then current annual cash retainer. Non-employee Directors are expected to achieve these Ownership Guidelines within five (5) years of joining the Board, or, in the case of non-employee Directors serving at the time these Ownership Guidelines were adopted, within five (5) years of the date of adoption of these revised Ownership Guidelines or December 10, 2015. Non-employee Directors are also expected to continuously own sufficient shares to meet these Ownership Guidelines once attained. The Company will prepare annual statements for each non-employee Director and will determine whether these Ownership Guidelines have been achieved by comparing the required 5X annual retainer multiple to the value of shares held by each non-employee Director, calculated using the following formula:

$$\frac{[\text{Total number of shares held}] \times [\text{Stock price}^*]}{[\text{Then current annual cash retainer}]}$$

\* A twelve-month closing stock price average will be used to mitigate the impact of short-term price variations.

Non-Employee Directors will be notified each year at the first Board of Directors meeting that occurs during the 2<sup>nd</sup> calendar quarter of each year where they stand with regard to these Ownership Guidelines.

### ***Ownership Guidelines for Executive Management***

The Ownership Guidelines that were adopted by the Board of Directors for Executive Management of the Company advise that Executive Management should have an ownership equal in value as follows:

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

Executive Management is expected to achieve these Ownership Guidelines within five (5) years of joining the Company, or, if in the case of individuals serving in this capacity at the time these Ownership Guidelines were adopted, within five (5) years of the date of adoption of these revised Ownership Guidelines. Executive Management is also expected to continuously own sufficient shares to meet these Ownership Guidelines once attained. Members of Executive Management who subsequently get promoted to a higher level will have five years from the date of promotion to achieve their new ownership target. The Company will prepare annual statements for each member of Executive Management and will determine whether these Ownership Guidelines have been achieved by comparing the required salary multiple to the value of shares held by each member of Executive Management, calculated using the following formula:

$$\frac{[\text{Total number of shares held}] \times [\text{Stock price}^*]}{[\text{Then current annualized base salary}]}$$

\* A twelve-month closing stock average will be used to mitigate the impact of short-term price variations.

Executive Management will be notified each year during the 2<sup>nd</sup> calendar quarter of each year where they stand with regard to these Ownership Guidelines.

### ***Counting Shares Owned***

Shares that count toward meeting these Ownership Guidelines are:

- Shares owned (*e.g.*, shares obtained upon option exercise, shares purchased in the open market, etc.);
- Shared ownership (*e.g.*, shares owned or held in trust by immediate family); and
- All restricted stock units and restricted stock granted under the Company's Stock Incentive Plans, whether vested or not, including those the receipt of which have been deferred under the Company's Executive and Directors Deferred Compensation Plans.

Unexercised stock options, whether vested or not, and unvested performance shares do not count toward meeting these Ownership Guidelines.

### *Administration*

The Ownership Guidelines are administered and interpreted by the Compensation Committee of the Board of Directors including, without limitation, matters relating to the calculation of individual ownership and the granting of exemptions from the Ownership Guidelines. While the Compensation Committee expects every participant to comply with the Ownership Guidelines, it also intends that the Ownership Guidelines will be implemented in a flexible manner taking into consideration individual circumstances and whether compliance with the Ownership Guidelines would result in hardship. The Company will monitor compliance and progress of all participants towards meeting the Ownership Guidelines and will update the Compensation Committee on an annual basis.

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