

KING PHARMACEUTICALS INC
Form DEF 14A
April 15, 2008

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Soliciting Material Under Rule 14a-12
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials

King Pharmaceuticals, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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3) Filing Party:

4) Date Filed:

King Pharmaceuticals,[®] Inc.
501 Fifth Street
Bristol, TN 37620

Brian A. Markison
*Chairman of the Board, President
and Chief Executive Officer*

April 15, 2008

To the Shareholders of KING PHARMACEUTICALS, INC.:

You are cordially invited to attend the annual meeting of shareholders of King Pharmaceuticals, Inc., to be held on May 29, 2008 at 9:00 a.m. Eastern Daylight Time, at The Umstead Hotel, 100 Woodland Pond, Cary, North Carolina 27513. At the meeting, you will be asked to:

- elect three Class I directors to serve until the 2009 annual meeting of shareholders;
- ratify the appointment of PricewaterhouseCoopers LLP as the company's independent registered public accounting firm for the fiscal year ending December 31, 2008; and
- consider and act upon any other matters which properly come before the annual meeting or any adjournment of the meeting.

This year, new Securities and Exchange Commission rules allow us to furnish proxy materials to our shareholders through the Internet. We are pleased to take advantage of these new rules and believe that they enable us to provide our shareholders with the information that they need while lowering the cost of delivery and reducing the environmental impact of our annual meeting.

In connection with the meeting, we have mailed you a Notice of Internet Availability of Proxy Materials, which provides instructions on how to obtain a proxy statement and a form of proxy through the Internet or, if you wish, in printed form.

Your vote is very important. Whether or not you plan to attend the meeting, please vote by promptly using the available telephone or Internet voting systems or, if you have obtained a printed proxy card and would prefer to vote by mail, by completing, signing, dating and returning your proxy card. Instructions for using these alternatives are enclosed. I urge you to vote as soon as possible.

Detailed information relating to King's activities and operating performance during 2007 is contained in our annual report. The annual report is available for viewing at the website indicated on the Notice of Internet Availability of Proxy Materials, but it is not a part of the proxy soliciting material. If you would like to obtain a printed copy of the annual report, please see the instructions contained on the Notice of Internet Availability of Proxy Materials.

Very truly yours,

BRIAN A. MARKISON
Chairman of the Board,
President and Chief Executive Officer

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KING PHARMACEUTICALS, INC.
501 Fifth Street
Bristol, Tennessee 37620

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held May 29, 2008

The annual meeting of shareholders of King Pharmaceuticals, Inc. will be held on Thursday, May 29, 2008 at 9:00 a.m., Eastern Daylight Time, at The Umstead Hotel, 100 Woodland Pond, Cary, North Carolina 27513, for the following purposes:

1. **Election of Directors.** To elect three Class I directors to serve until the 2009 annual meeting of shareholders or until their successors have been duly elected and qualified.
2. **Ratification of Independent Registered Public Accounting Firm.** To ratify the appointment of PricewaterhouseCoopers LLP as the company's independent registered public accounting firm for the fiscal year ending December 31, 2008.
3. **Other Business.** To transact such other business as may properly come before the meeting or any adjournment of the meeting.

Only those shareholders of record at the close of business on March 24, 2008 are entitled to notice of, and to vote at, the annual meeting and any adjournment thereof. On that day, 246,041,001 shares of common stock were outstanding. Each share entitles the holder to one vote.

BY ORDER OF THE BOARD OF DIRECTORS
JAMES W. ELROD
General Counsel and Secretary

April 15, 2008

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the meeting, please vote by using the available telephone or Internet voting systems or, if you have obtained a printed proxy card and prefer to vote by mail, by promptly completing, signing, dating and returning your proxy card. Instructions for using these alternatives are enclosed.

ADMISSION TO THE MEETING

If you wish to attend the shareholders' meeting, you will be required to present your Notice of Internet Availability of Proxy Materials. You and one guest may attend the meeting. You and any guest will also be required to present valid photographic identification in order to enter the meeting.

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**KING PHARMACEUTICALS, INC.
501 Fifth Street
Bristol, Tennessee 37620**

**Proxy Statement
for 2008 Annual Meeting of Shareholders**

The Board of Directors of King Pharmaceuticals, Inc. ("King" or "the company") requests that you allow your common stock to be represented at the 2008 annual meeting of shareholders by the proxies named on the enclosed proxy card. The Notice of Internet Availability of Proxy Materials was sent to you in connection with this request and was mailed to all shareholders beginning on or about April 15, 2008.

INFORMATION ABOUT THE ANNUAL MEETING

Why did you provide me this proxy statement?

We have made these proxy materials available to you through the Internet, or, upon your request, have delivered printed versions of these materials to you by mail. We are furnishing this proxy statement in connection with the solicitation by our Board of Directors of proxies to be voted at the 2008 annual meeting of shareholders. This proxy statement, along with the accompanying Notice of Annual Meeting of Shareholders, describes the purposes of the meeting and the information you need to know to vote at the meeting.

When is the annual meeting?

The meeting will be held on Thursday, May 29, 2008 at 9:00 a.m. Eastern Daylight Time.

Where will the annual meeting be held?

The meeting will be held at The Umstead Hotel, 100 Woodland Pond, Cary, North Carolina 27513.

What items will be voted on at the meeting?

You will be voting on the following matters:

1. ***Election of Directors.*** To elect three Class I directors to serve until the 2009 annual meeting of shareholders or until their successors have been duly elected and qualified.
2. ***Ratification of Independent Registered Public Accounting Firm.*** To ratify the appointment of PricewaterhouseCoopers LLP as the company's independent registered public accounting firm for the fiscal year ending December 31, 2008.
3. ***Other Business.*** To transact such other business as may properly come before the meeting or any adjournment of the meeting.

Who can vote?

You are entitled to vote your common stock if our records show that you held your shares as of the close of business on the record date, March 24, 2008. Each shareholder is entitled to one vote for each share of common stock held on that date. On the record date, there were 246,041,001 shares of common stock outstanding and

entitled to vote.

How do I vote by proxy?

You may choose one of the following ways to vote by proxy:

Vote by Internet: You may vote using the Internet site listed on the Notice of Internet Availability of Proxy Materials. This site will give you the opportunity to make your selections and confirm that your voting instructions have been followed. Internet voting procedures authenticate your identity by use of a unique control number found

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on the Notice. To vote through the Internet, you must subscribe to one of the various commercial services that offer access to the Internet. Costs normally associated with electronic access, such as usage and telephone charges, will be borne by you. King does not charge any separate fees for access to the Internet voting web site.

Vote by Telephone: Registered and most beneficial shareholders can also vote by telephone by calling the toll-free number (available for calls originating in the United States and Canada) listed on the Notice of Internet Availability of Proxy Materials. To vote, enter the control number listed on your Notice and follow the simple recorded instructions.

Vote by Mail: If you choose to vote by mail, you must request a proxy card by obtaining printed proxy materials. Instructions for obtaining these materials appear on the Notice of Internet Availability of Proxy Materials. Once you receive your proxy card, simply mark it and then sign, date and return it in the envelope provided. Note that requests for printed proxy materials must be received by May 15, 2008.

If you hold your shares beneficially in street name through a nominee (such as a bank or broker), you may be able to vote by telephone or the Internet as well as by mail. You should follow the instructions you receive from your nominee to vote these shares.

How long do I have to vote?

If you choose to cast your vote using the Internet or by telephone, you must do so by 11:59 p.m., Eastern Daylight Time, on Wednesday, May 28, 2008, the day before the annual meeting. Votes submitted by mail must be received prior to the annual meeting. If you hold your shares beneficially in street name through a nominee, you should follow the instructions you receive from your nominee.

What are my voting options?

For the election of directors, you may vote for (1) all of the nominees, (2) none of the nominees, or (3) all of the nominees except those you designate. For all other proposals, you may vote **For** **Against** or you may **Abstain** from voting.

What are the Board's recommendations?

The Board recommends that you vote:

- **For** the election of all of its nominees for director, and
- **For** the ratification of the appointment of PricewaterhouseCoopers LLP as the company's independent registered public accounting firm for the fiscal year ending December 31, 2008.

If you return a signed proxy card but do not specify how you want to vote your shares, we will vote them according to the recommendations of the Board described above.

If any matters other than those set forth above are properly brought before the annual meeting, the individuals named on your proxy card may vote your shares in accordance with the recommendations of management.

How do I change or revoke my proxy?

You can change or revoke your proxy at any time before it is voted at the annual meeting by:

- submitting another proxy in writing, by telephone or via the Internet as of a more recent date than that of the proxy first given,
- attending the annual meeting, where you can revoke your proxy and vote in person, or
- sending written notice of revocation to our Assistant Secretary, William L. Phillips III, at 501 Fifth Street, Bristol, Tennessee 37620.

If you choose to change or revoke your vote via the Internet or by telephone, you must do so by 11:59 p.m., Eastern Daylight Time, on Wednesday, May 28, 2008, the day before the annual meeting. Changes or revocations submitted by mail must be received prior to the annual meeting.

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Will my shares be voted if I do not vote by proxy?

If your shares are registered in your name or if you have stock certificates, they will not be voted if you do not vote at the meeting in person or as described above under "How do I vote by proxy?"

If your shares are held in "street name" through a nominee (such as a bank or broker) and you do not provide voting instructions to the nominee that holds your shares, the nominee has the discretionary authority to vote your unvoted shares on certain matters. A "broker non-vote" arises when a broker, financial institution or other holder of record that holds shares in street name does not receive instructions from a beneficial owner and does not have the discretionary authority to vote on a particular item. Under current New York Stock Exchange rules, brokers have discretionary authority to vote on the proposal regarding the election of directors and the proposal regarding the ratification of the appointment of our independent registered public accounting firm.

We encourage you to provide voting instructions to your nominee. Doing so will ensure that your shares will be voted in the manner you desire.

Who will count the votes?

A representative from Broadridge Financial Solutions, Inc. will count the votes and serve as our inspector of election. The inspector of election will be present at the meeting.

How many votes are required?

If a quorum is present at the annual meeting:

- the director nominees will be elected by a plurality of the votes cast in person or by proxy at the meeting,
- ratification of the appointment of the independent registered public accounting firm will require that the affirmative votes of the shares of common stock present or represented by proxy at the meeting exceed the opposing votes, and
- approval of other matters submitted to the shareholders will require that the affirmative votes of the shares of common stock present or represented by proxy at the meeting exceed the opposing votes.

What constitutes a "quorum" for the meeting?

A majority of the outstanding shares of common stock, present or represented by proxy, constitutes a quorum. A quorum is necessary to conduct business at the annual meeting. You are part of the quorum if you have voted by proxy. Abstentions, broker non-votes and votes withheld from director nominees count as "shares present" at the meeting for purposes of determining a quorum. Abstentions and broker non-votes do not count in the voting results and have no effect on the result of the vote on the proposal to elect directors and the proposal to ratify the appointment of the independent registered public accounting firm.

Who pays for the solicitation of proxies?

We will pay the cost of preparing, printing and mailing material in connection with this solicitation of proxies. In addition to solicitation by mail, regular employees of King and paid solicitors may make solicitations personally and by telephone or otherwise. We will, upon request, reimburse brokerage firms, banks and others for their reasonable out-of-pocket expenses in forwarding proxy materials to beneficial owners of stock or otherwise in connection with this solicitation of proxies. We have retained Georgeson Inc. to assist in the solicitation for a fee of approximately \$7,500 plus reasonable out-of-pocket expenses.

When are 2009 shareholder proposals due?

Proposals by shareholders to be considered for inclusion in the materials related to solicitation of proxies by the Board of Directors for the annual meeting in 2009 must be received by our Assistant Secretary, William L. Phillips III, at 501 Fifth Street, Bristol, Tennessee 37620, no later than 120 days prior to the date that is one year from the date on which the Notice of Internet Availability of Proxy Materials was first mailed to shareholders, April 15, 2008. The

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use of certified mail, return receipt requested, is advised. To be eligible for inclusion, a proposal must also comply with Rule 14a-8 and all other applicable provisions of Regulation 14A under the Securities Exchange Act of 1934, as amended.

Shareholder proposals not submitted for inclusion in the Board of Directors' proxy statement but which are received not less than sixty nor more than ninety days prior to the date of the 2009 annual meeting may be eligible to be presented at the meeting. If less than seventy days' notice or public disclosure of the date of the 2009 annual meeting is given or made to shareholders, notice of a shareholder proposal, to be timely, must be received by the Assistant Secretary not later than the close of business on the tenth day following the date on which notice of the date of the 2009 annual meeting is mailed or public disclosure of the date is made. Shareholder proposals which are received outside of these required periods will be considered untimely. The Chairman may exclude an untimely proposal from consideration or, if the proposal is considered, any proxy given pursuant to the Board's solicitation of proxies will be voted in accordance with the recommendation of management.

CORPORATE GOVERNANCE

We are committed to effective corporate governance and believe it is important to our long-term performance and ability to create value for our shareholders. Our Board of Directors has adopted Corporate Governance Guidelines which are available at www.kingpharm.com by first choosing "Investors" and then "Governance," and they are also available to any shareholder who requests a copy from our Assistant Secretary, William L. Phillips III, 501 Fifth Street, Bristol, Tennessee 37620.

INFORMATION ABOUT THE BOARD OF DIRECTORS

Nominees for Election as Class I Directors (Terms to Expire in 2009)

R. Charles Moyer, Ph.D., age 62, has served as a director since December 2000. Dr. Moyer presently serves as Dean of the College of Business at the University of Louisville. He is Dean Emeritus of the Babcock Graduate School of Management at Wake Forest University, having served as Dean from 1996 until his retirement from this

position in August 2003, and as a professor from 1988 until 2005. Dr. Moyer held the GMAC Insurance Chair of Finance at Wake Forest University. Prior to joining the faculty at Wake Forest in 1988, Dr. Moyer was Finance Department Chairman at Texas Tech University. Dr. Moyer earned his Doctorate in Finance and Managerial Economics from the University of Pittsburgh in 1971, his Master of Business Administration degree from the University of Pittsburgh in 1968 and his Bachelor of Arts degree in Economics from Howard University in 1967.

D. Greg Rooker, age 60, has served as a director since October 1997. Mr. Rooker is the former owner and President of Family Community Newspapers of Southwest Virginia, Inc., Wytheville, Virginia, which consisted of six community newspapers and a national monthly motor sports magazine. He retired from this position in 2000. He is a co-founder of The Jason Foundation and Brain Injury Services of SWVA, Inc., each a non-profit organization providing services to brain injury survivors. Mr. Rooker serves as Secretary/Treasurer of The Jason Foundation and as a member of the Board of Directors of Brain Injury Services of SWVA, Inc. Mr. Rooker graduated from Northwestern University with a degree in Journalism in 1969.

Ted G. Wood, age 70, has served as a director since August 2003 and as Lead Independent Director since May 2007. Mr. Wood was the Non-Executive Chairman from May 2004 until May 2007. He is retired from The United Company in Bristol, Virginia, where he served as Vice Chairman from January 2003 until August 2003. He previously served as President of the United Operating Companies from 1998 to 2002. Mr. Wood was previously a director of King from April 1997 to May 2000. From 1992 to 1993, he was President of Boehringer Mannheim Pharmaceutical Corporation in Rockville, Maryland. From 1993 to 1994, he was President of KV Pharmaceutical Company in St. Louis, Missouri. From 1975 to 1991, he was employed by SmithKline Beecham Corporation where he served as President of Beecham Laboratories from 1988 to 1989 and Executive Vice President of SmithKline from 1990 to 1991. Mr. Wood is also a member of the board of directors of Alpha Natural Resources, Inc., a publicly-held corporation. He graduated from the University of Kentucky with a Bachelor of Science degree in Commerce in 1960. In 1986 he completed the Advanced Management Program at Harvard University.

Incumbent Directors □ Class II (Terms to Expire in 2009)

Earnest W. Deavenport, Jr., age 70, has served as a director since May 2000. In 2002, he retired as Chairman of the Board and Chief Executive Officer of Eastman Chemical Company, Kingsport, Tennessee, where he was employed in various capacities since 1960. He was Chairman of the National Association of Manufacturers in 1998 and is currently a member of the National Academy of Engineering. Mr. Deavenport is also a member of the boards of directors of Zep, Inc. and Regions Financial Corporation, each a publicly-held company. Mr. Deavenport graduated from the Massachusetts Institute of Technology with a Master of Science degree in Management in 1985 and from Mississippi State University with a Bachelor of Science degree in Chemical Engineering in 1960.

Elizabeth M. Greetham, age 58, has served as a director since November 2003. She recently retired as the Chief Executive Officer and President of ACCL Financial Consultants Ltd. From 1998 until 2004 she was a director of DrugAbuse Sciences, Inc. and served as its Chief Executive Officer from August 2000 until 2004 and as Chief Financial Officer and Senior Vice President, Business Development from April 1999 to August 2000. Prior to joining DrugAbuse Sciences, Inc., Ms. Greetham was a portfolio manager with Weiss, Peck & Greer, an institutional investment management firm, where she managed the WPG Life Sciences Funds, L.P., which invests in select biotechnology stocks. She was previously a consultant to F. Eberstadt & Co. In total, Ms. Greetham has over 25 years of experience as a portfolio manager and health care analyst in the United States and Europe. She is a member of the boards of directors of Ligand Pharmaceuticals Incorporated, a publicly-held company. Ms. Greetham earned a Master of Arts (Honours) degree in Economics from the University of Edinburgh, Scotland in 1971.

Incumbent Directors □ Class III (Terms to Expire in 2010)

Philip A. Incarnati, age 54, has served as a director of King since November 2006. He has served as President and Chief Executive Officer of McLaren Health Care Corporation, an integrated health care system, since 1989. Before joining McLaren, Mr. Incarnati held top-level executive positions with the Wayne State University School of Medicine, Detroit Receiving Hospital and University Health Center, and Horizon Health System. Mr. Incarnati also serves on the board of Medical Staffing Network, Inc., a publicly-traded company, and on the board of PHNS, Inc. Mr. Incarnati earned both a Bachelor's Degree and a Master's Degree in management

and finance from Eastern Michigan University (EMU). He has been a member of the EMU Board of Regents since 1992, when he was appointed by former Michigan Governor John Engler, serving as its Chairman from 1995 until 2005.

Gregory D. Jordan, Ph.D., age 56, has served as a director since June 2001. He has served as President of King College in Bristol, Tennessee since 1997, having joined the King College faculty in 1980. He received his Bachelor of Arts degree from Belhaven College in 1973; his Master of Arts and Divinity degrees from Trinity Evangelical Divinity School in 1976 and 1977, respectively; his Doctorate in Hebraic and Cognate Studies from Hebrew Union College Jewish Institute of Religion in 1987; and his Master of Business Administration degree from the Babcock Graduate School of Management at Wake Forest University in 2004.

Brian A. Markison, age 48, was elected as Chairman of the Board in May 2007. He has served as President and Chief Executive Officer and a director since July 2004. He joined King as Chief Operating Officer and served in that position from March 2004 until July 2004. Previously, Mr. Markison held various positions with Bristol-Myers Squibb beginning in 1982, most recently as President of Bristol-Myers Squibb's Oncology, Virology and Oncology Therapeutics Network businesses. Between 1998 and 2001, he served variously as Senior Vice President, Neuroscience/Infectious Disease; President, Neuroscience/Infectious Disease/Dermatology; and Vice President, Operational Excellence and Productivity. He also held various sales and marketing positions. Mr. Markison is a member of the Board of Directors of Immunomedics, Inc., a publicly-held corporation. He graduated from Iona College in 1982 with a Bachelor of Science degree.

Role of the Board

Pursuant to Tennessee law, our business, property and affairs are managed under the direction of our Board of Directors. The Board has responsibility for establishing broad corporate policies and for the overall performance and direction of King Pharmaceuticals, Inc., but is not involved in day-to-day operations. Members of the Board keep informed of our business by participating in Board and committee meetings, by reviewing analyses and reports sent to them regularly, and through discussions with our executive officers and independent registered public accounting firm.

Board Structure

We currently have eight directors, divided into three groups: Class I directors, Class II directors and Class III directors. Formerly, each class of directors was elected to serve until the third annual meeting of shareholders following its election. At the 2007 annual meeting of shareholders, King's shareholders approved an amendment to our charter to provide for the annual election of directors, commencing with the Class I directors whose terms expire as of this year's annual meeting of shareholders. This change means that the Class I directors who are elected at the annual meeting will serve until the 2009 annual meeting of shareholders or until their successors are duly elected and qualified, unless they earlier resign or are removed. Class II and Class III directors are expected to complete their original three-year terms, which expire as of the 2009 and 2010 annual meetings of shareholders, respectively. Following the annual meeting in 2010, all directors will stand for election annually.

Independent Directors

The Board has determined that the following directors are independent from the company under the independence standards of the New York Stock Exchange: Earnest W. Deavenport, Jr., Elizabeth M. Greetham, Philip A. Incarnati, Gregory D. Jordan, R. Charles Moyer, D. Greg Rooker and Ted G. Wood. In evaluating Ms. Greetham's status as an independent director of King, the Board considered her service as a director of Ligand Pharmaceuticals, Inc., a company with which King has a contractual relationship. The Board also considered the nature of the relationship between King and Ligand. On the basis of its review, the Board determined that Ms. Greetham's relationship with Ligand does not affect her status as an independent director of King.

2007 Board Meetings

In 2007, the Board met thirteen times. All directors attended at least 75% of the aggregate of all of the Board meetings and meetings held by committees of which they were members.

Board Committees

The Board has appointed an Audit Committee, a Compensation and Human Resources Committee and a Nominating and Corporate Governance Committee, each member of which has been determined by our Board of Directors to be independent of King pursuant to the listing standards of the New York Stock Exchange (["NYSE"]). Each of these committees operates pursuant to a written charter adopted by our Board of Directors. Each charter is available through our website, *www.kingpharm.com*, by first choosing ["Investors"] and then ["Governance,"] and each is also available to any shareholder who requests a copy from our Assistant Secretary, William L. Phillips III, 501 Fifth Street, Bristol, Tennessee 37620. The Board has also formed a Risk Committee composed of all directors.

The Audit Committee currently consists of R. Charles Moyer (Chair), Elizabeth M. Greetham, Philip A. Incarnati and D. Greg Rooker. The Audit Committee has the authority and responsibility, among other obligations, to select, retain, compensate, terminate and oversee the work of our independent registered public accounting firm; to assess the qualifications and independence of our independent registered public accounting firm; to pre-approve auditing, audit-related and permitted non-auditing services rendered by our independent registered public accounting firm; to discuss with the independent registered public accounting firm the results of the annual audit and quarterly reviews of financial statements; to review and evaluate management's conduct of King's financial reporting processes (including the development and maintenance of systems of internal accounting and financial control); to oversee King's compliance with certain legal and regulatory requirements; to oversee the performance of King's internal audit function, which is a responsibility of the Compliance Office; to monitor compliance with King's investment policy; and to make reports to the Board periodically with respect to its work. The Board of Directors has determined that each member of the Audit Committee meets the independence, experience and other qualification requirements of the NYSE and the Securities and Exchange Commission (["SEC"]) and that Dr. Moyer and Ms. Greetham, each of whom serves on the Audit Committee, are ["audit committee financial experts,"] as defined by the rules of the Securities and Exchange Commission. None of the Committee's members serves on more than three public company audit committees. The Audit Committee met five times during 2007.

The Compensation and Human Resources Committee, which currently consists of Earnest W. Deavenport, Jr. (Chair), Gregory D. Jordan and Ted G. Wood, has the authority and responsibility, among other obligations, to establish and periodically review a general compensation philosophy for the executive officers; to annually review

and approve the corporate goals and objectives upon which the compensation of the chief executive officer (["CEO"]) is based, evaluate the CEO's performance in light of these goals and objectives and determine the CEO's compensation; to review and approve the recommendations of the CEO with regard to the compensation and benefits of the executive officers; in conjunction with the Nominating and Corporate Governance Committee, to review annually and make recommendations to the Board with respect to the compensation (including any equity-based compensation) of non-employee directors; to oversee the management development process, including an annual review of plans for executive officer succession; and to oversee regulatory compliance with respect to compensation matters. In 2007, the Committee was advised with respect to executive compensation matters by an outside consultant, James F. Reda & Associates, LLC, retained by the Committee. The Compensation and Human Resources Committee met eleven times during 2007. For additional information regarding the Compensation and Human Resources Committee and compensation matters generally, please see the Compensation Discussion and Analysis and related information which begins on page 14.

The Nominating and Corporate Governance Committee currently consists of Gregory D. Jordan (Chair), Earnest W. Deavenport, Jr. and R. Charles Moyer. The Nominating and Corporate Governance Committee has the authority and responsibility, among other obligations, to locate, evaluate and recommend to the Board persons to be nominated for election or appointment as a director; to recommend to the Board a chair and members for each of the Board's committees; to assist the Board and its Committees in the development and implementation of performance evaluation processes; to review annually our Corporate Governance Guidelines and recommend to the Board any changes that the Committee determines to be necessary or desirable; to assist the Board with the orientation of new directors and continuing education for existing directors; in conjunction with the Compensation and Human Resources Committee, to annually review and make recommendations to the Board with respect to the compensation (including equity-based compensation) of non-employee directors; and to examine annually the independence from King of each non-employee director and deliver to the Board the results of its review. The Nominating and Corporate Governance Committee met four times during 2007.

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The Nominating and Corporate Governance Committee may consider, in evaluating potential director nominees, any of the following factors, or other factors, which it determines to be relevant:

- Character and integrity.
- Educational background.
- Business or professional experience, including experience with financial statements, financial reporting, internal controls, executive compensation, corporate governance, employee benefits, manufacturing and regulatory issues or other relevant areas of experience.
- Familiarity with the principal operations of publicly-traded United States companies.
- Current or prior relationships with King Pharmaceuticals, Inc. or any of its subsidiaries.
- The correlation between the candidate's experience and the Committee's evaluation of present and future needs of the Board.

If reviewing the qualifications of an incumbent director, the Committee also considers the past performance of the incumbent director.

Shareholders may recommend candidates to the Committee by submitting a written recommendation to the General Counsel, 501 Fifth Street, Bristol, Tennessee 37620. The General Counsel will direct all such correspondence to the Committee.

In order for a written shareholder recommendation to be evaluated by the Committee, it must include all information about the candidate that is required to be disclosed in a solicitation of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. The written recommendation must also be accompanied by the candidate's written consent to be named in a proxy statement as a nominee, if recommended by the Committee and nominated by the Board, and to serve as a director if appointed or elected. Additional information about the candidate may be requested by the Committee from time to time, either from the recommended person or from the recommending shareholder.

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The shareholder must also disclose, with the written recommendation, the number of shares of King's common stock beneficially owned by the shareholder, the percentage of all outstanding common stock which the shares represent and the period of time the shareholder has beneficially owned the shares. If the shareholder is part of a group of shareholders that is making the recommendation, the shareholder must also disclose the names of the other members of the group and, for each member of the group, the number of shares of King's common stock beneficially owned by the member, the percentage of all outstanding common stock which the shares represent and the period of time the member has beneficially owned the shares.

Once the Committee has received all required or requested information regarding a particular shareholder-recommended candidate, the Committee will evaluate that candidate according to its established evaluation practices and, based on the results of that evaluation, will determine whether to recommend the candidate to the Board for nomination for election or appointment as a director.

The procedure described above does not preclude a shareholder of record from making nominations of directors to be considered at an annual meeting, provided such nominations are in accordance with King's bylaws as then in effect.

From time to time, the Committee has retained and paid a consultant to assist it in the process of identifying or evaluating Board candidates. No candidates have been recommended to serve on the Board of Directors by a shareholder or group of shareholders who beneficially owned more than 5% of our common stock.

The Risk Committee currently consists of all directors and is chaired by Mr. Markison. This Committee is responsible for oversight of (i) King's risk management processes, (ii) risk assessments, (iii) risk mitigation activities, (iv) the adoption of risk tolerances, and (v) the activities and reports of management's Enterprise Risk Management Committee, which uses an enterprise risk management approach to the management of material risks. This approach is designed to identify, assess, mitigate and manage material risks, and supports the Board's corporate governance goals and the efforts of management to achieve strategic objectives.

Non-Management Directors

The Board's non-management directors regularly meet separately from the Board as a whole. King's Corporate Governance Guidelines provide that the Chairman of the Board, if independent of King, shall serve as presiding director at meetings of the non-management directors. If the Chairman is not an independent director, then the non-management directors annually elect one of their members to serve as Lead Independent Director. The duties of the Lead Independent Director include: meeting regularly with the Chairman; facilitating communications with other members of the Board; acting as the presiding director at meetings of the non-management directors; assisting with the development of Board agendas; serving as a non-voting member of each committee on which he does not serve as a regular member; serving as a point of contact for shareholders who wish to contact the Company other than through its management; coordinating the Board's annual self-evaluation process; and other duties as prescribed from time to time by King's Corporate Governance Guidelines. Mr. Markison, King's President and Chief Executive Officer, was appointed as Chairman of the Board in May 2007. Mr. Wood was appointed at the same time to serve as Lead Independent Director.

CODE OF CONDUCT AND ETHICS

The Board has adopted a Corporate Code of Conduct and Ethics which applies to all of our directors, officers and employees. The Code appears on our website, www.kingpharm.com and is available to any shareholder who wishes to have a copy (by request to the Assistant Secretary, William L. Phillips III, 501 Fifth Street, Bristol, Tennessee 37620). To the extent permitted by the SEC and the NYSE regulations, we intend to disclose information as to any amendments to the Code and any waivers from provisions of the Code for our principal executive officer, principal financial officer, and certain other officers by posting the information on our website.

COMMUNICATION WITH THE BOARD OF DIRECTORS

Interested parties may contact the Board of Directors:

- by sending correspondence to the attention of the Assistant Secretary, William L. Phillips III, King Pharmaceuticals, Inc., 501 Fifth Street, Bristol, Tennessee 37620;

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- by sending email to Board@kingpharm.com; or
- by calling (888) 440-5464 and leaving a voicemail message.

Communications should specify whether they are intended for all directors, all non-management directors, only the Chairman, or only the Lead Independent Director. Any message which does not specify its intended recipients will be treated as if intended for the entire Board. All messages will be reviewed by King's Legal Department and its Compliance Office and any message deemed by either department to be substantive will be forwarded to the intended recipients.

King's Corporate Governance Guidelines provide that directors are expected to attend and participate in annual meetings of shareholders, subject to unavoidable conflicts. All directors attended the 2007 annual meeting of shareholders.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Review of Related Party Transactions

Our Corporate Code of Conduct and Ethics provides that no director, officer or employee of King shall permit his or her decisions with respect to the company to be influenced by any interest in, or personal relationship, personal contact or agreement with, King's suppliers, contractors, customers or others doing business with King. Further, members of a director's, officer's or employee's family are prohibited from receiving compensation, commissions or gifts from any company or organization that deals with King if such receipt could reasonably be construed to influence the director's, officer's or employee's decisions with regard to King's business. Actual or potential conflict of interest transactions are required to be reported to and reviewed by our Legal Department or our Compliance Office before they take place. Any change or waiver of these standards for a director or executive officer may be made only by the Board of Directors (with the interested director abstaining) and must be promptly disclosed as required by law or NYSE rules. Further, for any transaction in which a director or officer of King has a direct or indirect interest, King follows the requirements of the Tennessee Business Corporation Act, which requires that:

- the transaction must be fair to King,
- the material facts of the transaction and the director's or officer's interest must be disclosed or known to the Board of Directors,
- the Board of Directors must authorize, approve, or ratify the transaction, and
- if the transaction requires the approval of shareholders, the material facts of the transaction and director's or officer's interest must be disclosed or known to the shareholders entitled to vote, and the shareholders authorize, approve, or ratify the transaction.

In addition to being required to report potential conflict transactions to the Legal Department or the Compliance Office before they take place, directors and all executive officers complete an annual questionnaire regarding their relationship with King and with other entities and persons who have a relationship with King, if any, whether for-profit businesses, non-profit or charitable organizations, civic groups or other entities or persons. These questionnaires are reviewed by the Legal Department, which advises the Board about any significant information reported.

Transactions with Related Parties

Since the beginning of the last fiscal year, we are aware of no related party transactions between us and any of our directors, executive officers, 5% shareholders or their family members or other persons which required disclosure under Item 404 of Regulation S-K under the Securities Exchange Act of 1934.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the company specifically incorporates this Report by reference therein.

The Audit Committee is typically appointed by the Board immediately following the annual meeting of shareholders. Since the time of the May 2007 annual meeting, R. Charles Moyer (Chair), Elizabeth M. Greetham, Philip A. Incarnati and D. Greg Rooker have served on the Audit Committee. The Board of Directors has determined that each member of the Audit Committee meets the independence, experience and other qualification requirements of the NYSE and the SEC. None of the Committee's members serves on more than three public company audit committees.

The Audit Committee operates pursuant to a written charter adopted by the Board of Directors which is available on our website, www.kingpharm.com. The charter is also available to any shareholder by request to the Assistant Secretary, William L. Phillips III, 501 Fifth Street, Bristol, Tennessee 37620.

Management is responsible for internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an audit of our financial statements and our systems of internal control, in accordance with the standards of the Public Company Accounting Oversight Board (United States), and for expressing an opinion about those statements and controls based upon its audit. The Audit Committee, on behalf of the Board, monitors and reviews the performance of the independent registered public accounting firm and the quality and integrity of internal accounting, auditing and financial reporting practices. The Audit Committee's other chief duties include:

- exercising sole authority to retain, compensate, terminate and oversee the work of our independent registered public accounting firm,
- pre-approving audit, audit-related and permitted non-audit services rendered by our independent registered public accounting firm,
- reviewing and discussing with management and the independent registered public accounting firm the annual audited financial statements and quarterly unaudited financial statements, and determining whether to recommend to the Board that the audited financial statements be included in our Annual Report on Form 10-K,
- discussing earnings press releases, as well as financial information and earnings guidance provided to analysts or rating agencies, and reviewing such information, to the extent reasonably practicable, prior to its release or distribution,
- reviewing and approving the written charter and annual work plans of the Compliance Office and the results of internal audits,
- receiving reports from the Corporate Compliance Officer of any allegation regarding accounting, internal control or auditing matters or any other substantial compliance issue,
- establishing and maintaining hiring policies with respect to employees or former employees of the independent auditors,
- assessing the independent registered public accounting firm's independence from us, and
- periodically reporting to the Board regarding the Audit Committee's activities.

During 2007, the Audit Committee met five times and regularly held separate executive sessions with the independent registered public accounting firm, PricewaterhouseCoopers LLP, and also with the Chief Financial Officer, the Corporate Compliance Officer, the Vice President for Internal Audit and among the Audit Committee members. There were also numerous informal meetings and communications among the Chair, various Audit Committee members, the independent registered public accounting firm and members of management.

The Audit Committee has reviewed and discussed with management the audited financial statements for the year ended December 31, 2007. The Audit Committee has also discussed with the independent registered public accounting firm, PricewaterhouseCoopers LLP, the matters required to be discussed by Statement on Auditing Standards No. 61, ("Communication with Audit Committees") as amended, as adopted by the Public Company Accounting Oversight Board (United States) in Rule 3200T, and, with and without management present, discussed and reviewed the results of the independent registered public accounting firm's examination of the financial statements and internal control over financial reporting. The Audit Committee has also discussed with the independent registered public accounting firm the quality of King's accounting policies.

The Audit Committee has obtained from the independent registered public accounting firm a formal written statement describing all relationships between the independent registered public accounting firm and King that might bear on the auditors' independence. This statement conforms to Independence Standards Board Standard No. 1, as amended, "Independence Discussions with Audit Committees" as adopted by the Public Company Accounting Oversight Board (United States) in Rule 3600T. The Audit Committee has also discussed with the

independent registered public accounting firm any relationships that may impact its objectivity and independence. The Audit Committee has also considered whether provision of the services described under the section "Audit Fees" is compatible with maintaining the independence of the independent registered public accounting firm.

In October 2005, as part of the settlement of a government pricing investigation, the company entered into a five-year corporate integrity agreement (the "CIA") with the Office of Inspector General of the United States Department of Health and Human Services. In December 2005, the Audit Committee approved management's recommendation to appoint PricewaterhouseCoopers LLP to serve as the independent review organization ("IRO") in connection with the requirements of the CIA. PricewaterhouseCoopers LLP acted as IRO during 2007. The Audit Committee has considered whether the service of PricewaterhouseCoopers LLP as IRO is compatible with maintaining the independence of the independent registered public accounting firm.

The Audit Committee is satisfied that PricewaterhouseCoopers LLP is independent of King.

Based upon the results of the inquiries and actions discussed above, in reliance upon information from management and the independent registered public accounting firm, and subject to the limitations of its role, the Audit Committee recommended to the Board that the audited financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2007 for filing with the SEC.

The Audit Committee has appointed PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2008. In the event the shareholders do not ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm, the Audit Committee will reconsider its appointment.

**The Members of the Audit
Committee
of the Board of Directors**

R. Charles Moyer, Chair
Elizabeth M. Greetham
Philip A. Incarnati
D. Greg Rooker

KING STOCK OWNERSHIP

The following table sets forth certain information regarding the ownership of the common stock as of April 8, 2008, for (i) each person who owns more than 5% of the common stock, (ii) each director, nominee for director and executive officer of King, and (iii) all executive officers and directors of King as a group.

Executive Officers, Directors and 5% Shareholders	Beneficial Ownership of Common Stock (1)(2)	
	Number of Shares	Percentage Outstanding Shares
Brian A. Markison (3)	902,802	*
Joseph Squicciarino (4)	303,501	*
Stephen J. Andrzejewski (5)	288,502	*
Frederick Brouillette, Jr. (6)	226,511	*
Eric J. Bruce (7)	148,114	*
Eric G. Carter (8)	132,647	*
James W. Elrod (9)	176,748	*
James E. Green (10)	130,472	*
Earnest W. Deavenport, Jr. (11)	67,627	*
Elizabeth M. Greetham (12)	37,698	*

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Philip A. Incarnati (13)	9,473	*
Gregory D. Jordan (14)	52,794	*
R. Charles Moyer (15)	61,760	*
D. Greg Rooker (16)	134,895	*
Ted G. Wood (17)	86,254	*
All executive officers and directors as a group (15 persons) (18)	2,759,795	1.1%
Lord, Abbett & Co. LLC (19)	22,937,752	9.3%
Barclays Global Investors, NA. (20)	17,287,852	7.0%
The Vanguard Group, Inc. (21)	12,814,875	5.2%

* Less than 1%.

(1) Unless otherwise indicated, beneficial ownership consists of sole voting and investing power based on 246,572,031 shares issued and outstanding as of April 8, 2008. Options to purchase shares which are exercisable or become exercisable within 60 days of April 8, 2008 and restricted stock units convertible into common stock within 60 days of April 8, 2008 are deemed to be outstanding for the purpose of computing the percentage of outstanding shares owned by each person to whom a portion of such options relate but are not deemed to be outstanding for the purpose of computing the percentage owned by any other person.

(2) Attached to each share of common stock is a preferred share purchase right to acquire one one-thousandth of a share of the company's Series A Junior Participating Preferred Stock, no par value per share, which preferred share purchase rights are not presently exercisable.

(3) Includes 441,022 shares issuable upon the exercise of options and 461,780 shares of restricted stock.

(4) Includes 13,333 shares held individually, 24,304 shares issuable upon the exercise of options and 265,864 shares of restricted stock.

(5) Includes 116,842 shares issuable upon the exercise of options and 171,660 shares of restricted stock.

(6) Includes 137,261 shares issuable upon the exercise of options and 89,250 shares of restricted stock.

(7) Includes 16,842 shares issuable upon the exercise of options and 131,272 shares of restricted stock.

(8) Includes 3,547 shares issuable upon the exercise of options and 129,100 shares of restricted stock.

(9) Includes 32,848 shares issuable upon the exercise of options and 143,900 shares of restricted stock.

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(10) Includes 1,760 shares held individually, 50,732 shares issuable upon the exercise of options and 77,980 shares of restricted stock.

(11) Includes 8,427 shares held individually; 53,333 shares issuable upon the exercise of options; and 5,867 restricted stock units convertible into common stock within 60 days of April 8, 2008.

(12) Includes 6,927 shares held individually; 24,904 shares issuable upon the exercise of options; and 5,867 restricted stock units convertible into common stock within 60 days of April 8, 2008.

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- (13) Includes 3,606 shares held individually and 5,867 restricted stock units convertible into common stock within 60 days of April 8, 2008.
- (14) Includes 6,927 shares held individually; 40,000 shares issuable upon the exercise of options; and 5,867 restricted stock units convertible into common stock within 60 days of April 8, 2008.
- (15) Includes 2,560 shares held individually; 53,333 shares issuable upon the exercise of options; and 5,867 restricted stock units convertible into common stock within 60 days of April 8, 2008.
- (16) Includes 54,345 shares held individually; 1,350 shares held by The Jason Foundation; 73,333 shares issuable upon the exercise of options; and 5,867 restricted stock units convertible into common stock within 60 days of April 8, 2008.
- (17) Includes 53,593 shares held individually; 26,794 shares issuable upon the exercise of options; and 5,867 restricted stock units convertible into common stock within 60 days of April 8, 2008.
- (18) Includes 1,095,095 shares subject to options exercisable, and 41,069 restricted stock units convertible into common stock, within 60 days of April 8, 2008.
- (19) Based on a Schedule 13G filed with the SEC by Lord, Abbett & Co. LLC on February 14, 2008. The address of Lord, Abbett & Co. LLC is 90 Hudson Street, Jersey City, New Jersey 07302.
- (20) Based on a Schedule 13G filed with the SEC by Barclays Global Investors, NA on February 5, 2008. The address of Barclays Global Investors, NA is 45 Fremont Street, 17th Floor, San Francisco, California 94105.
- (21) Based on a Schedule 13G filed with the SEC by The Vanguard Group, Inc. on February 27, 2008. The address of The Vanguard Group, Inc. is 100 Vanguard Boulevard, Malvern, Pennsylvania 19355.

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COMPENSATION DISCUSSION AND ANALYSIS

Overview of Our Compensation Program

The fundamental goal of our compensation program is to build long-term shareholder value. In order to accomplish that goal, we must attract and retain exceptionally talented and capable executives, and we must provide those executives with incentives that motivate and reward them for achieving King's immediate and longer-term operational, financial and scientific goals. To this end, our executive compensation is guided by the following key principles:

- that executive compensation should depend upon measures of company and individual performance;
- that the interests of executives should be closely aligned with those of shareholders through equity-based compensation; and
- that compensation should be appropriate and fair in comparison to the compensation provided to similarly situated executives within the pharmaceutical industry and within other publicly-traded companies of King's size and complexity.

Vital to our compensation program are the decisions of, and guidance from, the Compensation and Human Resources Committee of our Board of Directors. This Committee (which we refer to, for purposes of this analysis, as "the Committee") is composed entirely of directors who are independent of King under the independence standards established by the NYSE, the securities exchange where our common stock is traded. The Committee operates pursuant to a written charter adopted by the Board. If you would like to review the Committee's charter,

it is freely available on our website, *www.kingpharm.com*, by first choosing "Investors" and then "Governance." It is also available to any shareholder who requests a copy from our Assistant Secretary, William L. Phillips III, 501 Fifth Street, Bristol, Tennessee 37620.

The Committee has the authority and responsibility to establish and periodically review our executive compensation principles, described above. Importantly, the Committee also has sole responsibility for determining the corporate goals and objectives upon which the compensation of the chief executive officer (the "CEO") is based, for evaluating (in consultation with all non-management directors) the CEO's performance in light of these goals and objectives and for determining the CEO's compensation, including his equity-based compensation.

The Committee also reviews and approves the recommendations of the CEO with regard to the compensation and benefits of other executive officers. In accomplishing this responsibility, the Committee meets regularly with the CEO, approves cash and equity incentive objectives of the executive officers, reviews with the CEO the accomplishment of these objectives and approves the base salary and other elements of compensation for the executive officers. The Committee has full discretion to modify the recommendations of the CEO in the course of its approval of executive officer compensation, and it made such modifications in 2007.

The Committee also annually reviews, and makes recommendations to the Board about, the compensation of non-employee directors, a function it performs in conjunction with the Board's Nominating and Corporate Governance Committee.

Our Incentive Plan, adopted by shareholders in May 2005, provides for the grant of various equity awards, such as stock options, restricted stock and performance share units, as well as cash incentive awards, to King's employees and directors. The Committee is responsible for administering this Plan and it has sole authority to make awards to the CEO or any other executive officer. Our Board of Directors has sole authority to make grants to directors under the Incentive Plan.

In conjunction with its responsibilities related to executive compensation, the Committee also oversees the management development process, reviews plans for executive officer succession and performs various other functions.

The Committee consults regularly with an outside compensation consulting firm retained by the Committee. As it makes decisions about executive compensation, the Committee frequently obtains data from its consultant regarding current compensation practices and trends among United States companies in general and pharmaceutical and biosciences companies in particular, and reviews this information with its consultant. The Committee also

discusses various other compensation matters with its consultant, both during the course of the Committee's regular meetings and in private meetings. In addition, the Chairman of the Committee is in regular contact with the consultant and with management outside of Committee meetings regarding matters being considered or expected to be considered by the Committee.

During 2007, the Committee was advised by James F. Reda & Associates, LLC, an independent executive compensation consulting firm. James F. Reda & Associates did not provide any other consulting services to King.

Throughout the discussion that follows the individuals who served as Chief Executive Officer and Chief Financial Officer during 2007, as well as the other individuals included in the Summary Compensation Table on page 29, are referred to as the "named executive officers." At some points in the discussion we also refer more generally to our "executive officers," the larger group of executives whose compensation requires the approval of the Committee under the terms of its charter.

Our 2007 Compensation Program

In 2007, the Committee's approach to compensation was multidimensional. This approach was intended to focus our executives on accomplishing our immediate and longer-term goals and had as its ultimate objective sustained growth in shareholder value. This approach was intended to compensate executives at levels at or near the median levels of compensation offered by other pharmaceutical companies similar in size to King and with whom we compete for executive talent. The Committee believes that retention of key talent is critical to King's success.

In making decisions about the elements of 2007 compensation, the Committee not only considered available market information about each element but also considered, for each executive, market data related to aggregate compensation. Base salary provided core compensation to executives, but it was accompanied by:

- the potential for incentive-based cash compensation based upon our 2007 financial results,
- various forms of equity compensation, including one grant based upon 2007 financial results relative to pre-established internal targets and another based upon our total shareholder return, relative to other companies in our industry, during 2007, 2008 and 2009,
- various benefits and perquisites, and
- the potential for post-termination compensation under various circumstances.

Summary of 2007 Compensation Elements

The table below provides detailed information regarding each element of the 2007 compensation program.

	Compensation Element Overview	Purpose of the Compensation Element
Base Salary	Base salary pays for competence in the executive role. An executive's salary level depends on the scope of his or her responsibilities, individual performance, experience and the relationship to amounts paid to similarly situated executives at peer companies.	To provide competitive fixed compensation based on sustained performance in the executive's role and competitive market practice.
Short-Term Incentives	<p style="text-align: center;">Executive Management Incentive Award (EMIA) (Cash)</p> The EMIA program rewards, with cash awards, annual achievement of overall corporate financial objectives. In 2007, these objectives were tied to King's achievement of predetermined 2007 earnings per share and/or revenue targets.	To motivate and focus our executive team on the achievement of our annual performance goals.

Compensation Element Overview

Purpose of the Compensation Element

Long-Term