

ALLERGAN INC  
Form DEF 14A  
March 21, 2006

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**SCHEDULE 14A INFORMATION**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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

Filed by the Registrant  x

Filed by a Party other than the Registrant  o

Check the appropriate box:

o Preliminary Proxy Statement

x Definitive

Proxy

Statement

Confidential, for

Use of the

Commission Only

(as permitted by

Rule 14a-6(e)(2))  o

Definitive

Additional

Material

Soliciting

Material Pursuant

to sec. 240.14a-12

**ALLERGAN, INC.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x Fee not required.

o Fee computed

on table below

per Exchange Act

Rules 14a-6(i)(4)

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:

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(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):

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(4) Proposed  
maximum  
aggregate value  
of transaction:

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(5) Total fee  
paid:

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o Fee paid  
previously with  
preliminary  
materials.o 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:

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

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(3) Filing Party:

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(4) Date Filed:

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

March 21, 2006

Dear Stockholder:

You are cordially invited to attend our 2006 annual meeting of stockholders, to be held at the Irvine Marriott Hotel, 18000 Von Karman Avenue, Irvine, California, on Tuesday, May 2, 2006 at 10:00 a.m. local time. 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. If you plan to attend the annual meeting in person, please mark the designated box on the enclosed proxy card.

Alternatively, if you utilize the telephone or Internet voting system, please indicate your plans to attend the annual meeting when prompted to do so by the system. If you are a stockholder of record, you should bring the bottom half of the enclosed proxy card as your admission card and present the card upon entering the annual meeting. If you are planning to attend the annual meeting and your shares are held in street name (by a bank or broker, for example), you should ask the record owner for a legal proxy or bring your most recent account statement to the annual meeting so that we can verify your ownership of Allergan stock. Please note, however, that if your shares are held in street name and you do not bring a legal proxy from the record owner, you will be able to attend the annual meeting, but you will not be able to vote at the annual meeting.

Whether or not you plan to attend the annual meeting personally, and regardless of the number of shares you own, it is important that your shares be represented at the annual meeting. Accordingly, we urge you to promptly complete the enclosed proxy card and return it to the inspector of elections in the postage-prepaid envelope provided, or to promptly use the telephone or Internet voting system. If you do attend the annual meeting and wish to vote in person, you may withdraw your proxy at that time.

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

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2525 Dupont Drive, Irvine, CA 92612  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 2, 2006

TO OUR STOCKHOLDERS:

The annual meeting of stockholders of Allergan, Inc., a Delaware corporation ( Allergan or the Company ), will be held at the Irvine Marriott Hotel, 18000 Von Karman Avenue, Irvine, California, on Tuesday, May 2, 2006 at 10:00 a.m., local time, for the following purposes:

1. To elect four Class II directors to serve for three-year terms until the annual meeting of stockholders in 2009 and until their successors are elected and qualified;
2. To ratify the appointment of Ernst & Young LLP as the Company s independent registered public accounting firm for fiscal year 2006;
3. To approve an amendment to the Company s 2003 Non-employee Director Equity Incentive Plan that will
  - i) authorize an additional 350,000 shares of the Company s Common Stock for issuance under the plan,
  - ii) eliminate the current restriction that only up to 250,000 shares available for issuance under the plan may be issued in the form of restricted stock awards and provide that all shares available under the plan may be issued in the form of stock options or restricted stock, and iii) increase the annual grant of stock options to non-employee directors of the Company to 4,500 from 2,500;
4. To approve the Allergan, Inc. 2006 Executive Bonus Plan; and
5. To transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

The Board of Directors has fixed March 15, 2006 as the record date for determining the stockholders entitled to notice of and to vote at the annual meeting and, consequently, only stockholders whose names appeared on the Company s books as owning the Company s common stock at the close of business on March 15, 2006 will be entitled to notice of and to vote at the annual meeting and any adjournment or postponement thereof.

ALL STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. It is important that your shares of common stock be represented and voted at the annual meeting. Whether or not you expect to attend the annual meeting, please complete, date, sign and return the enclosed proxy card as promptly as possible in order to ensure your representation at the annual meeting. Should you receive more than one proxy card because your shares of common stock are held in multiple accounts or registered in different names or addresses, please sign, date and return each proxy card to ensure that all of your shares of common stock are voted. A postage-prepaid envelope is enclosed for that purpose. You may also vote your proxy by calling the toll-free telephone number shown on your proxy card or by

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visiting the Internet website address shown on your proxy card. Your proxy may be revoked at any time prior to the annual meeting. If you attend the annual meeting and vote by ballot, any proxy that you previously submitted will be revoked automatically and only your vote at the annual meeting will be counted. However, if your shares of common stock are held of record by a broker, bank or other nominee, your vote in person at the annual meeting will not be effective unless you have obtained and present a proxy issued in your name from the record holder.

By Order of the Board of Directors

Douglas S. Ingram  
*Executive Vice President,  
General Counsel and Secretary*

Irvine, California  
March 21, 2006

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**ALLERGAN, INC.**  
**2525 Dupont Drive, Irvine, California 92612**  
**ANNUAL MEETING OF STOCKHOLDERS**  
**TO BE HELD MAY 2, 2006**  
**PROXY STATEMENT**

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

The Board of Directors (the Board) of Allergan, Inc. (Allergan or the Company) is soliciting proxies to be used at the Company's Annual Meeting of Stockholders, to be held at the Irvine Marriott Hotel, 18000 Von Karman Avenue, Irvine, California, on Tuesday, May 2, 2006 at 10:00 a.m., local time, and at any adjournment or postponement thereof (the Annual Meeting). This proxy statement, the enclosed form of proxy and the Company's 2005 Annual Report to Stockholders are being mailed to the Company's stockholders on or about March 27, 2006.

**Who Can Vote, Outstanding Shares**

Record holders of the Company's common stock, par value \$0.01 per share (the Common Stock), as of March 15, 2006 (the Record Date), may vote at the Annual Meeting. As of the Record Date, there were 133,660,328 shares of Common Stock (exclusive of approximately 998,939 shares of Common Stock held in treasury) outstanding, each entitled to one vote. The shares of Common Stock held in the Company's treasury will not be voted at the Annual Meeting. There were approximately 6,192 stockholders of record as of the Record Date.

**How You Can Vote**

Stockholders of record on the Record Date are eligible to vote at the Annual Meeting using one of four methods:

*Voting in Person.* To vote in person, you must attend the Annual Meeting and follow the procedures for voting announced at the Annual Meeting;

*Voting by Mail.* To vote by mail, simply mark the enclosed proxy card, date and sign it, and return it in the postage-paid envelope provided;

*Voting by Telephone.* To vote by telephone, call the toll-free number on the enclosed proxy card; or

*Voting by Internet.* To vote via the Internet, use the website indicated on the enclosed proxy card, which is available 24 hours a day.

The Internet and telephone voting procedures are designed to authenticate the stockholder's identity and to allow stockholders to vote their shares and to confirm that their voting instructions have been properly recorded. Specific instructions are set forth on the enclosed proxy card. In order to be timely processed, an Internet or telephone vote must be received by 11:59 a.m. Central Standard Time on May 1, 2006. If you vote via the Internet or by telephone, you may incur costs such as usage charges from telephone companies or Internet service providers and you must bear these costs. Please note that while all stockholders of record on the Record Date may vote in person or by mail, certain banks and brokerages do not allow for voting by telephone or via the Internet. Regardless of the method you choose, your vote is important. Please vote by following the specific instructions on your proxy card.

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### **How You May Revoke or Change Your Vote**

Any stockholder has the power to revoke his or her proxy at any time before it is voted. A proxy may be revoked by:

delivering a written notice of revocation to the Secretary of the Company at or before the Annual Meeting;

presenting to the Secretary of the Company at or before the Annual Meeting a later dated proxy executed by the person who executed the prior proxy; 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 subsequent proxy may be sent to Allergan, Inc., Attn: Secretary, 2525 Dupont Drive, P.O. Box 19534, Irvine, California 92623, or hand delivered to the Secretary of the Company at or before the voting at the Annual Meeting.

### **General Information on Voting**

Each share of Common Stock represented by each properly executed, unrevoked proxy received in time for the Annual Meeting will be voted in the manner specified therein. If the manner of voting is not specified in an executed proxy received by the Company, the proxy will be voted FOR the election of each of the four director nominees, FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2006, FOR the approval of the amendment to the Allergan, Inc. 2003 Non-employee Director Equity Incentive Plan, and FOR the approval of the Allergan, Inc. 2006 Executive Bonus Plan. As to any other business that may properly come before the Annual Meeting, the persons named in the accompanying proxy card will vote in accordance with their best judgment, although the Company does not presently know of any other business.

Brokers holding shares of record for customers are not entitled to vote on certain matters unless they receive voting instructions from their customers. Uninstructed shares result when shares are held by a broker who has not received instructions from its customer on such matters and the broker has so notified the Company on a proxy form in accordance with industry practice or has otherwise advised the Company that it lacks voting authority. As used herein, broker non-votes means the votes that could have been cast on the matter in question by brokers with respect to uninstructed shares if the brokers had received their customers' instructions.

### **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 or not 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 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, will be treated as shares that are present and entitled to vote at the Annual Meeting for purposes of determining whether a quorum exists.

For purposes of Proposal 1, directors are elected by a plurality vote and the four nominees who receive the most votes will be elected. Abstentions will not affect the outcome of the election of the nominees to the Board. The election of directors is a matter on which a broker or other nominee is empowered to vote. Accordingly, no broker non-votes will result from this proposal.

Approval of Proposal 2, ratifying the appointment of Ernst & Young LLP for fiscal year 2006, requires the affirmative vote of a majority of shares present at the meeting, in person or by proxy, and entitled to vote on the proposal. Abstentions on Proposal 2 will have the same effect as a vote against Proposal 2. The approval of Proposal 2 is a routine proposal on which a broker or other nominee is empowered to vote. Accordingly, no broker non-votes will result from this proposal.

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Approval of Proposal 3, the amendment to the Allergan, Inc. 2003 Non-Employee Director Equity Incentive Plan, is governed by New York Stock Exchange (the NYSE ) listing standards, which require the affirmative vote of the holders of a majority of the shares of common stock cast on such proposal, in person or by proxy, provided that the votes cast on the proposal represent over 50% of the total outstanding shares of common stock entitled to vote on the proposal. Under this standard, votes for and against and abstentions count as votes cast, while broker non-votes do not count as votes cast. All outstanding shares on the Record Date, including shares resulting in broker non-votes, count as shares entitled to vote. Thus, the total sum of votes for, votes against, and abstentions, which sum is referred to as the NYSE Votes Cast, must be greater than 50% of the total outstanding shares of common stock. Once satisfied, the number of votes for the proposal must be greater than 50% of the NYSE Votes Cast. Abstentions on Proposal 3 will have the effect of a vote against Proposal 3. The amendment of an equity plan is a matter on which brokers or other nominees are not empowered to vote without direction from the beneficial owner. Thus, broker non-votes can result from Proposal 3 and may make it difficult to satisfy the NYSE Votes Cast requirement.

Approval of Proposal 4, approval of the Allergan, Inc. 2006 Executive Bonus Plan, requires the affirmative vote of a majority of shares present at the meeting, in person or by proxy, and entitled to vote on the proposal. Abstentions on Proposal 4 will have the same effect as a vote against Proposal 4. The approval of Proposal 4 is a routine proposal on which a broker or other nominee is empowered to vote. Accordingly, no broker non-votes will result from this proposal.

### **Costs of Solicitation**

The total cost of this solicitation will be borne by the Company. In addition to solicitation by mail, officers and employees of the Company may solicit proxies by telephone, by facsimile or in person. The Company has retained Georgeson Shareholder Communications, Inc. to assist in the solicitation of proxies for a fee not to exceed \$9,000.00, plus the reimbursement of reasonable out-of-pocket expenses. The Company will reimburse brokers, nominees, fiduciaries and other custodians for reasonable expenses incurred by them in sending proxy soliciting material to the beneficial owners of the Common Stock.

### **Confidentiality**

It is the Company's 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 the Company concludes in good faith that a bona fide dispute exists as to the authenticity of one or more proxies, ballots or votes, or as to the accuracy of the tabulation of such proxies, ballots or votes;

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

where contacting stockholders by the Company 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 the Company by the independent inspector of elections appointed for the Annual Meeting;

aggregate vote totals may be disclosed to the Company 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 the securities of the Company by a person other than the Company of which solicitation the Company has actual notice.

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**Proposal No. 1**  
**ELECTION OF DIRECTORS**

The Board currently consists of 11 members and is divided into three classes with each class consisting, as nearly as possible, of one third of the whole number of the Board. There are currently 3 Class I directors, 4 Class II directors and 4 Class III directors. At each annual meeting, the directors elected by stockholders to succeed directors whose terms are expiring are identified as being of the same class as those directors they succeed and are elected for a term to expire at the third annual meeting after their election and until their successors are duly elected and qualified. The Board appoints directors to fill vacancies on the Board, as they occur, as well as newly created directorships. A director appointed to fill a vacancy is appointed to the same class as the director he or she succeeds or the class of the created directorship as determined by the Board. Newly-appointed directors hold office until the next election by the stockholders of the class to which such director is appointed.

Upon the recommendation of the Corporate Governance Committee, the Board has nominated each of the following persons to serve as a Class II director of the Company for a three-year term expiring at the annual meeting of stockholders in 2009. Each of the nominees for election currently serves as a director of the Company, has consented to serve for a new term and was elected by the stockholders of the Company to his present term of office, except for Mr. Ingram, who was appointed to the Board to fill a vacancy in January 2005.

Name	Age	Position with the Company
Herbert W. Boyer, Ph.D.	69	Director, Vice Chairman
Robert A. Ingram	63	Director
David E.I. Pyott	52	Chairman of the Board and Chief Executive Officer
Russell T. Ray	58	Director

THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE ELECTION OF EACH OF THE FOUR 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 Common Stock represented by the proxies will be voted for such other person or persons as may be designated by the Board, unless the Board reduces the number of directors accordingly.** As of the date of this proxy statement, the Board is not aware of any nominee who is unable or will decline to serve as a director.

**Information About Nominees and Other Directors**

Set forth below are descriptions of the backgrounds of each nominee as well as the other Board members and their principal occupations for at least the past five years and their public-company directorships as of the Record Date.

**Class II Term to Expire at the Annual Meeting in 2006**

Herbert W. Boyer, Ph.D., 69, is a founder of Genentech, Inc., a publicly-traded biotechnology company, and has been a director of Genentech since 1976. He served as Vice President of Genentech from 1976 until his retirement in 1991. Dr. Boyer, a Professor of Biochemistry at the University of California at San Francisco from 1976 to 1991, demonstrated the usefulness of recombinant DNA technology to produce medicines economically, which laid the groundwork for Genentech's development. Dr. Boyer received the 1993 Helmut Horten Research Award. He also received the National Medal of Science from President George H. W. Bush in 1990, the National Medal of Technology in 1989 and the Albert Lasker Basic Medical Research Award in 1980. He is an elected member of the National Academy of Sciences and a Fellow in the American Academy of Arts and Sciences. Dr. Boyer serves on the board of directors of the Scripps Research Institute, a non-profit research organization engaged in basic biomedical science. Dr. Boyer was elected Vice

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Chairman of the Board in 2001, served as Chairman of the Board from 1998 to 2001, and has been a Board member since 1994. Dr. Boyer is a member of the Corporate Governance Committee and the Science and Technology Committee.

Robert A. Ingram, 63, has served as Vice Chairman Pharmaceuticals of GlaxoSmithKline plc, a publicly-traded pharmaceutical company, since January 2003. Mr. Ingram was the Chief Operating Officer and President, Pharmaceutical Operations of GlaxoSmithKline plc from January 2001 until his retirement in January 2003. Prior to that, he was Chief Executive Officer of Glaxo Wellcome plc from October 1997 to December 2000 and Chairman of Glaxo Wellcome Inc., Glaxo Wellcome plc's United States subsidiary, from January 1999 to December 2000. Mr. Ingram is also Chairman of the board of directors of OSI Pharmaceuticals, Inc., a publicly-traded biotechnology company focusing on cancer, eye diseases and diabetes, a director of Edwards Lifesciences Corporation, a publicly-traded company focused on products and technologies to treat advanced cardiovascular disease, Lowe's Companies, Inc., a publicly-traded nationwide chain of home improvement superstores, Nortel Networks, a publicly-traded maker of telecom equipment (Mr. Ingram's term as a director of Nortel ends May 2, 2006 and he does not plan to stand for re-election), Valeant Pharmaceuticals International, a publicly-traded specialty pharmaceutical company focused on neurology, dermatology and infectious disease and Wachovia Corporation, a leading bank in the United States and a publicly-traded company. In addition, Mr. Ingram is Chairman of the American Cancer Society Foundation and the CEO Roundtable on Cancer. Mr. Ingram was appointed to the Board in January 2005 and is a member of the Corporate Governance Committee and the Science & Technology Committee.

David E.I. Pyott, 52, has been Chief Executive Officer of the Company since January 1998 and in 2001 became Chairman of the Board. Mr. Pyott also served as President of the Company from January 1998 until February 2006. Previously, he was head of the Nutrition Division and a member of the executive committee of Novartis AG, a publicly-traded company focused on the research and development of products to protect and improve health and well-being, from 1995 until December 1997. From 1992 to 1995, Mr. Pyott was President and Chief Executive Officer of Sandoz Nutrition Corp., Minneapolis, Minnesota, a predecessor to Novartis, and General Manager of Sandoz Nutrition, Barcelona, Spain, from 1990 to 1992. Prior to that, Mr. Pyott held various positions within the Sandoz Nutrition group from 1980. Mr. Pyott is also a member of the board of directors of Avery-Dennison Corporation, a publicly-traded company focused on pressure-sensitive technology and self-adhesive solutions, Edwards Lifesciences Corporation, Pacific Mutual Holding Company, a leading California-based life insurer, the ultimate parent company of Pacific Life and Pacific LifeCorp, and the parent stockholding company of Pacific Life. Mr. Pyott is a member of the Directors' Board of The Paul Merage School of Business at the University of California at Irvine (UCI), and is chair of the Chief Executive Roundtable for UCI. Mr. Pyott serves on the board of directors and the Executive Committee of the California Healthcare Institute, and the board of directors of the Biotechnology Industry Organization. Mr. Pyott also serves as a member of the board of directors of the Pan-American Ophthalmological Foundation, the International Council of Ophthalmology Foundation, the Cosmetic Surgery Foundation and as a member of the Advisory Board for the Foundation of the American Academy of Ophthalmology. Mr. Pyott joined the Board in 1998.

Russell T. Ray, 58, has served as a Managing 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 1999 to March 2002, Mr. Ray was the 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 twelve 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. Mr. Ray is a Director of Pondaray Enterprises, Inc., a closely-held image content provider and a Trustee of The Friends School of Baltimore. Mr. Ray was elected to the Board in April 2003, is Chairman of the Audit and Finance Committee and is a member of the Organization and Compensation Committee.





**Table of Contents****Class III Term to Expire at the Annual Meeting in 2007**

Handel E. Evans, 71, served from September 1998 to February 2004 as Chairman of Equity Growth Research Ltd., a company providing financial services principally to health care companies in Europe that was acquired by Libertas Capital in 2004. Currently, Mr. Evans is the Senior Advisor on global healthcare to the Libertas Capital Group plc., a position he has held since September 2005. Mr. Evans has over 40 years' experience in the pharmaceutical industry and was the co-founder and former Executive Chairman of Pharmaceutical Marketing Services Inc. and Walsh International Inc., companies providing marketing services to the pharmaceutical industry. Prior to 1988, Mr. Evans was a co-founder and senior executive of IMS International Inc., a leading information supplier to the pharmaceutical industry. Mr. Evans is a director of Cambridge Laboratories Ltd. and is Chairman of the British Urological Foundation Board of Trustees. Mr. Evans was elected to the Board in 1989, is Chairman of the Corporate Governance Committee and is a member of the Organization and Compensation Committee.

Michael R. Gallagher, 60, was Chief Executive Officer and a Director of Playtex Products, Inc., a publicly-traded personal care and consumer products manufacturer, from July 1995 until 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, maker of Lysol® and other household cleaning products, of Sterling Drug from 1984 until its sale to Eastman Kodak in 1988. Mr. Gallagher is a member of the Board of Advisors of the Haas School of Business, UC Berkeley and the Board of Trustees of St. Luke's School. Mr. Gallagher was elected to the Board in 1998 and is a member of the Audit and Finance Committee and the Organization and Compensation Committee.

Gavin S. Herbert, 73, is a founder of the Company and has served as Chairman Emeritus since 1996. He had been Chairman since 1977 and was also Chief Executive Officer from 1977 to 1991. Prior to that, Mr. Herbert had been President and Chief Executive Officer of the Company since 1961. He is Chairman and Founder of Regenesys Bioremediation Products, formed in 1994. Mr. Herbert is a life trustee of the University of Southern California, Chairman of Roger's Gardens, a privately-held nursery, and Vice Chairman of the Beckman Foundation. Mr. Herbert is also a director of Research to Prevent Blindness and the Doheny Eye Institute, a patient care, vision research and physician education center affiliated with the University of Southern California. Mr. Herbert also serves on the board of The Richard Nixon Library and Birthplace Foundation, the Advisory Board for the Foundation of the American Academy of Ophthalmology, and the CEO Roundtable on Cancer. In 1994, Mr. Herbert retired as an employee of the Company. Mr. Herbert has been a director since 1950 and is a member of the Science & Technology Committee.

Stephen J. Ryan, M.D., 66, is President of the Doheny Eye Institute and the Grace and Emery Beardsley Professor of Ophthalmology at the Keck School of Medicine of the University of Southern California. Dr. Ryan had been Dean of the Keck School of Medicine and Senior Vice President for Medical Care of the University of Southern California from 1991 through June 2004. Dr. Ryan is a Member of the Institute of Medicine of the National Academy of Sciences and is a member and past president of numerous ophthalmologic organizations such as the Association of University Professors of Ophthalmology and the Macula Society. Dr. Ryan is the founding President of the Alliance for Eye and Vision Research. Dr. Ryan was appointed to the Board in September 2002, is Chairman of the Science & Technology Committee and is a member of the Audit and Finance Committee.

**Class I Term to Expire at the Annual Meeting in 2008**

Trevor M. Jones, Ph.D., 63, served as the Director General of the Association of the British Pharmaceutical Industry (ABPI), an association representing the interests of approximately 100 British and international pharmaceutical companies, from 1994 to August 2004. From 1987 to 1994, Prof. Jones was a main board director at Wellcome Plc, a major healthcare business that merged with GlaxoSmithKline plc, where he was responsible for all research and development activities. Prof. Jones received his bachelor of

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pharmacy degree and Ph.D. from the University of London and is currently Vice Chairman of Council 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. Furthermore, he was recognized in the Queen's Honors List and holds the title of a Commander of the British Empire. He is also a fellow of the Royal Society of Chemistry, a fellow of the Royal Pharmaceutical Society, and 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 Chairman of the board of directors of ReNeuron Group plc, a UK-based adult stem cell research and development company and of B.A.C. BV, a discoverer and developer of novel products for biopharmaceutical purification, and a board member of Merlin Biosciences Funds I and II and NextPharma Technologies Holdings Ltd., a contract manufacturer in Europe for the pharmaceutical and health care industries. Prof. Jones is a founder and board member of the Geneva-based public-private partnership, Medicines for Malaria Venture and the UK Stem Cell Foundation. Prof. Jones was appointed to the Board in July 2004 and is a member of the Corporate Governance Committee and the Science and Technology Committee.

Louis J. Lavigne, Jr. 57, has served as a management consultant in the areas of corporate finance, accounting and strategy since March 2005. Prior to that, Mr. Lavigne served as Executive Vice President and Chief Financial Officer of Genentech, Inc. from March 1997 through his retirement in March 2005. Mr. Lavigne joined Genentech in July 1982, was named controller in 1983, and, in that position, built Genentech's operating financial functions. In 1986, he was promoted to vice president and assumed the position of chief financial officer in September of 1988. Mr. Lavigne was named senior vice president in 1994 and was promoted to executive vice president in 1997. Prior to joining Genentech, he held various financial management positions with Pennwalt Corporation, a pharmaceutical and chemical company. Mr. Lavigne also serves on the boards of Arena Pharmaceuticals, Inc., a publicly-traded biopharmaceutical company, BMC Software, Inc., a publicly-traded provider of enterprise management software, Equinix, Inc., a publicly-traded company providing hosting and colocation facilities, Kyphon Inc., a publicly-traded medical devices company and LifeMasters Supported SelfCare, Inc., an interactive disease management company. Mr. Lavigne was appointed to the Board in July 2005 and is a member of the Audit and Finance Committee and the Science and Technology Committee.

Leonard D. Schaeffer, 60, served as Chairman of the board of directors of WellPoint, Inc., an insurance organization created by the combination of WellPoint Health Networks Inc. and Anthem, Inc., which owns Blue Cross of California, Blue Cross and Blue Shield of Georgia, Blue Cross and Blue Shield of Missouri, Blue Cross and Blue Shield of Wisconsin, Anthem Life Insurance Company, HealthLink and UniCare, from November 2004 until his retirement in November 2005. From 1992 until November 2004, Mr. Schaeffer served as Chairman of the board of directors and Chief Executive Officer of WellPoint Health Networks Inc. Mr. Schaeffer was the Administrator of the U.S. Health Care Financing Administration from 1978 to 1980. He is a member of the board of directors of Amgen, Inc., a publicly-traded company focusing on discovering, developing and delivering innovative human therapeutics, the Chairman of the board of directors of the National Institute for Health Care Management and a member of the Institute of Medicine. Mr. Schaeffer was elected to the Board in 1993, is the Chairman of the Organization and Compensation Committee and is a member of the Corporate Governance Committee.

**Proposal No. 2****RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit and Finance Committee is responsible for the appointment, compensation, retention and oversight of the work of the Company's independent registered public accounting firm. On June 24, 2005, the Audit and Finance Committee approved and effectuated the dismissal of KPMG LLP as the Company's independent registered public accounting firm, and approved and effectuated the engagement of Ernst & Young LLP as the Company's independent registered public accounting firm to perform the independent audit, review and attest services with respect to the Company's financial statements for the fiscal year ending December 31, 2005. The Audit and Finance Committee has also selected Ernst & Young LLP as the

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independent registered public accounting firm for the Company for 2006. The Audit and Finance Committee considered whether Ernst & Young LLP's provision of services other than audit services is compatible with maintaining independence as the Company's independent registered public accounting firm.

Although ratification by stockholders is not a prerequisite to the ability of the Audit and Finance Committee to select Ernst & Young LLP as the Company's independent registered public accounting firm, the Company believes such ratification to be desirable. Accordingly, stockholders are being requested to ratify, confirm and approve the selection of Ernst & Young LLP as the Company's independent registered public accounting firm to conduct the annual audit of the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2006. If the stockholders do not ratify the selection of Ernst & Young LLP, the selection of independent registered public accounting firm will be reconsidered by the Audit and Finance Committee; however, the Audit and Finance Committee may select Ernst & Young LLP notwithstanding the failure of the stockholders to ratify its selection. The Audit and Finance Committee believes ratification is advisable and in the best interests of the stockholders. If the appointment of Ernst & Young LLP is ratified, the Audit and Finance Committee will continue to conduct an ongoing review of Ernst & Young LLP's scope of engagement, pricing and work quality, among other factors, and will retain the right to replace Ernst & Young LLP at any time.

**Independent Registered Public Accounting Firms Fees**

Aggregate fees billed to the Company for the fiscal years ended December 31, 2005 and December 31, 2004 by the Company's independent registered public accounting firms, Ernst & Young LLP and KPMG LLP (each an Accounting Firm and together, the Accounting Firms), are as follows:

Type of Fees	2005(1)	2005(1)	2004(2)
	E&Y	KPMG	KPMG
Audit Fees(3)	\$ 2,667,652	\$ 232,938	\$ 2,673,370
Audit-Related Fees(4)	93,857	54,286	20,806
Tax Fees(5)	622,014	861,290	784,227
All Other Fees(6)			5,890
<b>Total</b>	<b>\$ 3,383,523</b>	<b>\$ 1,148,514</b>	<b>\$ 3,484,293</b>

(1) The 2005 fees billed to the Company by the Accounting Firms were, in aggregate, \$4,532,037 including Audit Fees of \$2,900,590, Audit-Related Fees of \$148,143, Tax Fees of \$1,483,304 and All Other Fees of zero.

(2) The 2004 fees represent the aggregate fees billed to the Company solely by KPMG LLP.

(3) Represents the aggregate fees billed to the Company by each respective Accounting Firm for professional services rendered for the audit of the Company's annual consolidated financial statements, and the Company's internal controls over financial reporting for the reviews of the consolidated financial statements included in the Company's Form 10-Q filings for each fiscal quarter, for statutory audits of the Company's international operations, preparation of comfort letters and providing consents with respect to registration statements.

(4) Represents the aggregate fees billed to the Company by each respective Accounting Firm for assurance and related services that are reasonably related to the performance of the audit and review of the Company's financial statements that are not already reported in Audit Fees. These services include accounting consultations and attestation services that are not required by statute.

(5) Represents the aggregate fees billed to the Company by each respective Accounting Firm for professional services relating to tax compliance, tax advice and expatriate tax services.

(6) Includes fees paid relating to employee benefits compliance and customs advisory services.

The audit report of KPMG LLP on the Company's consolidated balance sheets as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2004 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles, except that KPMG LLP's audit report referred to above contains an explanatory paragraph that describes the Company's adoption of Emerging Issues Task Force (EITF) No. 04-08, The Effect of

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Contingently Convertible Instruments on Diluted Earnings Per Share, in 2004 and the Company's change of its methodology of accounting for goodwill and intangible assets in 2002, both discussed in note 1 to the Company's consolidated financial statements. The audit report of KPMG LLP on management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting as of December 31, 2004 contained in the Company's 2004 annual report on Form 10-K did not contain an adverse opinion or disclaimer of opinion, and was not qualified or modified.

In connection with the audits of the two most recent fiscal years ended December 31, 2004 and December 31, 2003, and in the subsequent unaudited interim period through June 24, 2005, there were no (1) disagreements between the Company and KPMG LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to KPMG LLP's satisfaction, would have caused KPMG LLP to make reference to the subject matter of the disagreement in its report, or (2) reportable events described under Item 304(a)(1)(v) of Regulation S-K. A letter from KPMG LLP is attached to the Form 8-K filed by the Company on June 30, 2005 as Exhibit 16, indicating KPMG LLP's agreement to the statements made therein.

In deciding to select Ernst & Young LLP as the Company's independent registered public accounting firm, the Audit and Finance Committee reviewed auditor independence issues and existing commercial relationships with Ernst & Young LLP and concluded that Ernst & Young LLP has no commercial relationship with the Company that would impair its independence.

During the two most recent fiscal years ended December 31, 2004 and December 31, 2003, and the subsequent unaudited interim period through June 24, 2005, the Company did not consult with Ernst & Young LLP regarding any of the matters or events set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K.

**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 LLP is compatible with maintaining the independent registered public accounting firm's independence and has determined that the provision of such services by Ernst & Young LLP has not adversely affected the independent registered public accounting firm's independence.

Ernst & Young LLP, the Company's independent registered public accounting firm, audited the consolidated financial statements of the Company for the fiscal year ended December 31, 2005. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting, will have the opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions.

**Policy on Audit and Finance Committee Pre-Approval**

As part of its duties, the Audit and Finance Committee is required to pre-approve audit and non-audit services performed by the Company's independent registered public accounting firm in order to assure that the provision of such services does not impair the independent registered public accounting firm's independence. In January 2005, the Audit and Finance Committee adopted a revised policy for the pre-approval of audit and non-audit services rendered by the Company's independent registered public accounting firm. The policy generally provides that services in the defined categories of audit services, audit-related services, tax services and all other services, are deemed pre-approved up to specified amounts, and sets requirements for specific case-by-case pre-approval of discrete projects that are not otherwise pre-approved or for services over the pre-approved amounts. Pre-approval may be given as part of the Audit and Finance Committee's approval of the scope of the engagement of the independent registered public accounting firm or on an individual basis. The pre-approval of services may be delegated to one or more of the Audit and Finance Committee's members, but the decision must be presented to the full Audit and Finance Committee at its next scheduled meeting. The policy prohibits retention of the independent registered public accounting firm to perform the prohibited non-audit functions defined in Section 201 of the Sarbanes-Oxley Act of 2002 or the rules of the Securities and Exchange Commission (the "SEC"), and also considers whether proposed services are compatible with the independence of the independent registered public accounting firm. All services provided by the Company's

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independent registered public accounting firms in 2005 were pre-approved in accordance with the Audit and Finance Committee's pre-approval requirements.

THE BOARD RECOMMENDS A VOTE FOR THE APPOINTMENT OF ERNST & YOUNG LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE YEAR ENDING DECEMBER 31, 2006.

**Proposal No. 3**  
**APPROVAL OF AN AMENDMENT TO THE ALLERGAN, INC.**  
**2003 NON-EMPLOYEE DIRECTOR EQUITY INCENTIVE PLAN**

**General**

On January 30, 2003, the Board adopted the Allergan, Inc. 2003 Non-employee Director Equity Incentive Plan (the Director Plan) as a means to attract and retain the services of experienced and knowledgeable non-employee directors to serve on the Board and to increase the proprietary interests of the Company's non-employee directors in the Company. The Company's stockholders approved the Director Plan on April 25, 2003.

The Board has approved an amendment to the Director Plan, subject to approval by the Company's stockholders. The proposed amendment will modify the Director Plan to:

increase the number of shares of Common Stock reserved for issuance under the Director Plan from 500,000 shares to 850,000 shares;

eliminate the current restriction that only up to 250,000 shares available for issuance under the Director Plan may be issued in the form of restricted stock awards and provide that all shares available under the Director Plan may be issued in the form of stock options or restricted stock; and

increase the annual grant of nonqualified stock options to non-employee directors to an option to purchase 4,500 shares of Common Stock from an option to purchase 2,500 shares of Common Stock, beginning with the Annual Meeting.

As of March 15, 2006, there were only approximately 25,610 shares of Common Stock remaining available for grant as restricted stock awards and approximately 185,000 total shares of Common Stock remaining available for grant as stock options under the Director Plan. Presuming that the proposed amendment to the Director Plan is approved by the Company's stockholders and based on the current number of the Company's non-employee directors, on the date of the Annual Meeting, 21,600 restricted shares will be automatically awarded and 45,000 option shares will be automatically granted to non-employee directors under the Director Plan. If the Company's stockholders fail to approve the amendment to the Director Plan, the option grants will be made at current levels, and the full amount of annual automatic restricted stock awards will not be able to be made on and after the date of the annual meeting of stockholders in 2007.

The primary purpose of the proposed amendments to the Director Plan is to enable the Company to continue to provide a total package of non-employee director compensation competitive with comparable publicly-traded companies. A description of the principal features of the Director Plan, as proposed to be amended, is set forth below. This summary description is qualified by and subject to the actual provisions of the amendment to the Director Plan attached as *Appendix A* to this proxy statement.

**Purpose And Eligibility**

The purpose of the Director Plan is to enable the Company to attract and retain the services of experienced and knowledgeable non-employee directors and to align further their interests with those of the stockholders of the Company by providing for or increasing the proprietary interests of the non-employee directors in the Company. The Director Plan provides for automatic grants of nonqualified stock options and restricted stock awards. Only Board members who are not employees of the Company or any of its subsidiaries

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are eligible to receive awards under the Director Plan. As of March 15, 2006, the Company had 10 non-employee directors.

**Stock Available For Issuance Under the Director Plan**

The shares of Common Stock to be delivered under the Director Plan are made available, at the discretion of the Board, either from authorized but unissued shares of Common Stock or from shares of Common Stock held by the Company as treasury shares, including shares purchased in the open market. Prior to amendment of the Director Plan, the total number of shares of Common Stock that may be issued or transferred pursuant to awards under the Director Plan may not exceed 500,000 shares, of which no more than 250,000 shares may be issued or transferred pursuant to restricted stock awards. The proposed amendment to the Director Plan will increase the total number of shares of Common Stock that may be issued or transferred pursuant to awards under the Director Plan to 850,000 shares and will eliminate the 250,000 share limitation on the number of restricted stock awards that may be granted under the Director Plan. Accordingly, upon effectiveness of the proposed amendment, all shares available under the Director Plan may be issued in the form of stock options or restricted stock, subject to the limitation that only 850,000 shares of Common Stock may be issued under the Director Plan.

If, on or before termination of the Director Plan, an option for any reason expires or otherwise terminates, in whole or in part, without having been exercised in full, or if any shares of Common Stock subject to an award have been reacquired by the Company pursuant to the restrictions imposed on such shares, such option or shares, as the case may be, are no longer charged against the maximum number of shares of Common Stock that may be issued under the Director Plan.

The number and kind of shares issuable under the Director Plan, the number and kind of shares subject to outstanding awards, the grant or exercise price with respect to any award, and the repurchase price, if any, with respect to any award, will be appropriately and proportionately adjusted to reflect mergers, consolidations, sales or exchanges of all or substantially all of the properties of the Company, reorganizations, recapitalizations, reclassifications, stock dividends, stock splits, reverse stock splits, spin-offs or other distributions with respect to such shares of Common Stock (or any stock or securities received with respect to such Common Stock).

On March 15, 2006 the closing market price of the Common Stock was \$115.35 per share.

**Administration, Amendment And Termination**

The Director Plan is administered by the Board. The Board, in its sole discretion, may at any time and from time to time delegate all or any part of the authority, powers and discretion of the Board under the Director Plan to a committee of three or more persons ineligible to participate in the Director Plan.

The Board, in its sole discretion, may amend, suspend, or terminate the Director Plan in any respect whatsoever at any time (including, but not limited to, the power to amend the number of shares subject to awards granted under the Director Plan), except to the extent prohibited by law. However, stockholder approval is required for an amendment to increase the maximum number of shares authorized under the Director Plan or, except for specified adjustments, to amend a stock option to reduce the per share exercise price of the stock option below the per share exercise price as of the date the stock option is granted or to grant a stock option in exchange for, or in connection with, the cancellation or surrender of a stock option having a higher per share exercise price.

**Restricted Stock Awards**

Under the Director Plan, upon election, reelection or appointment of a non-employee director to the Board, the non-employee director is automatically granted an award consisting of 1,800 shares of restricted stock multiplied by the number of years, including any partial year as a full year, that remain in the term of the person so elected, reelected or appointed. Such award is made on the date of the first regular annual meeting of stockholders to occur on or after the date of such election, reelection or appointment, as applicable. Thus,



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given the three-year terms of the Company's directors, each director re-elected at an annual meeting is automatically awarded 5,400 shares of restricted stock.

Participants under the Director Plan are not required to pay any purchase price for the shares of Common Stock to be acquired pursuant to a restricted stock award, unless otherwise required under applicable law or regulations. Recipients of restricted stock are entitled to vote and to receive dividends on the shares subject to the award from the original date through the vesting date (at which time the recipient receives unrestricted ownership of the shares).

The restricted shares awarded under the Director Plan (including any shares received as a result of stock dividends, stock splits or any other form of recapitalization) may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, alienated or encumbered until such restrictions have lapsed, as described below. Such shares are also subject to a requirement that certificates representing the shares must contain a restrictive legend.

The Director Plan provides that as of the date of each annual meeting of stockholders following the date of a restricted stock award, the vesting restrictions lapse and are removed with respect to 1,800, or one-third, of the shares covered by the restricted stock award. In the event that a recipient of a restricted stock award under the Director Plan ceases to be a director for any reason other than death or total disability, all unvested shares acquired under the Director Plan by such recipient must be returned to the Company. If a recipient of a restricted stock award under the Director Plan ceases to be a director because of death or total disability, the vesting restrictions lapse and are removed with respect to all shares acquired by that recipient pursuant to the Director Plan.

### **Option Grants**

Under the Director Plan, each non-employee director is automatically granted an option to purchase shares of Common Stock on the date of each regular annual meeting of stockholders of the Company at which directors are to be elected. The proposed amendment to the Director Plan increases the annual grant of nonqualified stock options to non-employee directors to an option to purchase 4,500 shares of Common Stock from an option to purchase 2,500 shares of Common Stock, beginning with the Annual Meeting.

The options granted under the Director Plan are nonqualified stock options and have an exercise price per share equal to the fair market value of a share of Common Stock on the date of grant, as determined by the closing price on the NYSE on the previous trading day. Each option becomes fully vested and exercisable on the one-year anniversary of the date of its grant. In the event that a holder ceases to be director of the Company by reason of death or total disability, such holder's options become fully vested and exercisable immediately. No option may be exercised after the first to occur of:

the expiration of three months from the date the holder ceases to serve as a director of the Company by reason of such holder's voluntary resignation or removal for cause;

the expiration of one year from the date the holder ceases to serve as a director of the Company other than by reason of such holder's voluntary resignation or removal for cause; or

the expiration of 10 years from the date of its grant.

### **Change in Control**

In the event of a change in control of the Company, all restricted stock and option awards outstanding under the Director Plan will become fully vested. A change in control for this purpose occurs if:

any person or group becomes the beneficial owner of 20% or more of the Company's outstanding voting securities (unless a majority of the incumbent Board members approve the acquisition) or more than 33% of the Company's outstanding voting securities, with or without approval by the incumbent members of the Board;

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incumbent Board members cease to constitute at least a majority of the Board (except for changes approved by a majority of the incumbent directors);

a merger or other business combination involving the Company is completed (other than a merger or other transaction in which (A) the Company's stock continues to represent at least 55% of the combined voting power of the surviving corporation and (B) no person or group becomes a 20% or more beneficial owner of Company voting securities); or

a plan of complete liquidation or the sale of all or substantially all of the Company's assets is approved by the Company's stockholders.

**U.S. Federal Income Tax Consequences**

The following is a brief description of the U.S. federal income tax treatment that will generally apply to restricted stock awards and option grants made under the Director Plan, based on U.S. federal income tax laws in effect on the date of this proxy statement. Directors who participate in the Director Plan are advised to consult with their own tax advisors for particular federal, as well as state and local, income and any other tax advice.

Unless a recipient makes an election under Section 83(b) of the Internal Revenue Code of 1986, as amended (the Code), within 30 days after receiving the restricted stock award, the recipient generally will not be taxed on the receipt of the stock until the restrictions on the stock expire or are removed. When the restrictions expire or are removed, the recipient recognizes ordinary income (and the Company is entitled to a deduction) in an amount equal to the fair market value of the stock at that time. If, however, the recipient makes a timely Section 83(b) election, he or she will recognize ordinary income (and the Company will be entitled to a deduction) equal to the fair market value of the stock on the date of receipt (determined without regard to vesting restrictions). A director who makes a Section 83(b) election will ordinarily not be entitled to recognize any loss thereafter attributable to the shares as a result of forfeiture.

The grant of a nonstatutory stock option generally is not a taxable event for the optionee. Upon exercise of the option, the optionee will generally recognize ordinary income in an amount equal to the excess of the fair market value of the stock acquired upon exercise (determined as of the date of the exercise) over the exercise price of such option, and the Company will be entitled to a tax deduction equal to such amount.

**Table of Contents****Amended Director Plan Benefits**

The following table sets forth the awards that will be made to non-employee directors under the Director Plan if the Company's stockholders approve the proposed amendment to the Director Plan.

Name and Class	Number of Shares of Common Stock Underlying Options		Number of Shares of Restricted Stock	Dollar Value Over the Vesting Period(3)	
	Granted	Dollar Value			
<b>Class I Non-employee Directors</b>					
Trevor M. Jones, Ph.D.	4,500	(1)	0		0
Louis J. Lavigne, Jr.	4,500	(1)	5,400(2)	\$	582,984
Leonard D. Schaeffer	4,500	(1)	0		0
<b>Class II Non-employee Directors</b>					
Herbert W. Boyer, Ph.D.	4,500	(1)	5,400	\$	582,984
Robert A. Ingram	4,500	(1)	5,400	\$	582,984
Russell T. Ray	4,500	(1)	5,400	\$	582,984
<b>Class III Non-employee Directors</b>					
Handel E. Evans	4,500	(1)	0		0
Michael R. Gallegher	4,500	(1)	0		0
Gavin S. Herbert	4,500	(1)	0		0
Stephen J. Ryan, M.D.	4,500	(1)	0		0
<b>Total Non-employee Directors</b>	<b>45,000</b>	<b>(1)</b>	<b>21,600</b>	<b>\$</b>	<b>2,331,936</b>

- (1) The dollar value of the options will be measured by the difference between the Common Stock price and the exercise price on the date the options are exercised. The exercise price of such options will be equal to the fair market value of the Common Stock on the date of grant. The options will become exercisable on the one-year anniversary of the date of grant. Accordingly, the dollar value of the options was not determinable at the time of mailing of this proxy statement.
- (2) Mr. Lavigne was appointed by the Board to fill a vacancy in July 2005. If the proposed amendment to the Director Plan is approved, Mr. Lavigne will be awarded 5,400 shares of restricted stock with the restrictions as to 1,800 shares lapsing immediately.
- (3) The dollar value of each grant of restricted stock to each non-employee director is not determinable until Allergan has made such grant, which, in the event Allergan's stockholders approve the proposed amendment to the Director Plan at the Annual Meeting, will be on May 2, 2006. Values shown assume that the restricted stock grant occurred on December 30, 2005 and therefore had a per share value equal to \$107.96, the closing price of the Common

Stock on the NYSE on December 30, 2005. The grant of restricted stock to participants under the Director Plan vests over 3 years in 1,800 share increments per year. Participants are not required to pay any purchase price for the Common Stock to be acquired pursuant to a restricted stock award, unless otherwise required under applicable law or regulations. If the proposed amendment to the Director Plan is approved, only those Class II non-employee directors standing for election at the Annual Meeting will receive a grant of restricted stock. The remaining non-employee directors will receive grants of restricted stock at the annual meeting of stockholders for the year in which they are re-elected to the Board.

THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE FOR APPROVAL OF THE PROPOSED AMENDMENT TO THE ALLERGAN, INC. 2003 NON-EMPLOYEE DIRECTOR EQUITY INCENTIVE PLAN.

**Proposal No. 4**

**APPROVAL OF THE ALLERGAN, INC. 2006 EXECUTIVE BONUS PLAN**

On January 30, 2006, the Board unanimously approved the adoption of the 2006 Executive Bonus Plan (the Executive Bonus Plan ), subject to approval by the Company s stockholders. The Executive Bonus Plan

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replaces the bonus plan for the Chief Executive Officer approved by the Company's stockholders in 1999, and authorizes the Organization and Compensation Committee to establish annual bonus programs based on specified performance objectives. If the Executive Bonus Plan is not approved by the Company's stockholders, no bonus payments will be made pursuant to the Executive Bonus Plan, including bonus payments that may otherwise have become payable upon the achievement of certain performance goals established by the Organization and Compensation Committee at its January 30, 2006 meeting. The Company may, from time to time, also pay discretionary bonuses, or other types of compensation, outside the Executive Bonus Plan which may or may not be tax deductible.

The following summary of the terms of the Executive Bonus Plan is qualified in its entirety by reference to the text of the Executive Bonus Plan, which is attached as *Appendix B* to this proxy statement.

**Eligibility**

Participation in the Executive Bonus Plan is limited to the Chief Executive Officer and the President of the Company.

**History**

The Board, following the recommendation of the Organization and Compensation Committee, approved the Executive Bonus Plan as a separate plan for the Chief Executive Officer's and President's bonuses at a meeting held on January 30, 2006, subject to approval by the Company's stockholders. The Organization and Compensation Committee has established performance objectives, targets and maximum bonus amounts that may become payable under the Executive Bonus Plan based on the achievement of such performance objectives, subject to approval of the Executive Bonus Plan by the Company's stockholders. The Executive Bonus Plan replaces the bonus plan for the Chief Executive Officer approved by the Company's stockholders in 1999.

**Purpose**

The purpose of the Executive Bonus Plan is to motivate its participants to achieve specified performance objectives and to reward them when those objectives are met with bonuses that are intended to be deductible to the maximum extent possible as performance-based compensation within the meaning of Section 162(m) of the Code.

**Administration**

The Executive Bonus Plan will be administered by the Organization and Compensation Committee, or such other committee as may be appointed by the Board consisting solely of two or more directors, each of whom is intended to qualify as an outside director within the meaning of Section 162(m) of the Code. All actions taken and all interpretations and determinations relating to the Executive Bonus Plan made by the Organization and Compensation Committee or the Board in good faith will be binding and final.

**Performance Objectives**

The Organization and Compensation Committee may, in its discretion, establish the specific performance objectives (including any adjustments) that must be achieved in order for the Chief Executive Officer or the President to become eligible to receive a bonus award payment. The performance objectives (including any adjustments) will be established in writing by the Organization and Compensation Committee no later than the earlier of (i) the ninetieth day following the commencement of the period of service to which the performance goals relate or (ii) the date preceding the date on which 25% of the period of service (as scheduled in good faith at the time the performance objectives are established) has elapsed; provided that the achievement of such goals must be substantially uncertain at the time such goals are established in writing. For each calendar year with regard to which one or more eligible participants in the Executive Bonus Plan is selected by the Organization and Compensation Committee to receive a bonus award, the Organization and Compensation Committee will establish in writing one or more objectively determinable performance

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objectives for such bonus award, based upon one or more of the following business criteria, any of which may be measured in absolute terms, as compared to any incremental increase or as compared to the results of a peer group:

revenue;

sales;

cash flow;

earnings per share of the Common Stock (including earnings before any one or more of the following: (i) interest, (ii) taxes, (iii) depreciation, and (iv) amortization);

return on equity;

total stockholder return;

return on capital;

return on assets or net assets;

income or net income;

operating income or net operating income;

operating profit or net operating profit;

operating margin;

cost reductions or savings;

research and development expenses (including research and development expenses as a percentage of sales or revenues);

working capital; and

market share.

The performance objectives may be expressed in terms of overall Company performance or the performance of a business function or business unit. The Organization and Compensation Committee, in its discretion, may specify different performance objectives for each bonus award granted under the Executive Bonus Plan. Following the end of the year in which the performance objectives are to be achieved, the Organization and Compensation Committee will, within the time prescribed by Section 162(m) of the Code, determine whether and to what extent the specified performance objective has been achieved for the applicable year.

**Adjustments to the Performance Objectives**

For each bonus award granted under the Executive Bonus Plan, the Organization and Compensation Committee, in its discretion, may, at the time of grant, specify in the bonus award that one or more objectively determinable adjustments will be made to one or more of the performance objectives established under the criteria discussed above. Such adjustments may include or exclude one or more of the following:

items that are extraordinary or unusual in nature or infrequent in occurrence;

items related to a change in accounting principle;

items related to financing activities;

expenses for restructuring or productivity initiatives;

other non-operating items;

items related to acquisitions;

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items attributable to the business operations of any entity acquired by the Company during the year;

items related to the disposal of a business or segment of a business;

items related to discontinued operations that do not qualify as a segment of a business under GAAP; and

any other items of income or expense which are determined to be appropriate adjustments.

**Awards**

Under the Executive Bonus Plan, the Chief Executive Officer and the President will be eligible to receive awards based upon the Company's performance against the targeted performance objectives established by the Organization and Compensation Committee. If and to the extent the performance objectives are met, the Chief Executive Officer and the President will be eligible to receive a bonus award to be determined by the Organization and Compensation Committee based on a percentage of such officer's year-end annualized base salary.

**Maximum Award; Negative Discretion**

The maximum bonus payment that either the Chief Executive Officer or the President may receive under the Executive Bonus Plan for any year is \$5,000,000. The Executive Bonus Plan, however, is not the exclusive means for the Organization and Compensation Committee to award incentive compensation to the Chief Executive Officer or the President and does not limit the Organization and Compensation Committee from making additional discretionary incentive awards. The Organization and Compensation Committee, in its discretion, may reduce or eliminate the bonus amount otherwise payable to the Chief Executive Officer or the President under the Executive Bonus Plan.

**Form of Payment**

The Chief Executive Officer's or the President's bonus award may be paid, at the option of the Organization and Compensation Committee, in cash or in Common Stock or rights to receive Common Stock, such as restricted stock or restricted stock units, or in any combination of cash, Common Stock, or rights to receive Common Stock. Bonus award payments made in Common Stock, or rights to receive Common Stock, will be made in accordance with the provisions of the Company's 1989 Incentive Compensation Plan, as amended, or any successor plan. On March 15, 2006, the closing price for the Common Stock, as quoted on the NYSE, was \$115.35 per share.

**Termination of Employment**

If either the Chief Executive Officer's or the President's employment with the Company is terminated, except as part of a Change in Control (as defined in the Executive Bonus Plan, a "Change in Control") or by reason of such participant's death or disability, prior to payment of any bonus award, all of such participant's rights under the Executive Bonus Plan will terminate and such participant will not have any right to receive any further payments from any bonus award granted under the Executive Bonus Plan. The Organization and Compensation Committee may, in its discretion, determine what portion, if any, of the Chief Executive Officer's or the President's bonus award under the Executive Bonus Plan should be paid if the termination results from such participant's death or disability.

**Amendment and Termination**

The Organization and Compensation Committee or the Board may terminate the Executive Bonus Plan or partially amend or otherwise modify or suspend the Executive Bonus Plan at any time or from time to time, subject to any stockholder approval requirements under Section 162(m) of the Code or other requirements. However, with respect to bonus awards that the Organization and Compensation Committee determines should qualify as performance-based compensation as described in Section 162(m) of the Code, no action of the Board or the Organization and Compensation Committee may modify the performance objectives (or



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adjustments) applicable to any outstanding bonus award, to the extent such modification would cause the bonus award to fail to qualify as performance-based compensation.

**Change in Control**

If a Change in Control occurs following the end of any year, bonus awards will be paid to the extent earned based on the performance of the Company in relation to the specified performance objectives set by the Organization and Compensation Committee for such prior year. If a Change in Control occurs during any year in which the Chief Executive Officer or the President are eligible to receive a bonus award under the Executive Bonus Plan, such bonus awards for that year will be prorated to the effective date of the Change in Control and all performance objectives set by the Organization and Compensation Committee will be deemed to be met at the greater of 100% of the performance objective or the Company's actual prorated year-to-date performance, provided that the participant continues to be employed by the Company or its successor on the effective date of the Change in Control.

**U.S. Federal Income Tax Consequences**

Under present U.S. federal income tax law, a participant generally will recognize ordinary income at the time such participant receives cash or shares of Common Stock pursuant to an award under the Executive Bonus Plan (or upon the subsequent vesting of such stock, if the participant receives unvested shares). Subject to the limitations of Section 162(m) of the Code, the Company is generally entitled to a tax deduction at the time a participant recognizes ordinary income attributable to an award under the Executive Bonus Plan. Section 162(m) of the Code generally limits the deductibility of non-qualifying compensation in excess of \$1,000,000 paid to covered employees, including the Chief Executive Officer and the President. However, Section 162(m) exempts qualifying performance based compensation from the deduction limit if certain requirements are met. The Executive Bonus Plan is intended to satisfy these requirements. The Organization and Compensation Committee's policy is to maximize the tax deductibility of executive compensation without compromising the essential framework of the existing total compensation program. However, the Organization and Compensation Committee may elect to forgo deductibility for federal income tax purposes if such action is, in the opinion of the Organization and Compensation Committee, necessary or appropriate to further the goals of the Company's executive compensation program, or otherwise is in the Company's best interests.

**New Plan Benefits**

All future bonus awards under the Executive Bonus Plan for a given year are subject to the performance objectives and targets established by the Organization and Compensation Committee for such year in accordance with the terms of the Executive Bonus Plan, and the Company's relative performance against such targets. Accordingly, future benefits payable under the Executive Bonus Plan to the Chief Executive Officer and the President are not currently determinable. The bonus awarded to the Chief Executive Officer for 2005 under the Company's current bonus plan is set forth in this proxy statement.

The Organization and Compensation Committee has determined that the bonuses (if any) payable to the Chief Executive Officer and the President under the Executive Bonus Plan for 2006 will be based (in the event stockholder approval of the Executive Bonus Plan is obtained) on the following performance objectives: (i) attainment of targeted 2006 adjusted earnings per share, rounded to the nearest penny; (ii) attainment of targeted 2006 revenue growth, adjusted for the translation effect of changes in foreign exchange rates and excluding the Company's *Botox*® product net sales reported by the Company's Japan subsidiary for 2005, rounded to the nearest one-hundredth of one percent; and (iii) attainment of targeted 2006 research and development reinvestment rate rounded to the nearest one-hundredth of one percent (the Performance Objectives). For any bonus to be payable under the Executive Bonus Plan, the Company's 2006 adjusted earnings per share must be greater than an adjusted earnings per share threshold set by the Organization and Compensation Committee. The Chief Executive Officer's target bonus for 2006 is 120% of his year-end annualized base salary, and the President's target bonus for 2006 is 70% of his year-end annualized base salary. The actual bonus award payable will be from 0% to 160% of the target bonus based on the Company's relative attainment of the Performance Objectives and subject to the discretion of the Organization and Compensation

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Committee to reduce the amount payable. Therefore, the Chief Executive Officer has the opportunity to earn a bonus of up to 192% of his year-end annualized base salary, and the President has the opportunity to earn a bonus of up to 112% of his year-end annualized base salary. Bonuses for 2006 will be paid in cash up to a maximum bonus pool of 100% of the bonus targets. Bonuses for 2006 will be paid in restricted stock and restricted stock units to the extent the bonus pool exceeds 100% of the bonus targets. Such restricted stock or restricted stock units will provide for cliff vesting two years following the award effective date or, if earlier, upon the date the participant becomes eligible for normal retirement or the date of the participant's death or total disability. For such purposes, a participant will become eligible for normal retirement upon the later of (i) the date the participant reaches age 55, or (ii) the date the participant has been employed by the Company for five years.

THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE FOR APPROVAL OF THE EXECUTIVE BONUS PLAN.

**INFORMATION REGARDING THE BOARD OF DIRECTORS**

**Director Independence**

The Company's Bylaws and its Guidelines on Significant Corporate Governance Issues (the "Guidelines") require that a majority of the Company's directors meet the criteria for independence set forth under applicable securities laws, including the Securities Exchange Act of 1934, as amended, applicable rules and regulations of the SEC and applicable rules and regulations of the NYSE. The NYSE Listed Company Manual and corresponding listing standards provide that, in order to be considered independent, the Board must determine that a director has no material relationship with the Company other than as a director. The Board has reviewed the relationships between each Board member and each such director's immediate family members and the Company. Based on its review, the Board has affirmatively determined that, with the exception of Dr. Boyer and Messrs. Pyott, Ingram and Schaeffer, none of the Company's current directors, including Dr. Ryan, Prof. Jones, and Messrs. Evans, Gallagher, Herbert, Lavigne and Ray, have any relationship with the Company other than as a director and each is independent within the foregoing independence standards. The Board has also determined that Dr. Boyer and Messrs. Ingram and Schaeffer are independent within the foregoing standards.

In making its assessment regarding Dr. Boyer, the Board acknowledged that Dr. Boyer is a director of Genentech, Inc., that Dr. Boyer owns less than 1% of Genentech's outstanding common stock and that Genentech purchased approximately \$38,600 of advertising services from an affiliate of the Company during 2005.

In making its assessment regarding Mr. Ingram, the Board acknowledged that Mr. Ingram is the Vice Chairman Pharmaceuticals of GlaxoSmithKline plc., that Mr. Ingram owns less than 1% of GlaxoSmithKline's outstanding common stock and that during 2005 the Company paid an insignificant amount to GlaxoSmithKline and received an amount that was less than 5% of Allergan's 2005 net revenue from GlaxoSmithKline in connection with the outlicensing of *Botox*<sup>®</sup> in China and Japan, together with the agreement by the Company to co-promote certain GlaxoSmithKline migraine products in the United States.

In making its assessment regarding Mr. Schaeffer, the Board acknowledged that Mr. Schaeffer served as Chairman of the board of directors of WellPoint, Inc. until November 2005, that Mr. Schaeffer owns less than 1% of Wellpoint's outstanding common stock and that during 2005, the Company paid approximately \$3.7 million to Blue Cross of California and WellPoint Pharmacy Management, both of which are WellPoint affiliates, in connection with the Company's employee benefit plans.

The Board has also determined that each member of the Audit and Finance Committee, the Corporate Governance Committee and the Organization and Compensation Committee, respectively, is independent under the applicable listing standards of the NYSE and, with respect to members of the Audit and Finance Committee, the audit committee requirements of the SEC.

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Mr. Lavigne disclosed to the Company that, in addition to serving on its Audit and Finance Committee, he currently serves on the board of directors and the audit committees of four additional public companies. Under the rules of the NYSE, if an audit committee member simultaneously serves on the audit committees of more than three public companies, and the listed company does not limit the number of audit committees on which its audit committee members serve to three or less, then in each case, the board must determine that such simultaneous service would not impair the ability of such member to effectively serve on the listed company's audit committee. The Board has determined that Mr. Lavigne's simultaneous service on the board of directors and audit committees of Arena Pharmaceuticals, Inc., BMC Software, Inc., Equinix, Inc., and Kyphon Inc. does not impair his ability to effectively serve on the Audit and Finance Committee. The Board determined that Mr. Lavigne does not have significant time commitments other than his duties in connection with various public company boards of directors and therefore has sufficient time to participate on the board of directors and audit committees of four other public companies without negatively effecting his service on the Audit and Finance Committee. The Guidelines are available on the Corporate Governance section of the Company's website at [www.allergan.com](http://www.allergan.com). The information on the Company's website is not incorporated by reference in this proxy statement. Additionally, the Guidelines are available by writing to Allergan, Inc., Attn: Secretary, 2525 Dupont Drive, P.O. Box 19534, Irvine, CA 92623.

**Board Meetings**

The Company's business and affairs are managed under the direction of the Board. The Board held nine meetings during 2005 and each director attended at least 75% of the Board meetings in 2005. Directors are also kept informed of the Company's business through personal meetings and other communications, including considerable telephone contact with the Chairman of the Board and others regarding matters of interest and concern to the Company and its stockholders.

**Committees**

The Board has a standing Audit and Finance Committee, Corporate Governance Committee, Organization and Compensation Committee and Science and Technology Committee. The charters of each of these committees are available on the Corporate Governance section of the Company's website at [www.allergan.com](http://www.allergan.com). Stockholders of the Company may also request a copy of any of the charters of these committees by writing to Allergan, Inc., Attn: Secretary, 2525 Dupont Drive, P.O. Box 19534, Irvine, CA 92623.

**Audit and Finance Committee**

The primary role of the Audit and Finance Committee is to assist the Board in its oversight of the Company's financial reporting process. The Audit and Finance Committee is currently comprised of Mr. Ray (Chairperson), Dr. Ryan and Messrs. Gallagher and Lavigne. During 2005, Mr. Louis T. Rosso served on the Audit and Finance Committee until his retirement from the Board in April 2005 and Ms. Karen Osar served as Chairperson of the Audit and Finance Committee until her resignation from the Board in September 2005. The Board has determined that all members of the Audit and Finance Committee meet the independence standards of (i) Sections 303 and 303A of the NYSE Listed Company Manual and (ii) Rule 10A-3 promulgated under the Securities Exchange Act of 1934, as amended. None of the members of the Audit and Finance Committee is an officer, employee, former employee or affiliate of the Company or any of its subsidiaries. Additionally, the Board has determined that Messrs. Ray and Lavigne meet the definition of an audit committee financial expert, as set forth in Item 401(h)(2) of SEC Regulation S-K. The Audit and Finance Committee held nine meetings during 2005 and each member of the Audit and Finance Committee attended at least 75% of the total meetings of the committee held when he or she was a member.

The Board has reviewed, assessed the adequacy of, and approved a formal written charter for the Audit and Finance Committee. The Board further amended the Audit and Finance Committee charter at its meeting in July 2005. The full text of the Audit and Finance Committee charter, as amended, appears as *Appendix C* to this proxy statement. Pursuant to the Audit and Finance Committee Charter, the Company's management is responsible for the preparation, presentation and integrity of the Company's financial

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statements, and for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The Company's independent registered public accounting firm is responsible for auditing the Company's financial statements and expressing an opinion as to their conformity with generally accepted accounting principles. The Audit and Finance Committee:

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

assists the Board in its oversight of the Company's compliance with legal and regulatory requirements;

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

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

prepares the report that SEC rules require be included in the Company's annual proxy statement;

reviews and discusses with management and the Company's independent registered public accounting firm the Company's annual audited financial statements and quarterly unaudited financial statements;

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

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

meets with the Company's internal audit department and financial management to:

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

review the adequacy of the Company's accounting and control systems; and

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

reviews the audit schedule and considers any issues raised by its members, the Company's independent registered public accounting firm, the internal audit staff, the legal staff or management;

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

monitors the implementation of the Company's *Code of Ethics* for the Company's employees, and receives regular reports from the Company's Chief Ethics Officer, who coordinates compliance reviews and investigates noncompliance matters;

through the Company's Chief Ethics Officer pursuant to the procedures set forth in the Company's *Code of Ethics*, manages the receipt, retention and treatment of complaints received by the Company regarding accounting,

internal accounting controls or audit matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

performs an annual self-evaluation;

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

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

discusses with the Company's management the certification of the Company's financial reports by the Principal Executive Officer and Principal Financial Officer.

The report of the Audit and Finance Committee is on page 44 of this proxy statement.

**Corporate Governance Committee**

The Corporate Governance Committee is currently comprised of Mr. Evans (Chairman), Prof. Jones, Dr. Boyer and Messrs. Ingram and Schaeffer. Mr. Gallagher served on the Corporate Governance Committee until January 2005, when Mr. Ingram joined the Board. All members of the Corporate Governance Committee meet the independence standards of Section 303A of the NYSE Listed Company Manual. None of the members of the Corporate Governance Committee is an officer, employee, former employee or affiliate of the Company or any of its subsidiaries. The Corporate Governance Committee held four meetings during 2005 and each member of the Corporate Governance Committee attended at least 75% of the total meetings of the committee held when he was a member. The Corporate Governance Committee:

considers the performance of incumbent directors;

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

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

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

performs an annual self-evaluation;

considers, from time to time, the current Board committee structure and membership;

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

makes recommendations to the Board from time to time as to matters of corporate governance, and reviews and assesses the Guidelines.

The Corporate Governance Committee is responsible for recommending qualified candidates for election as directors of the Company, including the slate of directors that the Board proposes for election by Allergan's stockholders at the Annual Meeting. In identifying, evaluating and selecting potential director nominees, including nominees recommended by Allergan's stockholders, the Committee engages in the following selection process:

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

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

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

The appropriate Corporate Governance Committee member makes an initial determination in his or her own independent business judgment as to the qualification and fit of such director candidate(s) and whether there is a

need for additional directors to join the Board at that time.

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

The Corporate Governance Committee provides informal progress updates to the Board.

The Corporate Governance Committee meets to consider and approve the final director candidate(s) (the full Corporate Governance Committee may, in its discretion, conduct interviews as schedules permit).

If approved by the Corporate Governance Committee, the Corporate Governance Committee seeks Board of Director approval of the director candidate(s).

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

Directors should be of the highest ethical character and share the values of the Company.

Directors should have reputations, both personal and professional, that are consistent with the image and reputation of the Company.

Directors should be highly accomplished in their respective fields, having achieved superior credentials and recognition.

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

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

Each director should have relevant expertise and experience, and be able to offer advice and guidance to the Company's management based on that expertise and experience.

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

The Corporate Governance Committee considers all of the qualities mentioned above when considering a candidate for director, without regard to whether such candidate was nominated by the Chairman of the Board, another director of the Company or a stockholder of the Company. Stockholders can suggest qualified candidates for director by submitting to the Company any recommendations for director candidates, along with appropriate biographical information, a brief description of such candidate's qualifications and such candidate's written consent to nomination. All submissions should be sent to the Corporate Governance Committee of the Board of Directors, c/o Allergan, Inc., Attn: Secretary, 2525 Dupont Drive, P.O. Box 19534, Irvine, CA 92623. The Company may request from the recommending stockholder or recommending stockholder group such other information as may reasonably be required to determine whether each person recommended by a stockholder or stockholder group as a nominee meets the minimum director qualifications established by the Board and is independent for purposes of SEC and NYSE rules. Submissions that meet the criteria outlined in the immediately preceding paragraph are forwarded to the Chairman of the Corporate Governance Committee or such other member of the Corporate Governance Committee delegated to review and consider candidates for director nominees.



**Organization and Compensation Committee**

The Organization and Compensation Committee is currently comprised of Mr. Schaeffer (Chairman), Messrs. Evans, Gallagher and Ray. During 2005, Ms. Karen Osar also served on the Organization and

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Compensation Committee until her resignation from the Board in September 2005. All members of the Organization and Compensation Committee meet the independence standards of Section 303A of the NYSE Listed Company Manual. None of the members of the Organization and Compensation Committee is an officer, employee, former employee or affiliate of the Company or any of its subsidiaries. The Organization and Compensation Committee held six meetings during 2005 and each member of the Organization and Compensation Committee attended at least 75% of the total meetings of the committee held when he or she was a member. The Organization and Compensation Committee:

- reviews and approves the corporate organizational structure;
- reviews and approves for submission to the Board the election of corporate officers;
- reviews the performance of corporate officers;
- reviews and approves the compensation of corporate officers, including salary and bonus awards;
- establishes overall employee compensation policies;
- performs an annual self-evaluation;
- recommends to the Board major compensation programs; and
- administers the Company's various compensation and stock option plans.

The report of the Organization and Compensation Committee begins on page 36 of this proxy statement.

## **Science and Technology Committee**

The Science and Technology Committee is currently comprised of Dr. Ryan (Chairman), Dr. Boyer, Prof. Jones and Messrs. Herbert, Ingram and Lavigne. During 2005, Mr. Louis T. Rosso served on the Science and Technology Committee until his retirement from the Board in April 2005. The Science and Technology Committee held five meetings during 2005 and each member of the Science and Technology Committee attended at least 75% of the total meetings of the committee held when he was a member. The Science and Technology Committee:

- reviews the Company's discovery and development research portfolio, including the relevant underlying science;
- reviews the staffing of key scientific and management positions, including significant changes, within the Company's research and development organization;
- evaluates the investment allocation for the Company's research and development portfolio, including project expenditures;
- reviews the major strategic priorities within the Company's research and development organization and the competitive environment surrounding those priorities;
- reviews variances to the Company's operating plan for major research and development projects;
- monitors the progress of the Company's research and development projects, including milestones;
- reviews the process for research and development patents and the Company's strategic patent portfolio; and
- reviews the Company's major technology-based collaborations, in-licensing and out-licensing agreements.

## **Executive Sessions**

Non-management directors meet regularly in executive sessions without management. Non-management directors are all of the Board members who are not officers of the Company and include directors, if any, who are not independent by virtue of the existence of a material relationship with the

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Company. It is the Board's policy that the Vice Chairman, a non-management director, if present, preside over the executive sessions. If not present, a different non-management director is selected by the non-management directors to chair the executive session. Dr. Boyer is the current Vice Chairman of the Board and, when present, presides over the executive sessions. Executive sessions of the non-management directors are typically held in conjunction with each regularly scheduled Board meeting.

**Contacting the Board of Directors**

Any stockholder who desires to contact the current director presiding over the executive sessions or the other Board members may do so by writing to the Allergan, Inc. Board of Directors, Attn: Secretary, 2525 Dupont Drive, P.O. Box 19534, Irvine, CA 92623. Communications received will be distributed by the Company's Secretary to the director presiding over the executive sessions or such other Board member or members as deemed appropriate by the Company's Secretary, depending on the facts and circumstances outlined in the communication received. For example, if any complaints regarding accounting, internal accounting controls or auditing matters are received, they will be forwarded by the Company's Secretary to the Chairperson of the Audit and Finance Committee for review.

**Director Attendance at Annual Meetings**

Although the Company has no policy with regard to Board members' attendance at the Company's Annual Meeting of Stockholders, it is customary for, and the Company encourages, all Board members to attend. All directors then in office, except for Ms. Karen Osar, attended the 2005 Annual Meeting of Stockholders.

**DIRECTOR COMPENSATION**

**Non-Employee Directors' Compensation**

The Board believes that providing competitive compensation is necessary to attract and retain qualified non-employee directors. The key elements of director compensation are a cash retainer, committee chair fees, meeting fees and equity-based grants. It is the Board's practice to provide a mix of cash and equity-based compensation that it believes aligns the interests of the Board and Allergan's stockholders. As an employee director, Mr. Pyott does not receive additional compensation for Board service.

***Cash Retainer/ Fees***

Each non-employee director receives an annual retainer of \$30,000 for services as a director, except that the Vice Chairman receives an annual retainer of \$100,000. The retainer paid to the Vice Chairman reflects the Vice Chairman's critical role in aiding and assisting the Chairman of the Board and the remainder of the Board in assuring effective corporate governance and in managing the affairs of the Board including: (1) presiding over Board meetings when the Chairman of the Board is not in attendance; (2) consulting with the Chairman of the Board and other Board members on corporate governance practices and policies, and assuming the primary leadership role in addressing issues of this nature if, under the circumstances, it is inappropriate for the Chairman of the Board to assume such leadership; (3) meeting informally with other outside directors between meetings to assure free and open communication within the group of outside directors; (4) assisting the Chairman of the Board in preparing the Board agenda so that the agenda includes items requested by non-management members of the Board; (5) administering the annual Board evaluation and report the results to the Corporate Governance Committee; and (6) assuming other responsibilities which the non-management directors as a whole might designate from time to time.

The chairman of each Board committee (the "Chair") received \$2,500 for each committee meeting presided over in 2005, except that the Chair of the Audit and Finance Committee received a \$5,000 fee for each regular committee meeting presided over in 2005. In addition, all non-employee directors, including the Board committee Chairs, received \$2,000 for each Board meeting attended in 2005, an additional \$1,000 for

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each regular committee meeting attended and \$1,000 for each special committee meeting held in person that they attended in 2005.

The following table sets forth the retainer and other cash fees received by the non-employee directors during 2005 for service provided in 2005.

<b>Director</b>	<b>Retainer (\$)</b>	<b>Chair Fees (\$)</b>	<b>Meeting Fees (\$)</b>	<b>Total (\$)</b>
Herbert W. Boyer, Ph.D.	100,000	0	19,000	119,000
Handel E. Evans(1)	30,000	10,000	19,000	59,000
Michael R. Gallagher(1)	30,000	0	17,000	47,000
Gavin S. Herbert	30,000	0	15,000	45,000
Robert A Ingram(2)	30,000	0	19,000	49,000
Trevor M. Jones, Ph.D.(1)	30,000	0	19,000	49,000
Louis J. Lavigne, Jr.(3)	15,000	0	12,000	27,000
Karen Osar(4)	22,500	15,000	15,000	52,500
Russell T. Ray	30,000	5,000	19,000	54,000
Louis T. Rosso(1),(5)	15,000	0	8,000	23,000
Stephen J. Ryan, M.D.(1)	30,000	10,000	16,000	56,000
Leonard D. Schaeffer	30,000	10,000	19,000	