

ALLERGAN INC  
Form DEF 14A  
March 08, 2013  
Table of Contents

**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.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

**Table of Contents**

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

March 8, 2013

Dear Stockholder:

You are cordially invited to attend our 2013 annual meeting of stockholders, to be held on April 30, 2013 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 2012 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, President*

*and Chief Executive Officer*

**Table of Contents**

2525 Dupont Drive, Irvine, CA 92612

**NOTICE OF ANNUAL MEETING OF ALLERGAN, INC. STOCKHOLDERS**

**TO BE HELD ON APRIL 30, 2013**

TO OUR STOCKHOLDERS:

The 2013 annual meeting of stockholders of Allergan, Inc. will be held on Tuesday, April 30, 2013 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 nine directors for a term of office expiring at the 2014 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 and Russell T. Ray.
2. Ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2013;
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 call special meetings;
5. Consider two stockholder proposals, 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 nine nominees for director named in the Proxy Statement, a vote **FOR** items 2, 3 and 4 and a vote **AGAINST** each of the stockholder proposals, 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 6, 2013, 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 8, 2013

**Table of Contents**

ALLERGAN, INC.

2525 Dupont Drive, Irvine, CA 92612

PROXY STATEMENT  
ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON APRIL 30, 2013

TABLE OF CONTENTS

<b><u>INFORMATION CONCERNING VOTING AND SOLICITATION</u></b>	1
<b><u>ITEM NO. 1 ELECTION OF DIRECTORS</u></b>	6
<b><u>ITEM NO. 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	12
<b><u>ITEM NO. 3 ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS</u></b>	14
<b><u>ITEM NO. 4 APPROVE THE AMENDMENT AND RESTATEMENT OF OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION</u></b>	16
<b><u>ITEM NO. 5 STOCKHOLDER PROPOSALS</u></b>	18
<b><u>CORPORATE GOVERNANCE</u></b>	23
<b><u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u></b>	32
<b><u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u></b>	36
<b><u>COMPENSATION DISCLOSURE</u></b>	37
<u>Compensation Discussion and Analysis</u>	37
<u>Tabular Compensation Disclosure</u>	56
<u>Director Compensation</u>	70
<u>Compensation Risk Management</u>	72
<b><u>ORGANIZATION AND COMPENSATION COMMITTEE REPORT</u></b>	73
<b><u>AUDIT AND FINANCE COMMITTEE REPORT</u></b>	73
<b><u>CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS</u></b>	74
<b><u>ANNUAL REPORT</u></b>	74
<b><u>OTHER BUSINESS</u></b>	74
<b><u>INCORPORATION BY REFERENCE</u></b>	77

ANNEX A

A-1

ANNEX B

B-1



**Table of Contents**

**ALLERGAN, INC.**

2525 Dupont Drive, Irvine, CA 92612

**ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON APRIL 30, 2013**

**PROXY STATEMENT**

**INFORMATION CONCERNING VOTING AND SOLICITATION**

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

The board of directors 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 Tuesday, April 30, 2013 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](http://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 15, 2013, 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 2012 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 April 30, 2013:**

**Our Proxy Statement and 2012 Annual Report to Stockholders are Available at [www.proxyvote.com](http://www.proxyvote.com).** This website address contains the following documents: the Notice of the Annual Meeting, our Proxy Statement and our 2012 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 6, 2013 may vote at the annual meeting. As of the record date, there were 297,690,478 shares of our common stock (exclusive of approximately 9,859,332 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 4,798 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.

## **Table of Contents**

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 April 29, 2013. 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 all of the director nominees; FOR ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm for fiscal year 2013; 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; and AGAINST each of the stockholder proposals. 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.**

## **Table of Contents**

### **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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## **Table of Contents**

***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 2013, 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 will have the same effect as votes against this proposal. The approval of Item No. 4 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.

***Stockholder Proposals: Item No. 5.*** The approval of the non-binding stockholder proposals 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 proposals. Abstentions will have the same effect as votes against the stockholder proposals. Broker non-votes will have no effect on these proposals 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 facsimile 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 material 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, CA 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;

**Table of Contents**

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

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 eleven members. The current term of office of each of our directors shall expire at the 2013 annual meeting of stockholders. As previously announced, effective immediately prior to the 2013 annual meeting of stockholders, Herbert W. Boyer, Ph.D. and Stephen J. Ryan, M.D. shall retire from our Board. Neither Dr. Boyer's nor Dr. Ryan's decision is the result of any disagreement with us or our Board. Also effective immediately prior to the 2013 annual meeting of stockholders, our Board has approved a reduction in the size of our Board from 11 to nine directors and, in connection with Dr. Boyer's retirement, appointed Michael R. Gallagher to serve as our lead independent director. Each of the remaining nine directors are being nominated for a term expiring the date of our 2014 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 nine persons to be elected to serve for a one-year term expiring at the annual meeting of stockholders in 2014 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 Peter J. McDonnell, M.D. and Timothy D. Proctor, who were appointed to our Board effective as of January 31, 2013 and February 4, 2013, respectively. Effective immediately prior to the 2013 annual meeting of stockholders, the nominees will 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, President 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	

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 NINE 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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## **Table of Contents**

### **Information About Director Nominees**

Set forth below are descriptions of the backgrounds of each nominee and 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, 59, 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 beginning March 2011. 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 an expected amount of over \$1 billion in 2013. Allergan is currently the fastest growing and second largest global ophthalmic pharmaceutical company 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 5 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 LifeCorp 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 and is Chairman of the board of the California Healthcare Institute. Mr. Pyott also serves as a member of the board of the Pan-American Ophthalmological Foundation, 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 Honors List 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, 67, 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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**Table of Contents**

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 and is a member of the Organization and Compensation Committee. Effective immediately prior to the 2013 annual meeting of stockholders, Mr. Gallagher will serve 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., 50, has served as President and Chief Executive Officer of Millennium Pharmaceuticals, Inc., The Takeda Oncology Company, focused on discovering, developing and commercializing medicines to improve the lives of patients with cancer, since July 2005. Since the acquisition of Millennium by Takeda Pharmaceuticals Company Limited of Osaka, Japan, Dr. Dunsire has served on the Management Committee for Takeda. Since June 2012, Dr. Dunsire has been a member of the board of directors of Takeda Pharmaceutical Company Limited in Japan. 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 to over \$2.1 billion from approximately \$50 million 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 board of the Biotechnology Industry Organization and 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 Millennium Pharmaceuticals, Inc. and the head of the Novartis North American oncology operations, Dr. Dunsire should serve as one of our directors.

DAWN HUDSON, 55, 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

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**Table of Contents**

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 Committee and Corporate Governance 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 Mr. Hudson should serve as one of our directors.

TREVOR M. JONES, PH.D., 70, 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 board member of Synexus Ltd., a clinical study recruitment and management specialist organization, Sigma-Tau Finanziaria S.p.A., an Italian pharmaceutical company, and Verona Pharma plc, a public biotechnology company dedicated to research in respiratory diseases. Prof. Jones is President and a former board member of Sigma-Tau Pharmaceuticals Inc., a pharmaceutical company focused on medicines for rare disorders. 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, and Tecnogen S.p.A. Prof. Jones was appointed to our Board in July 2004 and is a member of the Corporate Governance and Compliance Committee and the Science & Technology Committee.

With over 42 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 area 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., 64, 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

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**Table of Contents**

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.

Mr. Lavigne serves on the board of BMC Software, Inc., a publicly-traded provider of enterprise management software and is Chairman of its Audit Committee, and Accuray Incorporated, a publicly-traded company specialized in the design, development and sale of the CyberKnife System, an image-guided robotic radiosurgery system used for the treatment of solid tumors, where he serves as Chairman of the Board and its Organization and Compensation Committee. Mr. Lavigne also serves on the boards of SafeNet Inc., a privately-held computer security company, and Novocure Limited, a privately-held oncology company, where he serves as Chairman of the Audit Committee. Mr. Lavigne is a trustee of Children's Hospital Oakland, where he serves as a member of its Finance and Compensation 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 and the Seven Hills School. Mr. Lavigne is a former member of the board and Chairman of the Audit Committees of Arena Pharmaceuticals, Equinix, Inc. and Kyphon, Inc. Mr. Lavigne is also a former Trustee of the California Institute of Technology. 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., 54, 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 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. He 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 him with the Honor Award in 1991 and the Senior Achievement Award in 2001. Dr. McDonnell serves as a board member of the National Alliance for Eye and Vision Research and the Doheny Eye Institute, and is a former member of the board of Tissue Banks International. Dr. McDonnell was appointed to our Board in January 2013, 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, 63, has served as General Counsel of Diageo plc, the world's leading premium drinks business with an outstanding range of beverage alcohol brands across spirits, beer and wine, since January 2000. Prior to joining Diageo, Mr. Proctor served as the Director, Worldwide Human Resources, of Glaxo Wellcome,

**Table of Contents**

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, International Bar Association, European General Counsel Association, and FTSE 100 General Counsel Group. Mr. Proctor has previously served on the Boards of Directors 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, 65, has served as a Partner of HLM Venture Partners, a private equity firm that provides venture capital to health care information technology, health care services and medical technology companies, since September 2003. 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., 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.

**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 2013 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 2013. 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 2013.**

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

Aggregate fees billed to us for the fiscal years ended December 31, 2012 and December 31, 2011 by our independent registered public accounting firm, Ernst & Young, are as follows:

<b>Type of Fees</b>	<b>2012</b>	<b>2011</b>
Audit Fees(1)	\$ 5,040,053	\$ 4,890,651
Audit-Related Fees(2)	14,950	60,244
Tax Fees(3)	133,815	140,665
All Other Fees(4)	440,650	610,000
<b>Total</b>	<b>5,629,468</b>	<b>5,701,560</b>

- (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.

**Table of Contents**

(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

\$	22,856
Adjustments to reconcile net income(loss)	
to cash provided by (used in) operating activities:	
Imputed rent	3,492
	3,496
Changes in:	
Accounts receivable	(8,106)
)	
Accrued expenses	-
	6,242
Mineral right held for sale	
)	(3,013)

	-
Land held for sale	
	-
	290,953
Prepaid state taxes	
)	(200
	-
Income taxes payable	
)	(1,990
	7,500
NET CASH PROVIDED BY (USED IN)	
OPERATING ACTIVITIES	
)	(16,226
	331,047
NET FLOWS FROM FINANCING ACTIVITIES	
Proceeds from loan from related party	
	2,000
	-
Payments on loan from related party	
)	(2,000
)	(310,000
NET CASH USED IN FINANCING ACTIVITIES	
	-
)	(310,000
Table of Contents	24



NET CHANGE IN CASH	(16,226)
)	
	21,047
Cash balance, beginning of the period	19,507
	19,037
Cash balance, ending of the period	
\$	3,281
\$	40,084
Supplemental disclosures:	
Taxes paid	
\$	-
\$	800
Interest paid	
NONCASH FINANCING ACTIVITIES:	
Forgiveness of interest payable to	
Related party	
	-
	8,790

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PEBBLE BEACH ENTERPRISES, INC.  
NOTES TO FINANCIAL STATEMENTS  
(unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Pebble Beach enterprises, Inc., have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in PBE's Form 10-SB12G/A. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements that would substantially duplicate the disclosure contained in the audited financial statements for fiscal year 2005, as reported in the Form 10-SB12G/A, have been omitted.

NOTE 2 - REVENUE RECOGNITION

PBE recognizes revenue when persuasive evidence of an arrangement exists, services have been rendered, the sales price is fixed or determinable, and collectibility is reasonably assured. This typically occurs when the services have been performed.

In 2006, PBE developed a new revenue stream. PBE is contacted by land developers to assist in the acquisition of mineral rights or surface waivers. PBE performs research for the developers and charges a fee for its services. The transactions related to this revenue stream are recorded under the net method, primarily due to PBE not having risk of loss.

**2. Management Discussion and Analysis**

Liquidity and Cash Requirements. As of September 30, 2006 our cash on hand was \$3,281. We anticipate our administrative and other non-real estate investment operational expenses over the next twelve months to be approximately \$25,000, including approximately \$10,000 in accounting and audit expenses. We arrive at a projected cash requirement of \$25,000 over the next year based on the assumptions that a) we will continue to receive our office space rent-free; b) our expenses will be limited to administrative cost; and c) that our auditors' costs will be relatively stable.

In terms of our real estate investment operational expenses, we rely principally on Adavco, Inc., a corporation controlled by our sole Director Annette Davis, to loan us money in order to purchase or upgrade real estate. Adavco is a real estate development company which has constructed apartment buildings and custom homes, among other development projects, since its founding in 1982. It had 2005 sales of \$150,000,000. We would be unable to continue operations without loans from Adavco, at least for the next 5-10 transactions. Adavco receives no compensation from us for their loans, outside of 5% annual interest on all monies loaned. We have a verbal agreement with Adavco to continue to receive loans from them as necessary, which we believe to be reliable because the management of Adavco consists of our sole Director and her husband.

Industry Trends. As population in our geographic area of concentration grows, and speculation increases, real estate prices have been increasing rapidly over the past seven years. There is concern among some that prices will begin to rise far less rapidly or even decrease over the next several years, as the high prices cause excessive building of residential and other structures. We do believe prices will rise less rapidly in the future, but do not believe prices will decrease in our area of California. In any event, if prices did decrease, we would enter into more joint venture profit sharing agreements with owners of undeveloped land, which would expose us to less risk since we would not own the land.

How We Make Our Money and Results of Operations. The business model for our first area of operation involves buying a developed piece of land, with or without a structure already built on it, and selling it at a premium.

To date, we have completed three such transactions. The first two transactions were two finished lots of land of approximately ½ acre each, located in the Western Rosedale neighborhood of Bakersfield, California, with no structures built on them, which we purchased together on August 30, 2004 for \$290,953, each from Calle Cerca Investments. Our market research indicated that each of these lots were likely \$10,000 - \$15,000 undervalued due to the scarcity of such lots in this area of the city of Bakersfield, California. We contacted a local broker, Steve Lantz, who had many clients in need of finished, vacant lots, and on January 16, 2005, we sold one of the two lots for \$159,000 to a local couple, and we sold the other lot for \$165,000 on February 17, 2005 to Gracie Land Company. Total gross profit was \$30,500 after paying a commission of \$3,500 to the broker Steve Lantz.

The third transaction, began on February 24, 2005, when we purchased a house on a finished lot of approximately 8,000 square feet for \$200,655. We sold this house through a real estate broker on March 31, 2005 for \$287,500, for a total gross profit of \$86,845.

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We do not compensate our officers or directors, nor do we pay out commissions to our officers and directors on our transactions. However, each of our three officers, when acting as consultants on any of our transactions, will invoice us for their time and services and we do pay those consulting invoices. The three corporations are: JD Consulting, controlled by our Secretary Jennifer Davis, which charges \$250 per hour; Select Research, controlled by our President Aaron J. Hashim, which charges \$200 per hour; and HML & Company, controlled by Lesa Hashim, our Vice-President and Treasurer, which charges \$200 per hour. For example, when escrow closed on the sale of the house on March 31, 2005, we paid \$45,000 in consultation fees to three corporations controlled by members of our management, leaving approximately \$40,000 of the original \$86,845 profit in our account. However, we were not invoiced, and did not pay, consultation fees on the sale of either of the two finished lots, which were our other two transactions we have completed to date.

Currently we are not purchasing any property due to the extreme market conditions that are occurring at this time. We feel it is much wiser to put this portion of our business plan on hold until prices come down in the overall real estate market. If and when the market does recover, we will initially focus on properties where the owner is in financial trouble and needs to sell the property at a discount. We feel this is the only way to approach the Real Estate Market with current conditions persisting the way they are.

The business model for our second area of operation, purchasing undeveloped land, brings in revenue in a similar fashion. After we complete due diligence, then purchase the land, and upgrade it, we will re-sell it to a developer, retaining the profit on the sale.

We have not conducted any transactions under this second area of operations to date.

The business model for our third area of operation, consulting work and joint ventures, involves two different revenue streams, one for consulting and one for joint ventures. When we consult for third parties who have already purchased the land, we charge \$90 - \$300 per hour to help facilitate the various issues needed for due diligence and upgrading the land, including securing mineral rights, surface rights, identifying zoning issues, helping to supply a study map and a tract map, contacting construction vendors to improve the site through grading, installing sewer hookups, etc. We were recently contacted by Lenox Homes and Jack Turman who owns a development company to do some mineral rights research for them. Initially we do not expect this to be a large revenue stream but we are hopeful that over time we can establish some lasting relationships.

The business model for our fourth area of operation is our newest. It involves record retrieval and recordation of documents at the Hall of Records and Superior Court for Kern County. It's a high margin business that, once developed, can be very lucrative. We are currently in talks to become the sole Kern County representative for several potential customers. The record retrieval market potential is huge, as there are numerous companies across the United States that promote themselves to attorneys and other professionals as able to retrieve records in any county in the United States. By having our offices centrally located (adjacent to the various court houses and County Hall of Records), we have a significantly larger profit margin on work provided because there is virtually no traveling time or expense. By contrast most of our competitors are small operations that work out of their house, thus incurring travel expenses as well as time constraints.

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**Activity during the 3rd quarter:**

We were contacted by Jack Turman, a large developer here in Bakersfield, California to help him in his negotiations with EOG Resources and Occidental Petroleum. The subject property is approximately 40 acres, of which EOG Resources owns the mineral rights to and is the lessor on a lease with Occidental Petroleum. Mr. Turman contracted with us to help him negotiate a deal between himself and the oil companies. We contacted both companies on behalf of Mr. Turman and negotiated a drill island along with a fee of \$1500.00 per acre for the rights to develop the surface on 29 of the 40 acres. Mr. Turman was pleased with the transaction; we anticipate handling more of Mr. Turman's oil issues on future projects.

Also, we recently completed some oil consulting work for Lenox Homes. Mr. Turman has a relationship with Lenox Homes and referred us to them so that we could help Lenox Homes with their oil issues on a 10-acre piece of property. We were required to locate the 7 mineral owners and obtain Surface Waiver deeds from each of them. We were able to locate all 7 and get the deeds signed. Lenox Homes was particularly impressed that we were even able to locate one of the individuals living in Germany. Recently, we also agreed to process an annexation into the City of Bakersfield for Lenox Homes on some of their property. We have already started this process for our new client and feel that it will be wrapped up some time in 2007. We are encouraged by the new relationship that has developed with Lenox Homes. We feel that this relationship is a great growth area for our business in the future, and we are excited by how things are progressing.

We are also pleased to announce that we have received our first orders from 2 new clients in the record retrieval business. Pacific Corporate & Title and Unisearch Corporation have both sent us orders during the month of September. Though initially we do not see this operation as a big revenue producer for Pebble Beach Enterprises, we are hopeful that we will receive more orders from these established companies in the future. We also expect that establishing good relationships with each of these companies will lead to referrals.

For the 3rd quarter we had a gross income of \$11,035.00 and a net income of \$5,825.00. The revenue is primarily from the oil and gas consulting services that were provided to Lenox Homes and Jack Turman. We have had great success with our new customers and have already received requests for our consulting services on other projects of theirs. The record retrieval division received its first 2 orders at the end of this quarter. For each order we charge a \$15.00 fee. Since we have no overhead for supplying this service it all transfers directly to the bottom line. We are optimistic that the customers and volume of orders will increase. It is our goal that by the end of 2007 we will process 20 of these requests per day. We believe that we can achieve this through word of mouth as well as advertising in the BRB Publication book. This book is made up of vendors in the various Counties throughout the United States. The book is purchased by companies that are in the record retrieval business and in need of qualified vendors in the counties that they serve. The book is the single best resource for getting your name out to the industry. If by the end of 2007 we can process 20 orders per day at \$15.00 each, that would be a gross profit of \$300.00 per day or \$6,000.00 per month.

We have now had activity in 2 of our 4 above mentioned revenue streams, in the latest quarter: record retrieval, for which we've done two projects this quarter and has produced \$30.00 in net income; 2) mineral rights retrieval and consulting services for which we've done 2 major projects this quarter resulting in gross income of \$11,035.00 and net income of \$5,825.00.

Marketing. With respect to finding property to purchase, we rely on direct marketing, through letters and phone calls to property owners directly, inquiring if they are interested in selling their land. Members of our management team have even been known to find land that is prime for development, locate the land owner, and knock on his/her door.

Our third area of operation, as it relates to consulting, has not been marketed yet, but we intend to start marketing within the next 12 months, as our time and cash flow allow. Our marketing activities will include but not be limited to attending farmers' conferences and builder conferences to solicit potential clients.

Advertising for all three areas of operation would involve research into the mailing addresses of potential clients, printing costs for promotional mailers, and postage costs. Costs for these activities are estimated \$6,000-10,000 per mailing, and therefore an annual budget of \$36,000-60,000. However, there are no advertising campaigns at this time. Our current strategy of slowly and methodically doing one transaction after another is working, and building our "self-sufficiency", which we define as no longer needing Adavco's help in purchasing property. We will conduct an advertising campaign when we

a) become self-sufficient, b) become profitable, c) our current strategy fails us, requiring emergency advertising in order to drum up new business, or d) reach a point in our operations where we are able to handle more transactions at the same time.

Potential Future Business Models. We may consider expanding operations in the future, as time and money allow, by targeting large builders and offering to develop and acquire land for them, and/or targeting large farmers that have excess land, which they want to develop. We anticipate this future model moving forward in the fall of 2007, contingent on our current success.

Description of Property.

Our principal office is a dedicated office building at 1200 Truxtun Ave., Suite 130, in Bakersfield, California.

We do not own real estate at the current time.

Plant and Significant Equipment. We do not expect any purchase of any plant or significant equipment assets in the next 12 months.

Number of Employees. Our current number of employees is zero. We do not expect a significant change in the number of employees in the next 12 months.

Security Ownership of Certain Beneficial Owners and Management.

We have only one class of securities - our Common Stock.

The following represents the security ownership of the only person who owns more than five percent of our outstanding Common Stock:

Annette Davis	38,054,331 shares	95.1% of common stock
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Financing Plans. We will continue to rely on loans from Adavco, Inc. to complete brokerage transactions. At this time, there is nothing signed by Adavco Inc. to guarantee that such funds will be made available.

OFF BALANCE SHEET ARRANGEMENTS

We have no off balance sheet arrangements.

**Item 3. Controls and Procedures.**

It is Management's responsibility for establishing and maintaining adequate internal control over financial reporting for Pebble Beach Enterprises. It is the President's ultimate responsibility to ensure the Company maintains disclosure controls and procedures designed to provide reasonable assurance that material information, both financial and non-financial, and other information required under the securities laws to be disclosed is identified and communicated to senior management on a timely basis. The Company's disclosure controls and procedures include mandatory communication of material events, management review of monthly, quarterly and annual results and an established system of internal controls.

As of September 30 2006, management of the Company, including the President, conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures with respect to the information generated for use in this Quarterly Report. Based upon and as of the date of that evaluation, the President and Treasurer have concluded the Company's disclosure controls were effective to provide reasonable assurance that information required to be disclosed in the reports that the Company files or submits under the relevant securities laws is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. There have been no changes in the Company's internal control over financial reporting during the period ended March 31, 2006, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

It should be noted that while the Company's management, including the President, believes the Company's disclosure controls and procedures provide a reasonable level of assurance, they do not expect that the Company's disclosure controls and procedures or internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance the objectives of the control system are met. Further, the design of a control system must reflect the fact there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to errors or fraud may occur and not be detected.

**Other Information**

**Item 4. Exhibits**

Index of Exhibits

1. 31.1 Certification of Director pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
  2. 31.2 Certification of Treasurer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
  3. 32.1 Certification of Director pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
  4. 32.2 Certification of Treasurer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Pebble Beach Enterprises, INC**  
(Registrant)

**Pebble Beach Enterprises, INC**

Date: November 14, 2006

By: /s/ Aaron Hashim

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