FOREST LABORATORIES INC
Form PRE 14A
June 20, 2008

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

SCHEDULE 14A

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

Filed by registrant [X]
Filed by a party other than the registrant [ ]

Check the appropriate box:

[X] Preliminary proxy statement
[ ] Definitive proxy statement
[ ] Definitive additional materials
[ ] Soliciting material pursuant to §240.14a-12

Forest Laboratories, 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):

[X] No fee required.
[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing party:

4) Date filed:

FOREST LABORATORIES, INC.

NOTICE OF
2008 ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of the Stockholders of Forest Laboratories, Inc. will be held on August 11, 2008 at 10:00 a.m., at JP Morgan Chase & Co. Corporate Headquarters, 277 Park Avenue, New York, New York. We are holding this meeting to:

1. Elect the eight directors named in the attached Proxy Statement to serve until the next Annual Meeting of Stockholders and until their successors are duly elected and qualified (Proposal 1);

2. Adopt the Amended and Restated Certificate of Incorporation (Proposal 2);

3. Ratify the appointment of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2009 (Proposal 3); and

4. Transact such other business as may properly be brought before the meeting.

The record date for the Annual Meeting is June 19, 2008. Only Forest stockholders of record at the close of business on that date may vote at the meeting, or any adjournment of the meeting. A copy of the Annual Report for the fiscal year ended March 31, 2008 is being mailed with this Proxy Statement.

You are invited to attend the meeting. Whether or not you plan to attend the meeting, please vote by mail, by telephone, or on the Internet in order to be certain your shares are represented at the meeting.

By Order of the Board of Directors

WILLIAM J. CANDEE, III,
Secretary

June __, 2008

New York, New York

FOREST LABORATORIES, INC.
909 THIRD AVENUE
NEW YORK, NEW YORK 10022

PROXY STATEMENT

This Proxy Statement contains information related to our Annual Meeting of Stockholders to be held on Monday, August 11, 2008, beginning at 10:00 a.m. at JP Morgan Chase & Co. Corporate Headquarters, 277 Park Avenue, New York, New York, and at any adjournments thereof. This Proxy Statement is being sent to stockholders on or about June **[___]**, 2008. You should review this information together with our 2008 Annual Report to Stockholders, which accompanies this Proxy Statement.

Information about the Meeting

Q: Why did you send me this Proxy Statement?

A: We sent you this Proxy Statement and the enclosed proxy card because the Board of Directors (the Board) of Forest Laboratories, Inc. (we or Forest or the Company) is soliciting your proxy to vote at our 2008 Annual Meeting of Stockholders (the meeting) to be held on Monday, August 11, 2008, or any adjournments of the meeting. This Proxy Statement summarizes information that is intended to assist you in making an informed vote on the proposals described in this Proxy Statement.

Q: Who can vote at the Annual Meeting?

A: Only stockholders of record as of the close of business on June 19, 2008 are entitled to vote at the meeting. On that date, there were 304,758,195 shares of our common stock (each, a share) outstanding and entitled to vote.

Q: How many shares must be present to conduct the Annual Meeting?

A: We must have a "quorum" present in person or by proxy to hold the Annual Meeting. A quorum is a majority of the outstanding shares entitled to vote. Abstentions and broker non-votes (defined below) will be counted for the purpose of determining the existence of a quorum.

Q: What matters are to be voted upon at the Annual Meeting?

A: Three proposals are scheduled for a vote:

- Election of eight directors named in this Proxy Statement to serve until the next Annual Meeting of Stockholders in 2009;

- Adoption of the Amended and Restated Certificate of Incorporation; and

- Ratification of the selection of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2009.

As of the date of this Proxy Statement, these three proposals are the only matters which our Board of Directors intends to present at the meeting. Our Board does not know of any other business to be presented at the meeting. If other business is properly brought before the meeting, the persons named on the enclosed proxy card will vote on these other matters in their discretion.

Q: How does the Board recommend that I vote?

A: The Board recommends that you vote FOR the election of each of the nominees for director; FOR the adoption of the Amended and Restated Certificate of Incorporation; and FOR the proposal to ratify the selection of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2009.

Q: How do I vote before the meeting?

A: You may vote your shares by mail by filling in, signing and returning the enclosed proxy card. Most of our stockholders may also vote their shares by telephone or the Internet. The instructions for voting by telephone or the Internet can be found with your proxy card. If you vote by telephone or the Internet, you do not need to return your proxy card. You may either vote "For" all the nominees to the Board of Directors of Forest or you may withhold authority to vote for any nominee(s) you specify. With respect to the adoption of the Amended and Restated Certificate of Incorporation and the ratification of the selection of BDO Seidman, LLP as Forest's independent registered public accounting firm for the fiscal year ending March 31, 2009, you may vote "For" or "Against" or abstain from voting.

Q: May I vote at the meeting?

A: Yes, you may vote your shares at the meeting if you attend in person. **Even if you plan to attend the meeting, we recommend that you also submit your proxy or voting instructions as described above so that your vote will be counted if you later decide not to attend the meeting.**

Q: How do I vote if my broker holds my shares in "street name"?

A: Shares held in "street name" are held in the name of your bank or broker. If your shares are held in a brokerage account in street name, they are not included in the total number of shares listed as owned by you on the enclosed proxy card. Your bank or broker will send you instructions on how to vote those shares.

Q: How many votes do I have?

A: Each share of common stock that you own as of June 19, 2008, entitles you to one vote on each matter voted upon at the Annual Meeting. On June 19, 2008, there were 304,758,195 shares of our common stock outstanding.

Q: What should I do if I receive more than one set of proxy materials?

A: You may receive more than one set of these proxy materials, including multiple copies of this Proxy Statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return **each** proxy card that you receive to ensure that all your shares are voted.

Q: May I change my vote?

A: Yes, you may change your vote or revoke your proxy at any time before the vote at the meeting. You may change your vote prior to the meeting by executing a valid proxy bearing a later date and delivering it to us prior to the meeting at Forest Laboratories, Inc., Attention: Corporate Secretary, 909 Third Avenue, New York, New York 10022. You may withdraw your vote at the meeting and vote in person by giving written notice to our Corporate Secretary. You may also revoke your vote without voting by sending written notice of revocation to our Corporate Secretary at the above address.

Q: How are my shares voted if I submit a proxy but do not specify how I want to vote?

A: If you submit a properly executed proxy card but do not specify how you want to vote, your shares will be voted FOR the election of each of the nominees for director, FOR the adoption of the Amended and Restated Certificate of Incorporation and FOR the ratification of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2009, and in the discretion of the persons named as proxies on all other matters that are properly brought before the meeting.

Q: What vote is required to elect Directors?

A: The eight nominees for election as directors who receive the highest number of "FOR" votes will be elected as directors. This number is a plurality. Abstentions will have no effect on the outcome of the voting to elect directors.

Q: What vote is required to adopt the Amended and Restated Certificate of Incorporation?

A: For approval of this proposal, the proposal must receive the "FOR" vote of a majority of the outstanding shares entitled to vote. Abstentions and broker non-votes (defined below) will have the same effect as a vote against the proposal.

Q: What vote is required to ratify the selection of BDO Seidman, LLP as Forest's independent registered public accounting firm for the fiscal year ending March 31, 2009?

A: For approval of this proposal, the proposal must receive the "FOR" vote of a majority of the shares present in person or by proxy and entitled to vote on the matter. Abstentions will have the same effect as a vote against the proposal.

Q: What is a broker non-vote?

A: When shares are held in "street name", a broker non-vote may occur when a bank or brokerage firm does not vote on a proposal because it does not have discretionary voting power and has not received instructions from the beneficial owner of the shares. A broker non-vote is counted for the purpose of determining whether a quorum is present. Under the current rules of the New York Stock Exchange (NYSE), your broker is permitted to vote your shares on certain routine matters, such as the election of directors and the ratification of BDO Seidman, LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2009, even if you do not instruct the broker how to vote.

Q: Who will count the votes?

A: Votes will be counted by the two independent inspectors of election appointed for the meeting.

Q: Who pays for the solicitation of proxies?

A: We will pay for the entire cost of soliciting proxies. We will also reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners. In addition, our directors and employees may solicit proxies in person, by telephone, by Internet, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies, but The Proxy Advisory Group, LLC, our third party proxy solicitor, will be paid its customary fee, estimated to be about $12,000, if it renders solicitation services.

Q: How can I find out the results of the voting at the Annual Meeting?

A: Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in our Quarterly Report on Form 10-Q for the period ending September 30, 2008.

SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS AND MANAGEMENT

The following table sets forth, as of June 19, 2008, the number of shares of common stock owned beneficially by any persons we know to be beneficial owners of more than five percent of our outstanding shares, each of our directors and each of our executive officers named in the Summary Compensation Table below and all of our directors and executive officers as a group.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
5% Stockholders (1)		
Wellington Management Company, LLP 75 State Street Boston, MA 02109	44,049,838	14.45%
Clearbridge Advisors, LLC 399 Park Avenue New York, NY 10022	31,866,107	10.46%
Capital Group International, Inc. 11100 Santa Monica Blvd. Los Angeles, CA 90025	32,482,080	10.66%
Barclays Global Investors, NA. 45 Fremont Street San Francisco, CA 94105	31,357,731	10.29%
Vanguard Specialized Funds – Vanguard Health Care Fund 100 Vanguard Blvd. Malvern, PA 19355	29,266,300	9.60%
Named Executive Officers and Directors		
Howard Solomon	6,511,427 (2)	2.14%
Lawrence S. Olanoff, M.D., Ph.D.	159,959 (3)	*
Nesli Basgoz, M.D.	16,000 (4)	*
William J. Candee, III	51,683 (5)	*
George S. Cohan	78,000 (6)	*
Dan L. Goldwasser	54,030 (7)	*
Kenneth E. Goodman	204,750 (8)	*
Lester B. Salans, M.D.	48,000 (9)	*
Elaine Hochberg	515,322 (12)	*
Francis I. Perier, Jr.	91,250 (10)	*

Ivan Gergel, M.D.**	68,250 (11)	*
All directors and executive officers as a group	8,114,027 (13)	2.66%

____

* Less than 1%

** Dr. Gergel resigned effective March 31, 2008.

(1) Based upon information set forth in an Information Statement on Schedule 13G filed by the beneficial owner with the Securities and Exchange Commission (SEC).

(2) Includes shares of stock that are subject to a risk of forfeiture and includes 5,725,000 shares issuable pursuant to options that are exercisable within 60 days.

(3) Includes shares of stock that are subject to a risk of forfeiture and includes 112,500 shares issuable pursuant to options that are exercisable within 60 days.

(4) Includes shares of stock that are subject to a risk of forfeiture and includes 15,000 shares issuable pursuant to options that are exercisable within 60 days.

(5) Includes shares of stock that are subject to a risk of forfeiture and includes 46,000 shares issuable pursuant to options that are exercisable within 60 days.

(6) Includes shares of stock that are subject to a risk of forfeiture and includes 50,000 shares issuable pursuant to options that are exercisable within 60 days.

(7) Includes shares of stock that are subject to a risk of forfeiture and includes 50,000 shares issuable pursuant to options that are exercisable within 60 days. Does not include 21,680 shares owned by Mr. Goldwasser's
wife of which Mr. Goldwasser disclaims beneficial ownership.

(8) Includes shares of stock that are subject to a risk of forfeiture and includes 4,000 shares issuable pursuant to options that are exercisable within 60 days.

(9) Includes shares of stock that are subject to a risk of forfeiture and includes 30,000 shares issuable pursuant to options that are exercisable within 60 days.

(10) Includes shares of stock that are subject to a risk of forfeiture and includes 465,762 shares issuable pursuant to options that are exercisable within 60 days and 45,504 shares which are pledged as security.

(11) Includes shares of stock that are subject to a risk of forfeiture and includes 71,250 shares issuable pursuant to options that are exercisable within 60 days.

(12) Includes 68,250 shares issuable pursuant to options that are exercisable within 60 days.

(13) Includes shares of stock that are subject to a risk of forfeiture and includes 6,796,908 shares issuable pursuant to options that are exercisable within 60 days.

Section 16(a) Beneficial Ownership Reporting Compliance

Federal securities laws require our executive officers and directors and persons owning more than 10% of our common stock to file certain reports on ownership and changes in ownership with the Securities and Exchange Commission (SEC). Based on a review of our records and other information, we believe that during fiscal year 2008, our executive officers, directors and persons holding more than 10% of our common stock timely filed all Section 16(a) reports except for reports on Form 4 covering gifts of shares by Elaine Hochberg on August 24, 2006, December 11, 2006 and February 26, 2007 which were inadvertently filed late.

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PROPOSAL 1

ELECTION OF DIRECTORS

Our entire Board of Directors is elected each year at the Annual Meeting of Stockholders. The Board is currently comprised of eight members. Each of the nominees listed below is an incumbent director whose nomination to serve for a one-year term was recommended by our Nominating and Governance Committee and approved by the Board. The eight nominees include five independent directors as defined in the NYSE rules and regulations.

Each nominee elected as a director will continue in office until his successor has been elected and qualified or until his or her earlier death, resignation or retirement. Each person nominated has agreed to serve if elected.

The persons named as proxies intend to vote the proxies **FOR** the election of each of the nominees unless you indicate on the proxy card that your vote should be withheld from any or all of the nominees. If for some reason one or more of the nominees is unable to serve, proxies will be voted in favor of the remaining nominees and may be voted for substitute nominees recommended by the Board.

The following persons have been nominated as directors:

Name and Principal Occupation or Position	**Age**	**Has Been a Director Since**
Howard Solomon Chairman of the Board and Chief Executive Officer. Mr. Solomon has served as our Chief Executive Officer since 1977.	80	1964
Lawrence S. Olanoff, M.D., Ph.D. President and Chief Operating Officer since October 2006. President and Chief Executive Officer at Celsion Corporation from July 2005 to October 2006. For the ten years prior to July 2005, Dr. Olanoff served as Executive Vice President – Chief Science Officer at Forest.	56	2006
Nesli Basgoz, M.D. Associate Chief for Clinical Affairs, Division of Infectious Diseases, Massachusetts General Hospital (MGH). Dr. Basgoz previously served as Clinical Director, Infectious Diseases Division of MGH and serves as Associate Professor of Medicine, Harvard Medical School.	50	2006
	81	1959

William J. Candee, III
Co-Chairman of the Board of Directors and a principal of TXX Services, LLC, a transportation company with operations in New York, New Jersey and Connecticut. For more than 5 years prior to June 2004, Mr. Candee was a member of or of counsel to the law firm of Rivkin Radler, LLP.

George S. Cohan President, The George Cohan Company, Inc., consultants, since June 1989.	84	1977
Dan L. Goldwasser Shareholder, Vedder Price, P.C., Attorneys at Law, since May 1992.	68	1977
Kenneth E. Goodman Former President and Chief Operating Officer of Forest (December 1998 to September 2006). For eighteen years prior thereto, Mr. Goodman served as Vice President – Finance and Chief Financial Officer and in addition served as Executive Vice President – Operations since February 1998.	60	1998
Lester B. Salans, M.D. Clinical Professor and member of the Clinical Attending Staff Internal Medicine, Mount Sinai Medical School. Prior thereto Dr. Salans was Vice President – Research at Sandoz Pharmaceutical Corporation.	72	1998

CORPORATE GOVERNANCE

We seek to follow best practices in corporate governance in a manner that is in the best interests of our business and our stockholders. We are in compliance with the corporate governance requirements imposed by the Sarbanes-Oxley Act, the SEC and the NYSE and will continue to review our policies and practices to meet ongoing developments in this area.

Code of Business Conduct and Ethics

All of our employees, including our Chief Executive Officer (CEO), Chief Financial Officer (CFO), all other senior financial officers and all other executive officers, are required to comply with our Code of Business Conduct and Ethics. You can access our Code of Business Conduct and Ethics by clicking on the "Corporate Governance" link in the "Investors" section of our website at www.frx.com. The Code of Business Conduct and Ethics is also available in print to any requesting stockholder. We will post any amendments to or waivers of our Code of Business Conduct and Ethics on our website.

Corporate Governance Guidelines

Our Corporate Governance Guidelines reflect the principles by which we operate. From time to time, the Nominating and Governance Committee and the Board reviews and revises our Corporate Governance Guidelines in response to regulatory requirements and evolving best practices. You can access our Corporate Governance Guidelines by clicking on the "Corporate Governance" link in the "Investors" section of our website at www.frx.com. The Corporate Governance Guidelines are also available in print to any requesting stockholder.

Disclosure, Legal Compliance and Risk Management Committee

The Disclosure, Legal Compliance and Risk Management Committee (the Disclosure Committee) is made up of the following members of senior management: Chief Operating Officer (COO), CFO, Senior Vice President – Scientific Affairs, Chief Commercial Officer and Vice President – General Counsel. The primary purpose of the Disclosure Committee is to review and evaluate our disclosure documents, to develop and monitor a program of risk assessment and management and to evaluate legal compliance and compliance with our Code of Business Conduct and Ethics. The Disclosure Committee met four times during the fiscal year ended March 31, 2008. The Disclosure Committee does not have oversight responsibility for financial matters, including financial statements and systems of internal control over financial reporting, which are monitored by the Company's Audit Committee.

Compliance Committee

We have established a Compliance Committee chaired by our President and COO. Our Compliance Committee is responsible for overseeing our program for compliance with applicable laws and regulations specific to the pharmaceutical industry. The Compliance Committee includes senior management and senior departmental personnel from various corporate divisions (marketing, contract-customer operations, medical and scientific affairs, sample policy compliance, operations, corporate quality management, internal audit and legal counsel). Other personnel are invited to participate from time to time as specific issues warrant. The Committee meets approximately every six weeks to review issues related to our Comprehensive Compliance Program, establish and approve compliance policies and provide support, guidance and advice to our Director of Compliance regarding the compliance program.

Certain Relationships and Related Persons Transactions

David Solomon, our CEO's son, has been employed by Forest since March 26, 2001. Mr. Solomon's position is Vice President – Business Development and Strategic Planning. During the 2008 fiscal year, Mr. Solomon's total compensation was approximately $417,000 and he was awarded stock options covering 25,000 shares and restricted stock awards covering 12,000 shares under the 2007 Equity Incentive Plan in connection with his employment with Forest.

BOARD MEETINGS; COMMITTEES

Board of Directors Meetings and Attendance of Directors

The Board held five meetings during the fiscal year ended March 31, 2008. During fiscal year 2008, each of the then serving incumbent directors attended 75% or more of the combined total meetings of the Board and the respective committees on which he or she served. Directors are required to make every reasonable effort to attend the Annual Meeting of Stockholders. All members of the Board who were then in office attended our 2007 Annual Meeting of Stockholders.

Director Independence

The Board has affirmatively determined that the following directors have no material relationship with us and are independent within the meaning of Securities Exchange Act Rule 10A-3 and within the NYSE definition of "independence": Nesli Basgoz, M.D., William J. Candee, III, George S. Cohan, Dan L. Goldwasser and Lester B. Salans, M.D. To assist in making the independence determination, the Board has adopted Director Qualification Standards as part of our Corporate Governance Guidelines.

The Director Qualification Standards satisfy the NYSE independence requirements. A copy of these standards is attached to this Proxy Statement at Appendix A. Independent directors receive no compensation from us for service on the Board or the Committees other than directors' fees and non-discretionary grants under our Equity Incentive Plan.

Executive Sessions; Presiding Director

As required by the NYSE listing standards, our non-management directors meet in executive session at which only non-management directors are present on a regularly scheduled basis. Our non-management directors choose the presiding director for each meeting by majority vote on a meeting by meeting basis.

Communications with Directors

You may contact the entire Board of Directors, any Committee, the non-management directors as a group or any individual director by calling our Audit Committee Hotline at 1-800-461-0825. An outside vendor collects all reports or complaints and delivers them to the Audit Committee. The Audit Committee will forward all correspondence to the appropriate director or group of directors. You are also welcome to communicate directly with the Board at the Annual Meeting of Stockholders.

Board Committees

The Board has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. All of the members of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee are independent directors within the meaning of the NYSE Listing Standards and Securities and Exchange Act of 1934 Rule 10A-3. Each of the Committees has the authority to retain independent advisors and consultants, with all fees and expenses to be paid by Forest. The Board-approved charters of each of the Committees are available on our website under the "Investors" link at www.frx.com. The charters are also available in print to any requesting stockholder.

Audit Committee. For the fiscal year ended March 31, 2008, the Audit Committee consisted of William J. Candee, III (the Chairman), Dan L. Goldwasser and Lester B. Salans, M.D. The Board has determined that Dan L. Goldwasser qualifies as an "audit committee financial expert" for purposes of the federal securities laws.

The Audit Committee's primary responsibilities are to: (i) oversee our financial reporting principles and policies and internal control systems, including review of our quarterly and annual financial statements; (ii) review and monitor the performance and independence of our independent registered public accounting firm and the performance of the internal auditing department; (iii) provide an open avenue of communication among the independent registered public accounting firm, financial and senior management, the internal audit department and the Board; and (iv) appoint (subject to stockholder ratification), evaluate, compensate and where appropriate, terminate and replace our independent registered public accounting firm. The Audit Committee held seven meetings during fiscal 2008.

Compensation Committee. The Compensation Committee is composed of Messrs. Candee, Cohan, Goldwasser (the Chairman) and Dr. Salans. Pursuant to the Compensation Committee Charter, the Committee is responsible for (i) discharging the Board's responsibilities relating to compensation of our executive officers and (ii) producing an annual report on executive compensation for inclusion in our

Proxy Statement in accordance with applicable rules and regulations. During the fiscal year ended March 31, 2008, the Compensation Committee held two meetings at which the Committee made recommendations concerning annual base salary and bonus for our executive officers for the 2008 calendar year and made recommendations as to the grant of stock options and stock awards to these executive officers.

Nominating and Governance Committee. The Nominating and Governance Committee is composed of Messrs. Candee (the Chairman), Cohan, Goldwasser and Dr. Salans. The Committee's responsibilities include (i) identifying individuals qualified to become Board members consistent with criteria approved by the Board and recommending that the Board select the director nominees for the next Annual Meeting of Stockholders; (ii) developing and recommending to the Board the Corporate Governance Guidelines; and (iii) overseeing evaluation of the Board and management. The Nominating Committee held one meeting during fiscal 2008.

The Nominating Committee has established a process for identifying and evaluating nominees for director. Although the Nominating Committee will consider nominees recommended by stockholders, the Nominating Committee believes that its process for identifying and evaluating nominees is designed to produce nominees that possess the educational, professional, business and personal attributes that are best suited to further Forest's purposes. Any interested person may recommend a nominee by submitting the nomination, together with appropriate biographical information, to the Nominating and Governance Committee, c/o the Corporate Secretary, Forest Laboratories, Inc., 909 Third Avenue, New York, New York 10022. All recommended candidates will be considered using the criteria set forth in our Corporate Governance Guidelines.

The Nominating Committee will consider, among other factors, the following to evaluate recommended nominees:

The Board's current composition, including expertise, diversity, balance of management and non-management directors;

Independence and other qualifications required or recommended by applicable laws, rules and regulations (including NYSE requirements) and Forest's policies and procedures; and

The general qualifications of potential nominees, including, but not limited to: personal integrity, loyalty to Forest and concern for its success and welfare; experience at strategy and policy setting level; high-level leadership experience in business; breadth of knowledge about issues affecting Forest; an ability to work effectively with others; sufficient time to devote to Forest; and freedom from conflicts of interest.

Named Executive Officers of Forest

Name	Age	Position with Forest
Howard Solomon	80	Chairman of the Board and Chief Executive Officer
Lawrence S. Olanoff, M.D., Ph.D.	56	President and Chief Operating Officer
Elaine Hochberg	51	Senior Vice President – Marketing and Chief Commercial Officer
Francis I. Perier, Jr.	48	Senior Vice President – Finance and Chief Financial Officer
Ivan Gergel, M.D.	48	Senior Vice President – Scientific Affairs

* Dr. Gergel resigned effective March 31, 2008.

Set forth below is certain biographical information concerning our executive officers who are not also directors:

Elaine Hochberg is our Senior Vice President – Marketing since December 1999 and Chief Commercial Officer since December 2007. Ms. Hochberg joined us in June 1997 as Vice President – Marketing of our wholly-owned subsidiary Forest Pharmaceuticals, Inc. In February 1998, she was promoted to Vice President – Marketing. Prior to joining us in 1997, Ms. Hochberg was Assistant Vice President – Marketing at Wyeth-Lederle Laboratories.

Francis I. Perier, Jr. is our Senior Vice President – Finance and Chief Financial Officer since September 2004. From March 2004 until joining us in September 2004, Mr. Perier was Vice President – Finance – Operations Planning – Americas Medicines at Bristol-Myers Squibb. For eight years prior to March 2004, Mr. Perier served in senior financial positions at Bristol-Myers Squibb including four years as Vice President – Finance, Planning, Business Development and Information Technology at its ConvaTec Division. Prior to that, Mr. Perier had been a partner at Deloitte & Touche, LLP.

Dr. Ivan Gergel served as our Senior Vice President – Scientific Affairs and President of Forest Research Institute from March 19, 2005 through March 31, 2008, the effective date of his resignation. From January 2000 until May 2005, Dr. Gergel served as our Vice President – Clinical Development and Medical Affairs and from January 2005 also served as our Chief Medical Officer. Dr. Gergel joined us in June 1998 as Executive Director, Clinical Research. Prior to joining Forest, Dr. Gergel was Group Director – Clinical Research and Medical Affairs at SmithKline Beecham.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Compensation Committee of the Board of Directors (the Committee) is responsible for setting and administering the policies that govern executive salaries, cash bonus awards and equity incentive awards. The Committee reviews and approves, or in some cases recommends for the approval of the full Board of Directors, the annual compensation, including equity grants, for Forest's executive officers, including the Chairman of the Board and Chief Executive Officer (CEO), the President and Chief Operating Officer (COO), the Senior Vice President – Marketing and Chief Commercial Officer, the Senior Vice President – Finance and Chief Financial Officer and the Senior Vice President – Scientific Affairs (the Named Executive Officers). The Committee operates pursuant to a charter that further outlines the Committee's specific authority, duties and responsibilities.

Objectives of Compensation Program

The primary objective of the Company's compensation program, including its executive compensation program, is to structure compensation to allow it to attract, motivate and retain outstanding personnel. The Committee believes that attracting and retaining the right personnel is a key element in supporting Forest's long-term performance and creating stockholder value. The Committee strives to ensure that Forest's compensation program is fair and reflective of current market compensation trends, and aligns the interests of the Company's management and stockholders in support of Forest's long-term financial performance.

What the Compensation Program is Designed to Reward

The compensation program for the Company's executives is designed to reward their contributions to Forest's achievements in a highly competitive environment, long-term strategic management and enhancement of stockholder value. In order to measure the contributions of the executive officers, the Committee reviews financial information, including changes in revenues and earnings per share during the prior fiscal years, and reports relating to various corporate achievements during the prior fiscal year.

In this connection, the Chairman of the Committee prepares and reviews with the Committee: (i) a comparative analysis of the Company's financial results and of compensation practices of other companies within its peer group; (ii) factors that may be unique to Forest's performance over the past year; and (iii) comparisons of compensation increases as between executive and non-executive employees and new hires and continuing employees.

Peer Group. To evaluate the competitive strength of the Company's compensation levels, the Chairman of the Committee selected a peer group of pharmaceutical companies from proxy materials of comparable companies provided by management and gathered independently and a survey of compensation practices in the pharmaceutical industry prepared by Towers Perrin, a consulting firm specializing in compensation issues. The companies which made up the Company's peer group for fiscal year 2008 were: Allergan Inc., Amgen Inc., Cephalon, Inc., Genentech Inc., Genzyme Corporation, Gilead Sciences Inc., King Pharmaceuticals, Inc., Schering Plough Corp., Sepracor, Inc. and Celgene Corp. In addition to the above companies which were selected based on their comparable annual sales, this year the Committee also reviewed compensation at certain larger pharmaceutical companies (Bristol-Meyers Squibb Co., Merck & Co. Inc. and Pfizer Inc.) that Forest competes with for executive talent.

Elements of the Compensation Plan, Why Each
Element is Chosen and How it Relates to the Company's Objectives

The two principal elements comprising executive compensation are cash and equity. The cash element is divided into base salary and annual bonus and the equity element is divided into grants of stock options and restricted stock awards which are subject to a risk of forfeiture (stock awards). These elements complement each other and give the Committee flexibility to create compensation packages that provide short and long-term incentives and are competitive, yet in line with Forest's approach to compensation. Such approach allows the executive sufficient cash to be competitive with other employment opportunities, while at the same time providing them with a strong incentive to maximize value for the Company's stockholders.

Cash Compensation:

Base Salary. Base salary is the primary fixed element in the Company's compensation program. Base salary is intended to provide an element of certainty and security to the executive officers on an ongoing basis. Executive salaries are reviewed on an annual basis (with adjustments generally taking effect on January 1), as well as at the time of a promotion or other material change in responsibilities. Increases in salary are based on an evaluation of the individual's performance and level of pay compared to the salaries paid to persons in similar positions by pharmaceutical companies in this year's peer group, and have generally been in the lower range of such benchmark data. The Committee also takes into account the methods and percentages used by management to determine annual base salary increases for the Company's non-executive employees when determining the appropriate percentage increases to be paid to its executives.

Bonus. The annual cash bonus program is "at risk" compensation designed to reward the Company's executive officers for achievement of key operational goals that the Committee believes will provide the foundation for creating long-term stockholder value. The Committee does not use a formula to determine bonuses but rather reviews performance during the prior year, taking into account significant accomplishments, revenues and changes in the Company's earnings per share. In addition to the foregoing, as is the practice in the context of salary reviews, the Committee also reviews bonus payments made by companies in the peer group to their employees including their executive officers. Finally, the Committee reviews the procedures and general standards used to determine bonuses with respect to employees at all levels within Forest, and reviews the range of percentages applied to award bonuses at the various levels to assist in determining the appropriate percentages to be applied in determining bonus awards to its executives.

Equity Awards:

Given the long-term nature of the achievement of key objectives in the pharmaceutical business, the Company believes that incentivizing executives to focus on long-term performance is of particular importance. The Company believes that one of the most effective ways to accomplish this objective is to provide executive officers with equity awards. Equity ownership also aligns the interests of executive officers with those of their fellow stockholders since its value is dependent on the value of the Company's stock. Equity awards are typically subject to vesting or forfeiture provisions which operate to help encourage employees to maintain their employment with Forest. For these reasons, equity compensation is typically the largest element of the total annual compensation of the Named Executive Officers.

Stock Options. Stock options are granted to executives as an incentive to create long-term stockholder value. The award of stock options achieves this purpose since the options only provide value to the executive over time as and if there is growth in the market price of the Company's shares.

Stock Awards. At the 2007 Annual Stockholders Meeting, the stockholders approved the adoption of the Company's 2007 Equity Incentive Plan. As a result the Committee has incorporated stock awards as a core component in Forest's executive compensation package. The issuance of stock awards encourages achievement of long-term performance goals and acts as a retention tool. Since the present value of a share of a stock award is greater than the present value of a stock option covering an equal number of shares determined in accordance with the Black-Scholes method, the Committee can grant stock awards covering fewer shares while preserving a comparable value of the total equity awards to employees.

Equity awards granted to the Company's CEO and COO generally vest on the same schedule as applies to equity grants to the independent members of the Board of Directors. Thus, options generally vest in full on the six-month anniversary of the date of grant and the restrictions applicable to stock awards lapse as to 25% of the shares on the six-month anniversary of the date of grant and on each of the first, second and third anniversaries of the date of the grant.

Stock options awarded to other executive officers generally vest as follows: 15% of the shares underlying the option vests on the first, second, third and fourth anniversaries of the date of the grant and the remaining 40% vests on the fifth anniversary. The Committee also approved a vesting schedule for stock awards under which 25% of the shares vest on each of the first four anniversaries of the date of the grant. The Committee believes these vesting schedules contribute significantly to the retention of the Company's executives, because they must remain employed with the Company for a specific period of time before they can realize value from the equity awards.

All equity grants to executive officers are approved by the Committee, and except for equity grants which are approved by the Committee at special meetings held in connection with a newly hired officer, such equity grants are approved at the Committee's December meeting which is scheduled at the beginning of each fiscal year. The exercise price of each stock option awarded is the average of the high and low prices of a share of Forest's common stock on the NYSE on the date of the option grant. The Committee does not backdate stock options, grant options retroactively, reprice options, or grant options with regard to the announcement of favorable or unfavorable information. The Company does not currently have guidelines or requirements relating to ownership of its stock by executive officers because it believes that other current elements of compensation, specifically equity awards, provide sufficient ability and encouragement to own its stock.

How the Committee Chose Amounts: Evaluation of Forest's Performance and Basis for 2008 Compensation

The Committee meets annually in December to determine compensation levels for the next calendar year, and to award bonuses for performance during the concluding year. In determining and making recommendations regarding compensation, the Committee evaluates the performance achievements of the individual and of Forest during the year from the perspectives of both long-term growth and current results. Specifically, this year the Committee (i) reviewed management's proposed plan for bonus compensation including the use of the Company's new equity incentive plan, (ii) reviewed management's recommendation for compensation of the executive officers other than the CEO and COO and (iii) set the 2007 bonus and 2008 base compensation for the CEO and COO.

In November 2007, the Chairman of the Committee circulated to the members of the Committee a report highlighting some of the factors he considered relevant to the Committee's determination of executive officer compensation for the calendar year 2008. As described above it included data from a survey of executive compensation in the pharmaceutical industry prepared by Towers Perrin compensation consultants and a report from management regarding Forest's principal achievements during calendar year 2007.

The Committee specifically reviewed and discussed the findings set forth in the report and took note of the accomplishments of Forest during 2007, especially the sales and marketing effort that resulted in the continued strong growth in sales of the Company's promoted products, in particular increased sales of Lexapro®, Namenda® and Benicar®. The Committee also noted the increase in earnings per share from $1.41 at the end of fiscal 2007 to a projected $3.03 at the end of fiscal 2008 (including unbudgeted license fees and acquisition costs). The Committee discussed the Company's successful completion of two licensing transactions, including the acquisition of rights to linaclotide from Ironwood Pharmaceuticals, Inc. (formerly Microbia, Inc.), as well as one company acquisition (Cerexa) during calendar year 2007 and reviewed the status of various products in the clinical development stage or trial stages (noting that two research and development programs had been terminated).

The Committee acknowledged the Company's relatively slow growth in reported earnings over the past several years from approximately $838 million in fiscal 2005 to $967 million in fiscal 2008 and the recent decline of the Company's share price from $55 per share early in 2007 to approximately $39 as of the time of the report. However, the Committee believed that recently completed licensing transactions and continued development of the Company's pipeline would support the Company's future growth and performance, and noted that that belief appeared to be shared by analysts at both Credit Suisse and Lehman Brothers, who follow the Company and had published share price targets substantially in excess of current levels.

The Committee considered compensation information from the Towers Perrin survey and from proxy statements of companies in the Company's peer group along with recommendations from Management. With respect to Named Executive Officers other than the CEO and COO, the Committee used the Towers Perrin survey specifically focusing on the compensation arrangements of the highest tenth percentile of pharmaceutical companies with annual revenues of up to $5 billion and the bottom tenth percentile of companies with annual revenues of more than $5 billion. With respect to the CEO and COO, the Committee reviewed the compensation arrangements for comparable positions included in the proxy information specifically focusing on the three companies considered most comparable (Allegan, Inc., Genzyme Corp. and Gilead Sciences Inc.) in sales, earnings and business models. The determination of which companies were used for specific officers was justified because the Committee assumed that the risk of losing either of the Company's CEO or COO to a competitor is relatively small. This data revealed that the total cash compensation paid to Mr. Solomon and Dr. Olanoff in fiscal year 2007 was below the average levels paid by members of the peer group to officers holding comparable positions. Mr. Solomon was granted less equity compensation and Dr. Olanoff was granted more equity compensation than the comparable executives in the peer group (in each case, based on the Black Scholes valuation method). The Committee noted that it nevertheless found that the equity compensation paid to Dr. Olanoff was reasonable in light of various factors, including the relatively high number of direct reports that he has.

The Committee considered one of its duties for fiscal 2008 to update the compensation practices to better reflect the Company's business strategy. The Committee recognized that Forest's business model is to identify, evaluate, acquire, develop and market pharmaceutical products. Since the Company has advanced to a new level requiring it to seek products at an earlier stage in their development and products with a larger market potential, it needs to attract and maintain executives with a level of skills suited to these challenges. Historically, Forest has hired a significant majority of its executives from major pharmaceutical companies. To maintain this practice and induce such executives to join Forest and to decrease the attraction of the major pharmaceutical companies for its current executives, it is important that the Company's compensation scheme be commensurate with that of the major pharmaceutical companies.

With respect to equity awards, the Committee determined the aggregate amount of equity awards granted to each officer with the goal to awarding approximately the same monetary value, using the Black-Scholes method to determine the value of stock options, as was awarded for the 2007 calendar year. The Committee also gave consideration to the appropriate size of each equity award based on comparable information on awards provided to persons occupying the same position at comparable companies, and taking into account the number of shares granted pursuant to equity awards to other executive officers of Forest. In determining the allocation between stock options and stock awards granted to executive officers, the Committee adopted a general rule of 2/3 stock options and 1/3 stock awards, which allocation takes into account the higher present value of stock awards.

In addition to the above factors, the Committee considered the following in setting the amounts of compensation of the Named Executive Officers: (i) the maintenance of a rational scheme of compensation for Forest's executives, (ii) the need to make sure that any increases granted to the Company's executive officers are in line with increases granted to non-executive officers and (iii) the need to make the compensation competitive enough to discourage executive officers from seeking employment at other major pharmaceutical companies. (This last factor was not a significant factor in determining the compensation of the CEO and COO).

Named Executive Officer Compensation

Chief Executive Officer. Following its discussion and analysis of the above factors, and specifically taking note of Mr. Solomon's contribution toward achievement of objectives relating to long-term growth strategies during the year and the compensation paid to CEOs from the peer group, the Committee approved the following compensation for Mr. Solomon: an increase in salary of approximately 4% to $1,200,000 and a 2007 bonus of $635,000, approximately 55% of his base salary, which reflected an increase of $35,000 over his bonus for the previous year. With respect to long-term incentive compensation, the Committee granted Mr. Solomon stock options covering 125,000 shares and stock awards covering 60,000 shares.

Chief Operating Officer. Based on the Committee's discussion and analysis of the above factors and specifically reviewing the roles of the President and COO, taking note of the number of direct reports and the level of responsibility associated with such positions and compensation paid to COOs from the Company's peer group, the Committee approved the following compensation for Dr. Olanoff: an increase in salary of approximately 4% to $785,000 and a 2007 bonus of $400,000, approximately 53% of his base salary. With respect to long-term incentive compensation, the Committee granted Dr. Olanoff stock options covering 75,000 shares and stock awards covering 40,000 shares.

Other Named Executive Officers. Following the Committee's discussion and analysis of the above factors, and specifically taking note of management's recommendations, the Committee reviewed and recommended the following compensation with respect to Ms. Hochberg, Mr. Perier and Dr. Gergel: (i) Ms. Hochberg received an increase in salary of 5% to $584,500 and a 2007 bonus of $280,000, equaling 50.3% of her base salary which reflected an increase of $30,000 over the previous year; with respect to long-term incentive compensation, Ms. Hochberg was granted stock options covering 50,000 shares and stock awards covering 25,000 shares; (ii) Mr. Perier received an increase in salary of 4% to $541,000 and a 2007 bonus equaling 46.1% of his base salary, or $240,000, which reflected an increase of $5,000 over the previous year; with respect to long-term incentive compensation, Mr. Perier was granted stock options covering 50,000 shares and stock awards covering 20,000 shares; (iii) Dr. Gergel received an increase in salary of approximately 3.5% to $565,000 and a 2007 bonus of $200,000, equaling 36.6% of his base salary, which reflected a decrease of $50,000 over the previous year; with respect to long-term incentive compensation, Dr. Gergel was granted stock options covering 30,000 shares and stock awards covering 15,000 shares.

The Committee believed that the above figures were reasonable given the successful operations, the strong marketing performance and the completion of acquisitions by Forest during the past year and the comparable figures for the equivalent executive officers at the companies listed in the survey. The compensation approved for each Named Executive Officer is more specifically set forth in the Summary Compensation Table on Page 18 of this Proxy Statement.

Other Executive Officers. The Committee, along with Mr. Solomon and Dr. Olanoff, also reviewed and approved merit increases to salary, bonuses and equity awards for the other executive officers based on the criteria and pursuant to the process described above. Specifically they focused on each proposal for salary, bonus and equity award grants.

Post Termination and Other Benefits

Each of the benefits described below was chosen to support the Company's objective of providing a competitive pay package. The Company does not offer guaranteed retirement or pension plan benefits. Instead, it provides its executive officers with the opportunity to accumulate sufficient wealth to provide for their own retirement income through the equity awards they are granted and the post retirement benefits described below. These post retirement benefits have been historically provided by the Company on the same terms and conditions and, except for the benefits under the deferred compensation plan and the perquisites, are contractual obligations between the Company and certain Named Executive Officers. These benefits were not materially changed by the Committee during the 2008 fiscal year.

Severance Payments. The Company may terminate each of its Named Executive Officer's employment at any time with or without cause, or by reason of death or disability. Additionally, each executive officer may resign at any time without good cause. In order to attract talented executive personnel and be consistent with peer company norms, Forest currently has offer letters with several executive officers, including Dr. Olanoff and Mr. Perier. These letters initially provide for a severance guarantee for the three year period commencing as of the executive's start date, or if longer, for a one year severance period following his termination of employment. The Committee believes that the initial three year period is appropriate to provide security to new officers who are leaving other employment to join the Company. The guaranty is triggered if the executive is terminated by the Company without Cause or resigns for Good Reason (each as defined in the agreement). A more detailed description of the severance arrangements with the Company's Named Executive Officers (including the amounts payable thereunder) can be found under the heading "Post-Termination Benefits and Change in Control" on Page 23 of this Proxy Statement.

Deferred Compensation. The Company maintains a nonqualified Deferred Compensation Plan for the benefit of certain executive officers, including its Named Executive Officers. Such plans are common within the Company's competitive peer group. Under this plan, full time salaried employees who have an annual base salary of at least $150,000 may defer up to 50% of their annual base salary and up to 100% of their annual bonuses. Deferred amounts may be invested among several investment programs at the participant's option. Deferred amounts are not subject to federal or state income tax until a participant withdraws amounts from the plan. The Company does not match any of these funds. Further information on the deferred compensation payable to its Named Executive Officers can be found under the heading "Nonqualified Deferred Compensation" on Page 23 of this Proxy Statement.

Retiree Medical Benefits. On December 1, 1989 the Board authorized the grant of certain lifetime medical insurance benefits to certain senior executive officers and their spouses upon the completion of ten years of service by such officers. The benefit was subsequently discontinued and the only executive officer employed with Forest eligible for such benefit is Mr. Solomon. This benefit is further described under the heading "Benefits Continuation Agreements" on Page 25 of this Proxy Statement.

Change in Control Agreements. The Company has entered into change in control agreements with several key employees, including each of its Named Executive Officers. Each individual has made a significant contribution to Forest and has knowledge and understanding of Forest and its operations which would be important to maintaining continuity of operations in the event of a change in control. Each agreement becomes effective only upon the occurrence of a defined change in control. Each agreement provides that the executive is entitled to his salary, a non-discretionary bonus and benefits for a three year period following a change in control if the executive's employment is terminated during such period by the Company without Cause or by the executive for Good Reason.

The agreements serve to align the executive officers interests with those of the stockholders during a potential change in control, by eliminating potential distraction arising from personal concerns regarding job security. In addition, the Company believes that these agreements encourage continued dedication to assigned duties during periods involving a possible change in control of Forest and protect the earned benefits of the officer against adverse changes resulting from a change in control. These agreements are described in further detail under the heading "Change in Control" on Page 25 of this Proxy Statement.

Perquisites. The Company provides certain executive officers, including the Named Executive Officers with certain perquisites that the Committee believes are reasonable and consistent with Forest's overall compensation program. The cost of the perquisites to the Company is set forth in the "Summary Compensation Table" on Page 18 of this Proxy Statement under the heading "All Other Compensation" and are described further in footnote 3 to the table. Forest does not believe that the perquisites provided to executive officers form a material part of their compensation. The Company does not provide loans to executive officers. The Committee periodically reviews the levels of perquisites and other personal benefits provided to the executive officers.

Certain Tax and Accounting Considerations: Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code generally limits the deductibility of compensation (other than qualified performance-based compensation) in excess of $1,000,000 paid in a taxable year to a company’s chief executive officer and the four other most highly compensated executive officers. The Company considers the impact of this deductibility limitation on its compensation program, but recognizes that there may be cases in which authorized compensation exceeds the limits contemplated in Section 162(m).

Current accounting rules, including Statement on Financial Accounting Standards No. 123R (FAS 123R), "Share-Based Payment," require the Company to record as an expense the estimated fair market value of stock option grants and stock awards, which reduces the Company’s reported profits. The Committee considers this expense when determining the types and values of equity awards to be granted to employees, including Named Executive Officers.

Compensation Committee Report (1)

We have reviewed and discussed with management the Compensation Discussion and Analysis to be included in the Company’s 2008 Stockholder Meeting Schedule 14A Proxy Statement, filed pursuant to Section 14(a) of the Securities Exchange Act of 1934 (the Proxy). Based on the reviews and discussions referred to above, we have recommended to the Board of Directors that the Compensation Discussion and Analysis referred to above be included in Forest’s Proxy.

Compensation Committee
Dan L. Goldwasser (Chairman)
William J. Candee, III
George S. Cohan
Lester B. Salans, M.D.

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(1) Notwithstanding anything to the contrary set forth in any of Forest’s previous or future filings under the Securities Act of 1933 or the 1934 Act, the Report on Executive Compensation by the Compensation Committee shall not be incorporated by reference in any such filings.

EXECUTIVE COMPENSATION

The following table sets forth compensation for our CEO, CFO and each of our other three most highly compensated executive officers during fiscal year ended March 31, 2008 (our Named Executive Officers).

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	All Other Compensation ($)	Total ($) (1)

Howard Solomon, Chairman and Chief Executive Officer	2008	1,162,500	635,000	217,321 (2)	2,939,421 (2)	116,561 (3)	5,070,803
	2007	1,105,000	600,000	--	3,616,690 (4)	80,592 (5)	5,402,282
Lawrence S. Olanoff, M.D., Ph.D., President and Chief Operating Officer (6)	2008	758,750	400,000	144,881 (2)	1,590,509 (2)	100,463 (3)	2,994,603
	2007	317,708	100,000	--	360,717 (4)	37,546 (5)	815,971
Elaine Hochberg, Senior Vice President – Marketing and Chief Commercial Officer	2008	563,500	280,000	67,913 (2)	1,317,342 (2)	74,035 (3)	2,302,790
	2007	536,625	250,000	--	1,803,394 (4)	66,788 (5)	2,656,807
Francis I. Perier, Jr., Senior Vice President – Finance and Chief Financial Officer	2008	525,250	240,000	54,330 (2)	913,113 (2)	64,186 (3)	1,796,879
	2007	501,250	235,000	--	684,830 (4)	61,267 (5)	1,482,347
Ivan Gergel, M.D., Senior Vice President – Scientific Affairs (7)	2008	551,125	200,000	40,748 (2)	832,774 (2)	60,537 (3)	1,685,184
	2007	526,625	250,000	--	779,535 (4)	506,075 (5)	2,062,235

(1) There are no above-market or preferential earnings on deferred compensation. Consequently, the Summary Compensation Table does not include earnings on deferred amounts. In addition, none of the Named Executive Officers are eligible for pension benefits as Forest does not have a defined benefit program.

(2) Represents the amount of compensation cost recognized by us in fiscal year 2008 related to stock awards and stock options granted in fiscal year 2008 and prior years, as described in Statement of Financial Accounting Standards No. 123R (SFAS 123R). For a discussion of valuation assumptions with respect to the 2008 fiscal year, see Note 1 to our 2008 Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended March 31, 2008. Please see the "Grants of Plan-Based Awards" table on Page 19 of this Proxy Statement for more information regarding stock awards granted in fiscal year 2008.

(3) This amount includes group term life insurance and compensation credited to the Named Executive Officers pursuant to our Savings and Profit Sharing Plan. This plan covers our employees and the employees of certain of our subsidiaries. These employees become participants in the plan if they are employed for at least six months prior to the plan year-end. The Board makes contributions to the plan at its discretion, however the contribution base may not exceed 25 percent of the individual plan participant’s gross salary (up to a

maximum salary of $225,000), including allocated forfeitures for the plan year. Plan participants vest over a period of one to five years of credited service. This amount also includes perquisites provided to our Named Executive Officers which have an aggregate value exceeding $10,000, including costs associated with company cars (including insurance), company provided lunches and membership dues. With respect to Dr. Olanoff, this amount also includes costs associated with car service which totaled $47,700 for fiscal year 2008 and with respect to Mr. Solomon this amount includes $25,000 of medical expenses provided to Mr. Solomon under a supplemental medical plan.

(4) Represents the amount of compensation cost recognized by us in fiscal year 2007 related to stock options granted in fiscal year 2007 and prior years, as described in SFAS 123R. For a discussion of valuation assumptions, see Note 1 to our 2007 Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended March 31, 2007.

(5) This amount includes group term life insurance and compensation credited to the Named Executive Officers pursuant to our Savings and Profit Sharing Plan described under footnote 3 above. For fiscal year 2007 the contribution base was capped at 25 percent of the individual plan participant's gross salary (up to a maximum salary of $220,000), including allocated forfeitures for the plan year. This amount also includes perquisites provided to our Named Executive Officers which have an aggregate value exceeding $10,000, including costs associated with company cars (including insurance), company provided lunches, membership dues, car service for Dr. Olanoff and relocation costs paid for Dr. Gergel. The total amount associated with relocation expenses for Dr. Gergel was $451,020 which consisted of $281,046 of actual relocation expenses and $169,974 in connection with related tax payments paid by us. The relocation expenses included $120,548 of costs associated with the purchase of Dr. Gergel's new residence, $109,438 of costs associated with the sale of his previous residence, and $51,060 of miscellaneous expenses associated with his relocation.

(6) Dr. Olanoff commenced his employment as our Chief Operating Officer effective October 30, 2006.

(7) Dr. Gergel resigned as our Senior Vice President – Scientific Affairs and President of the Forest Research Institute effective March 31, 2008.

GRANTS OF PLAN-BASED AWARDS

The following table sets forth certain additional information regarding grants of plan-based awards to our Named Executive Officers for the fiscal year ended March 31, 2008.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying	Exercise or Base Price of Option Awards ($)	Grant Date Fair Value of Stock and Option Awards ($)

		(#)	Options (#)		
Howard Solomon	12/06/07	60,000 (1)	125,000 (2)	37.2550	37.2550
Lawrence S. Olanoff, M.D., Ph.D.	12/06/07	40,000 (1)	75,000 (2)	37.2550	37.2550
Elaine Hochberg	12/06/07	25,000 (3)	50,000 (4)	37.2550	37.2550
Francis I. Perier, Jr.	12/06/07	20,000 (3)	50,000 (4)	37.2550	37.2550
Ivan Gergel, M.D.	12/06/07	15,000 (3)	30,000 (4)	37.2550	37.2550

(1) The stock award is subject to a risk at forfeiture which lapses as to 25% of the shares covered by the award on the six month anniversary of the grant date and as to 25% of the shares covered by the award on each of the first three anniversaries of the grant date.

(2) The stock option has a term of ten years and becomes exercisable as to all of the shares covered by the option on the six month anniversary of the grant date.

(3) The stock award is subject to a risk at forfeiture which lapses as to 25% of the shares covered by the award on each of the first, second, third and fourth anniversaries of the grant date.

(4) The stock option has a term of ten years and vests and is exercisable as to 15% of the shares covered by the option on the first, second, third and fourth anniversaries of the grant date and as to the remaining 40% of the shares covered by the option on the fifth anniversary of the grant date.

Narrative Addendum to the Summary Compensation Table and Grants of Plan-Based Awards

Equity Plans

The only long-term incentive compensation plan pursuant to which we presently grant equity awards is our 2007 Equity Incentive Plan (the Equity Plan). Pursuant to the Equity Plan, employees, including the Named Executive Officers, may be granted stock options to purchase shares of common stock at a price per share fixed by the Board, stock awards, stock appreciation rights and stock equivalent units (the Awards). The exercise price of all options, including Incentive Stock Options (ISOs) as defined by Section 422 of the Internal Revenue Code of 1986 (the Code), is the fair market value on the date of the grant. In fiscal 2008, we granted only restricted stock awards and stock options. All of our employees, our subsidiaries' employees and our non-employee directors are eligible to receive Awards under the Equity Plan. The Equity Plan provides that the Compensation Committee may determine which employees are granted Awards and the number of shares subject to each Award. The non-employee directors are eligible for automatic grants of stock awards and stock options as further described in the narrative following the Directors Compensation Table on Page 26 of this Proxy Statement under the heading "Director Compensation".

We have historically granted options to our employees and directors under our 1998 Stock Option Plan, our 2000 Stock Option Plan and our 2004 Stock Option Plan (the Prior Option Plans). Following the adoption of the Equity Plan, we have ceased to issue options under the Prior Option Plans, however all options previously issued under the Prior Option Plans which remain outstanding continue to be governed by the terms of such Prior Option Plans.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information regarding each unexercised option and unvested stock award held by each of our Named Executive Officers as of March 31, 2008.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (#)
Howard Solomon	600,000	- -	12.0860	12/18/2008		
	1,200,000	- -	13.1485	12/17/2009		
	2,000,000	- -	33.4532	12/15/2010		
	600,000	- -	38.1450	12/14/2011		
	400,000	- -	48.3400	12/13/2012		
	200,000	- -	59.0500	12/12/2013		
	200,000	- -	42.5350	12/13/2014		
	200,000	- -	40.2900	12/09/2015		