

ENDO PHARMACEUTICALS HOLDINGS INC

Form 10-Q

May 04, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2010.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO .

Commission file number: 001-15989

ENDO PHARMACEUTICALS HOLDINGS INC.

(Exact Name of Registrant as Specified in Its Charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

13-4022871
(I.R.S. Employer
Identification Number)

100 Endo Boulevard Chadds Ford, Pennsylvania
(Address of Principal Executive Offices)

19317
(Zip Code)

(610) 558-9800

(Registrant's Telephone Number, Including Area Code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, \$0.01 par value

Shares outstanding as of April 23, 2010: 116,266,242

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FORWARD LOOKING STATEMENTS

Statements contained or incorporated by reference in this Quarterly Report on Form 10-Q contain information that includes or is based on forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These statements, including estimates of future revenues, future expenses, future net income and future earnings per share, contained in the section titled Management's Discussion and Analysis of Financial Condition and Results of Operations, in our Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission on February 26, 2010, are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed results of operations. Also, statements including words such as believes, expects, anticipates, intends, estimates, plan, will, may or similar expressions are forward-looking statements. We make these forward-looking statements on our current expectations and projections about the growth of our business, our financial performance and the development of our industry. Because these statements reflect our current views concerning future events, these forward-looking statements involve risks and uncertainties. Investors should note that many factors, as more fully described under the caption Risk Factors in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2009 and as otherwise enumerated herein or therein, could affect our future financial results and could cause our actual results to differ materially from those expressed in forward-looking statements contained in our Annual Report on Form 10-K. Important factors that could cause our actual results to differ materially from the expectations reflected in the forward-looking statements in our Annual Report on Form 10-K include those factors described herein under the caption Risk Factors and in documents incorporated by reference, including, among others:

our ability to successfully develop, commercialize and market new products;

timing and results of pre-clinical or clinical trials on new products;

our ability to obtain regulatory approval of any of our pipeline products;

competition for the business of our branded and generic products, and in connection with our acquisition of rights to intellectual property assets;

market acceptance of our future products;

government regulation of the pharmaceutical industry;

our dependence on a small number of products;

our dependence on outside manufacturers for the manufacture of most of our products;

our dependence on third parties to supply raw materials and to provide services for certain core aspects of our business;

new regulatory action or lawsuits relating to our use of narcotics in most of our core products;

our exposure to product liability claims and product recalls and the possibility that we may not be able to adequately insure ourselves;

our ability to protect our proprietary technology;

the successful efforts of manufacturers of branded pharmaceuticals to use litigation and legislative and regulatory efforts to limit the use of generics and certain other products;

our ability to successfully implement our acquisition and in-licensing strategy;

regulatory or other limits on the availability of controlled substances that constitute the active ingredients of some of our products and products in development;

the availability of third-party reimbursement for our products;

the outcome of any pending or future litigation or claims by third parties or the government, and the performance of indemnitors with respect to claims for which we have the right to be indemnified;

our dependence on sales to a limited number of large pharmacy chains and wholesale drug distributors for a large portion of our total revenues;

significant litigation expenses to defend or assert patent infringement claims;

any interruption or failure by our suppliers, distributors and collaboration partners to meet their obligations pursuant to various agreements with us;

a determination by a regulatory agency that we are engaging or have engaged in inappropriate sales or marketing activities, including promoting the off-label use of our products;

existing suppliers become unavailable or lose their regulatory status as an approved source, causing an inability to obtain required components, raw materials or products on a timely basis or at commercially reasonable prices;

the loss of branded product exclusivity periods and related intellectual property;

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our exposure to securities that are subject to market risk including auction-rate securities that are currently illiquid due to an inactive auction-rate market;

our ability to successfully execute our strategy;

disruption of our operations if our information systems fail or if we are unsuccessful in implementing necessary upgrades or new software; and

our ability to maintain or expand our business if we are unable to retain or attract key personnel and continue to attract additional professional staff.

We do not undertake any obligation to update our forward-looking statements after the date of this Report for any reason, even if new information becomes available or other events occur in the future. You are advised, however, to consult any further disclosures we make on related subjects in our 10-Q, 10-K, and 8-K reports to the Securities and Exchange Commission (SEC). Also note that we provide the preceding cautionary discussion of risks, uncertainties and possibly inaccurate assumptions relevant to our business. These are factors that, individually or in the aggregate, we think could cause our actual results to differ materially from expected and historical results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the preceding to be a complete discussion of all potential risks or uncertainties.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****ENDO PHARMACEUTICALS HOLDINGS INC.****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

(In thousands, except share and per share data)

	March 31, 2010	December 31, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 819,972	\$ 708,462
Restricted cash		1,515
Marketable securities	15,000	25,275
Accounts receivable, net	324,324	323,501
Income taxes receivable		13,762
Inventories	87,050	84,893
Prepaid expenses and other current assets	18,060	17,081
Auction-rate securities rights, at fair value	13,749	15,659
Deferred income taxes	92,137	90,433
Total current assets	1,370,292	1,280,581
MARKETABLE SECURITIES	192,034	211,792
PROPERTY AND EQUIPMENT, Net	46,243	47,529
GOODWILL	302,534	302,534
OTHER INTANGIBLES, Net	592,624	609,909
OTHER ASSETS	35,924	36,458
TOTAL ASSETS	\$ 2,539,651	\$ 2,488,803
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 171,030	\$ 176,076
Accrued expenses	289,615	286,606
Income taxes payable	13,716	9,498
Total current liabilities	474,361	472,180
DEFERRED INCOME TAXES	55,891	49,180
ACQUISITION-RELATED CONTINGENT CONSIDERATION	59,360	58,470
CONVERTIBLE SENIOR SUBORDINATED NOTES DUE 2015	264,760	260,279
NON-RECOURSE NOTES PAYABLE	62,162	62,255
OTHER LIABILITIES	88,740	89,028
COMMITMENTS AND CONTINGENCIES (NOTE 10)		
STOCKHOLDERS EQUITY:		
Preferred Stock, \$0.01 par value; 40,000,000 shares authorized; none issued		
Common Stock, \$0.01 par value; 350,000,000 shares authorized; 135,406,547 and 134,986,612 shares issued; 116,486,544 and 117,270,309 outstanding at March 31, 2010 and December 31, 2009, respectively	1,354	1,350

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Additional paid-in capital	822,614	817,467
Retained earnings	1,165,646	1,105,291
Accumulated other comprehensive loss	(1,413)	(1,881)
Treasury stock, 18,920,003 and 17,716,303 shares at March 31, 2010 and December 31, 2009, respectively	(453,824)	(424,816)
Total stockholders' equity	1,534,377	1,497,411
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,539,651	\$ 2,488,803

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**ENDO PHARMACEUTICALS HOLDINGS INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)****(In thousands, except per share data)**

	Three Months Ended March 31,	
	2010	2009
REVENUES:		
Net sales	\$ 360,349	\$ 335,300
Royalty and other revenue	\$ 4,063	
TOTAL REVENUES	\$ 364,412	\$ 335,300
COSTS AND EXPENSES:		
Cost of revenues	94,073	83,009
Selling, general and administrative	133,335	120,006
Research and development	29,168	28,414
Acquisition-related items	1,529	26,405
OPERATING INCOME	106,307	77,466
INTEREST EXPENSE, NET	9,804	7,593
OTHER (INCOME) EXPENSE, NET	(219)	1,105
INCOME BEFORE INCOME TAX	96,722	68,768
INCOME TAX	36,367	29,731
NET INCOME	\$ 60,355	\$ 39,037
NET INCOME PER SHARE:		
Basic	\$ 0.51	\$ 0.33
Diluted	\$ 0.51	\$ 0.33
WEIGHTED AVERAGE SHARES:		
Basic	117,347	116,822
Diluted	118,031	117,209

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**ENDO PHARMACEUTICALS HOLDINGS INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(In thousands)

	2010	Three Months Ended March 31,	2009
OPERATING ACTIVITIES:			
Net income	\$	60,355	\$ 39,037
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		21,521	14,915
Stock-based compensation		3,791	1,937
Amortization of debt issuance costs and premium / discount		5,657	4,914
Selling, general and administrative expenses paid in shares of common stock		55	64
Deferred income taxes		5,475	(5,744)
Loss (gain) on disposal of property and equipment		17	(114)
Change in fair value of acquisition-related contingent consideration		890	
Loss (gain) on auction-rate securities rights		1,910	(6,266)
Unrealized (gain) loss on trading securities		(1,706)	6,094
Changes in assets and liabilities which provided (used) cash:			
Accounts receivable		(823)	(101,658)
Inventories		(2,157)	1,756
Prepaid and other assets		(871)	5,796
Accounts payable		(4,702)	(12,179)
Accrued expenses		3,104	49,672
Other liabilities		(1,091)	868
Income taxes payable		17,980	35,939
Net cash provided by operating activities		109,405	35,031
INVESTING ACTIVITIES:			
Purchases of property and equipment		(3,165)	(4,409)
Proceeds from sales of available-for-sale securities		32,475	6,650
Acquisition, net of cash acquired			(249,546)
Funding of acquisition-related escrow			(175,000)
Other investments			(1,250)
Net cash provided by (used in) investing activities		29,310	(423,553,915,912)

3,110	California, Revenue Bonds, Tender Option Bond Trust 2015-XF0117, 21.469%, 6/01/17 (IF) (4) Stockton Unified School District, San Joaquin County, California, General Obligation Bonds, Election 2005 Series 2007, 5.000%, 8/01/31 – AGM Insured	8/17 at 100.00	AA	3,318,432
1,045	Ukiah Redevelopment Agency, California, Tax Allocation Bonds, Ukiah Redevelopment Project, Series 2011A, 6.500%, 12/01/28	6/21 at 100.00	A	1,265,537
1,020	Western Placer Unified School District, Placer County, California, Certificates of Participation, Refunding Series 2009, 5.250%, 8/01/35 – AGM Insured	8/19 at 100.00	AA	1,141,788
39,130	Total California Colorado – 3.8%			54,407,514
1,941	Colorado Educational and Cultural Facilities Authority, Revenue Bonds, Montessori School of Evergreen, Series 2005A, 6.500%, 12/01/35	12/15 at 100.00	N/R	1,949,618
250	Colorado Housing and Finance Authority, Revenue Bonds, Confluence Energy LLC Project, 2007: 6.200%, 4/01/16 (Alternative Minimum Tax)	No Opt. Call	N/R	250,273
32	5.000%, 9/01/16 (Alternative Minimum Tax) (6)	No Opt. Call	N/R	29,933
2,000	Conservatory Metropolitan District, Aurora, Arapahoe County, Colorado, General Obligation Bonds, Limited Tax Series 2007, 5.125%, 12/01/37 – RAAI Insured	12/17 at 100.00	AA	2,018,640
4,000	E-470 Public Highway Authority, Colorado, Toll Revenue Bonds, Refunding	9/26 at 52.09	AA–	1,253,920

	Series 2006B, 0.000%, 9/01/39 – NPFG Insured Public Authority for Colorado Energy, Natural Gas Purchase Revenue Bonds, Colorado Springs Utilities, Series 2008:			
475	6.250%, 11/15/28	No Opt. Call	A	595,512
4,030	6.500%, 11/15/38 Three Springs Metropolitan District 3, Durango, La Plata County, Colorado, Property Tax	No Opt. Call	A	5,318,834
815	Supported Revenue Bonds, Series 2010, 7.750%, 12/01/39	12/20 at 100.00	N/R	871,292
13,543	Total Colorado Connecticut – 0.4% Harbor Point Infrastructure Improvement District, Connecticut, Special Obligation Revenue Bonds, Harbor Point Project, Series 2010A, 7.000%, 4/01/22 Delaware – 0.0% Wilmington, Delaware, Replacement Housing Factor Fund Securitization Revenue Bonds, Wilmington Housing Authority-Lincoln Towers Project, Series 2011, 5.750%, 7/15/16 District of Columbia – 0.5% District of Columbia, Revenue Bonds, Center for Strategic and International Studies, Inc., Series 2011, 6.375%, 3/01/31 Florida – 6.9% Ave Maria Stewardship Community District, Florida, Capital Improvement Revenue Bonds, Series 2006A, 5.125%, 5/01/38			12,288,022
1,022		4/20 at 100.00	N/R	1,188,116
140		12/15 at 100.00	N/R	140,113
1,500		3/21 at 100.00	BBB–	1,627,035
1,785		5/16 at 100.00	N/R	1,689,699
2,000	Collier County Educational Facilities Authority, Florida, Revenue Bonds, Ave Maria	6/23 at 100.00	BBB–	2,153,380

	University, Refunding Series 2013A, 5.625%, 6/01/33			
975	Copperstone Community Development District, Manatee County, Florida, Capital Improvement Revenue Bonds, Series 2007, 5.200%, 5/01/38	5/17 at 100.00	N/R	980,324
895	Country Greens Community Development District, Florida, Special Assessment Bonds, Series 2003, 6.625%, 5/01/34	11/15 at 100.00	N/R	895,618
1,000	Florida Development Finance Corporation, Educational Facilities Revenue Bonds, Renaissance Charter School, Inc. Projects, Series 2011A, 7.500%, 6/15/33	6/21 at 100.00	BB-	1,159,380
600	Lee County Industrial Development Authority, Florida, Healthcare Facilities Revenue Bonds, Shell Point/Alliance Obligated Group, Shell Point Village/Alliance Community Project, Series 2006, 5.000%, 11/15/32	11/16 at 100.00	BBB-	620,436
1,000	Miami-Dade County Health Facility Authority, Florida, Hospital Revenue Bonds, Miami Children's Hospital, Series 2010A, 6.000%, 8/01/30	8/20 at 100.00	A+	1,155,410
1,625	Miami-Dade County, Florida, Aviation Revenue Bonds, Miami International Airport, Series 2010A-1, 5.375%, 10/01/35	10/20 at 100.00	A	1,862,575
3,660	Miami-Dade County, Florida, Special Obligation Bonds, Capital Asset Acquisition Series 2009A, 5.125%, 4/01/34 – AGC Insured	4/19 at 100.00	AA	3,968,648
1,500	North Sumter County Utility Dependent District, Florida, Utility Revenue Bonds,	10/20 at 100.00	AA	1,690,620

	Series 2010, 5.375%, 10/01/40 Palm Beach County Health Facilities Authority, Florida, Revenue Bonds, Jupiter Medical Center, Series 2013A:				
1,000	5.000%, 11/01/33	11/22 at 100.00	BBB+	1,060,720	
2,000	5.000%, 11/01/43 Port Saint Lucie. Florida, Special Assessment Revenue Bonds, Southwest	11/22 at 100.00	BBB+	2,091,980	
425	Annexation District 1B, Series 2007, 5.000%, 7/01/33 – NPFG Insured Tolomato Community Development District, Florida, Special Assessment Bonds, Convertible,	7/17 at 100.00	AA–	453,458	
80	Capital Appreciation, Series 2012A-2, 0.000%, 5/01/39 Tolomato Community Development District, Florida, Special Assessment Bonds, Convertible,	5/17 at 100.00	N/R	58,804	
230	Capital Appreciation, Series 2012A-3, 0.000%, 5/01/40 Tolomato Community Development District, Florida, Special Assessment Bonds, Convertible,	5/19 at 100.00	N/R	137,851	
95	Capital Appreciation, Series 2012A-4, 0.000%, 5/01/40 Tolomato Community Development District, Florida, Special Assessment Bonds, Convertible,	5/22 at 100.00	N/R	42,194	
135	Capital Appreciation, Series 2007-3, 6.650%, 5/01/40 (7) Tolomato Community Development District, Florida, Special Assessment Bonds, Hope Note, Series	5/18 at 100.00	N/R	1	
15	Parcel Series 2007-1. RMKT, 6.650%, 5/01/40 (7) Tolomato Community Development District, Florida, Special Assessment Bonds, Non Performing	5/18 at 100.00	N/R	15,312	
245	Bonds, Refunding Series 2012A-1, 6.650%, 5/01/40	5/17 at 100.00	N/R	248,496	

350	Tolomato Community Development District, Florida, Special Assessment Bonds, Refunding Series 2015-1, 0.000%, 5/01/40	5/18 at 100.00	N/R	216,255
215	Tolomato Community Development District, Florida, Special Assessment Bonds, Refunding Series 2015-2, 0.000%, 5/01/40	5/18 at 100.00	N/R	112,402
235	Tolomato Community Development District, Florida, Special Assessment Bonds, Refunding Series 2015-3, 6.610%, 5/01/40	5/18 at 100.00	N/R	2
910	Tolomato Community Development District, Florida, Special Assessment Bonds, Series 2006, 5.400%, 5/01/37	11/15 at 100.00	N/R	910,610
1,080	Venetian Community Development District, Sarasota County, Florida, Capital Improvement Revenue Bonds, Series 2012-A2, 5.500%, 5/01/34	5/22 at 100.00	N/R	1,135,760
22,055	Total Florida Georgia – 5.3%			22,659,935
12,000	Atlanta, Georgia, Airport General Revenue Bonds, Refunding Series 2010C, 5.250%, 1/01/30 – AGM Insured (UB)	1/21 at 100.00	AA	13,799,520
690	Atlanta, Georgia, Tax Allocation Bonds, Beltline Project Series 2008A. Remarketed, 7.500%, 1/01/31	1/19 at 100.00	A2	802,042
670	Atlanta, Georgia, Tax Allocation Bonds, Beltline Project Series 2008B. Remarketed, 6.750%, 1/01/20	1/19 at 100.00	A2	784,329
1,250	Clayton County Development Authority, Georgia, Special Facilities Revenue Bonds, Delta Air Lines, Inc. Project, Series 2009A, 8.750%, 6/01/29	6/20 at 100.00	BB	1,543,463
90			A	101,022

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	Main Street Natural Gas Inc., Georgia, Gas Project Revenue Bonds, Series 2006B, 5.000%, 3/15/22	No Opt. Call		
260	Main Street Natural Gas Inc., Georgia, Gas Project Revenue Bonds, Series 2007A, 5.500%, 9/15/26	No Opt. Call	A	306,244
14,960	Total Georgia			17,336,620
	Guam – 1.5%			
	Government of Guam, Business Privilege Tax Bonds, Series 2012B-1,	1/22 at 100.00	A	1,893,742
1,760	Guam Power Authority, Revenue Bonds, Series 2014A, 5.000%, 10/01/44	10/24 at 100.00	AA	1,690,110
1,500	Guam Waterworks Authority, Water and Wastewater System Revenue Bonds, Series 2013, 5.500%, 7/01/43	7/23 at 100.00	A–	1,415,063
1,250	Total Guam			4,998,915
4,510	Illinois – 11.0%			
	CenterPoint Intermodal Center Program Trust, Illinois, Class A Certificates, Series 2004, 3.840%, 6/15/23	12/15 at 100.00	N/R	3,054,572
3,055	Grundy County School District 54 Morris, Illinois, General Obligation Bonds, Refunding Series 2005, 6.000%, 12/01/24 – AGM Insured	12/21 at 100.00	AA	2,329,740
2,000	Illinois Finance Authority Revenue Bonds, Christian Homes, Inc., Refunding Series 2010, 6.125%, 5/15/27	5/20 at 100.00	BBB–	690,698
645	Illinois Finance Authority Revenue Bonds, Christian Homes, Inc., Refunding Series 2010, 6.125%, 5/15/27 (Pre-refunded 5/15/20)	5/20 at 100.00	N/R (5)	432,046
355	Illinois Finance Authority, Recovery Zone Facility Revenue Bonds, Navistar International	10/20 at 100.00	Caa1	3,173,190
3,000				

	Corporation Project, Series 2010, 6.500%, 10/15/40 Illinois Finance Authority, Revenue Bonds, Centegra Health System, Tender Option Bond Trust 1122:			
1,605	21.471%, 9/01/38 (IF) (4)	9/22 at 100.00	BBB	1,941,697
1,540	16.569%, 9/01/38 (IF) (4) Illinois Finance Authority, Revenue Bonds, Friendship Village of Schaumburg, Series 2005A, 5.375%, 2/15/25	9/22 at 100.00	BBB	1,798,982
1,000	Illinois Finance Authority, Revenue Bonds, Illinois Institute of Technology, Refunding Series 2006A, 5.000%, 4/01/36	8/15 at 100.00	BB-	1,000,370
4,000	Illinois Finance Authority, Revenue Bonds, Montgomery Place Project, Series 2006A, 5.500%, 5/15/26	4/16 at 100.00	Baa3	3,959,080
1,000	Illinois Finance Authority, Revenue Bonds, Northwestern Memorial Healthcare, Tender Option Bond Trust 2015-XF0076:	5/17 at 100.00	N/R	1,013,840
690	18.117%, 8/15/20 (IF)	No Opt. Call	AA+	942,678
150	18.117%, 8/15/20 (IF) Illinois Finance Authority, Revenue Bonds, Northwestern Memorial Hospital, Tender Option Bonds	No Opt. Call	AA+	198,714
1,975	Trust 11-16B, 27.509%, 8/15/39 (IF) (4) Illinois Finance Authority, Revenue Bonds, Palos Community Hospital, Series 2010C, 5.125%, 5/15/35	8/19 at 100.00	AA+	3,380,509
1,000	Illinois Finance Authority, Revenue Bonds, Southern Illinois Healthcare Enterprises, Inc.,	5/20 at 100.00	AA-	1,087,110
500		3/20 at 100.00	AA	553,925

455	Series 2005 Remarketed, 5.250%, 3/01/30 – AGM Insured Illinois Finance Authority, Revenue Bonds, The Carle Foundation, Tender Option Bond Trust	8/21 at 100.00	AA	859,231
970	2015-XF0121, 26.957%, 2/15/35 – AGM Insured (IF) (4) Illinois Finance Authority, Revenue Refunding Bonds, Resurrection Health Care Corporation, Series 2009, 6.125%, 5/15/25	5/19 at 100.00	BBB+	1,086,584
30	Illinois Finance Authority, Revenue Refunding Bonds, Resurrection Health Care Corporation, Series 2009, 6.125%, 5/15/25 (Pre-refunded 5/15/19)	5/19 at 100.00	N/R (5)	35,497
2,235	Illinois Finance Authority, Student Housing Revenue Bonds, MJH Education Assistance Illinois IV LLC, Fullerton Village Project, Series 2004A, 5.000%, 6/01/24 (7) Lombard Public Facilities Corporation, Illinois, Second Tier Conference Center and Hotel Revenue Bonds, Series 2005B:	12/15 at 100.00	Caa2	2,067,286
2,685	5.250%, 1/01/30 (8)	1/16 at 100.00	D	783,483
1,515	5.250%, 1/01/36 (8) Railsplitter Tobacco Settlement Authority, Illinois, Tobacco Settlement	1/16 at 100.00	D	442,077
1,000	Revenue Bonds, Series 2010, 6.000%, 6/01/28 Springfield, Sangamon County, Illinois, Special Service Area, Legacy	6/21 at 100.00	A–	1,178,090
1,000	Pointe, Special Assessment Bonds, Series 2009, 7.875%, 3/01/32	3/17 at 102.00	N/R	1,045,170

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2,500	Wauconda, Illinois, Special Service Area 1 Special Tax Bonds, Liberty Lake Project, Refunding	3/25 at 100.00	AA	2,758,025
34,905	Series 2015, 5.000%, 3/01/33 – BAM Insured Total Illinois Indiana – 1.6%			35,812,594
1,395	Indiana Finance Authority, Educational Facilities Revenue Bonds, Drexel Foundation For Educational Excellence, Inc., Series 2009A, 6.625%, 10/01/29	10/19 at 100.00	B–	1,341,027
1,500	Indiana Finance Authority, Private Activity Bonds, Ohio River Bridges East End Crossing Project, Series 2013A, 5.000%, 7/01/35 (Alternative Minimum Tax)	7/23 at 100.00	BBB	1,599,300
2,000	Vigo County Hospital Authority, Indiana, Hospital Revenue Bonds, Union Hospital, Inc., Series 2011, 7.750%, 9/01/31	9/21 at 100.00	N/R	2,400,740
4,895	Total Indiana Kansas – 2.8%			5,341,067
3,000	Kansas Development Finance Authority, Revenue Bonds, Lifespace Communities, Inc., Refunding	5/20 at 100.00	A	3,187,830
1,245	Series 2010S, 5.000%, 5/15/30 Overland Park Development Corporation, Kansas, Second Tier Revenue Bonds, Overland Park Convention Center, Series 2007B, 5.125%, 1/01/22 – AMBAC Insured	1/17 at 100.00	BB+	1,258,160
3,565	Overland Park, Kansas, Sales Tax Special Obligation Revenue Bonds, Prairiefire at Lionsgate Project, Series 2012, 6.000%, 12/15/32	No Opt. Call	N/R	3,541,899
1,130	Washburn University of Topeka, Kansas, Revenue	7/25 at 100.00	A1	1,267,939

	Bonds, Series 2015A, 5.000%, 7/01/35			
8,940	Total Kansas			9,255,828
	Kentucky – 0.4%			
	Hardin County, Kentucky, Hospital Revenue Bonds, Hardin Memorial Hospital	8/23 at		
1,000	Project, Series	100.00	AA	1,130,530
	2013, 5.700%, 8/01/39 – AGM Insured			
	Louisiana – 3.2%			
	Louisiana Public Facilities Authority, Hospital Revenue and Refunding Bonds,	5/20 at		
2,000	Lafayette General	100.00	A3	2,154,020
	Medical Center Project, Series 2010, 5.500%, 11/01/40			
	Louisiana Public Facilities Authority, Revenue Bonds, Cleco Power LLC Project,	5/23 at		
3,305	Series 2008,	100.00	A3	3,357,217
	4.250%, 12/01/38			
	Louisiana Public Facilities Authority, Revenue Bonds, Lake Charles Charter	12/21 at		
2,710	Academy Foundation	100.00	N/R	3,064,062
	Project, Series 2011A, 7.750%, 12/15/31			
	Louisiana State, Gasoline and Fuels Tax Revenue Bonds, Tender Option Bond	5/20 at		
1,165	Trust 11899,	100.00	AA	1,772,443
	18.299%, 5/01/33 (IF)			
9,180	Total Louisiana			10,347,742
	Massachusetts – 1.4%			
	Massachusetts Educational Financing Authority, Student Loan Revenue	1/20 at		
625	Bonds, Issue I Series	100.00	AA	704,044
	2010A, 5.500%, 1/01/22			
	Massachusetts Educational Financing Authority, Student Loan Revenue	1/20 at		
525	Bonds, Issue I Series	100.00	AA	560,936
	2010B, 5.500%, 1/01/23 (Alternative Minimum Tax)			
	Massachusetts Health and Educational Facilities Authority Revenue Bonds,	1/18 at		
3,000	Quincy Medical Center	100.00	N/R	7,350

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	Issue, Series 2008A, 6.250%, 1/15/28 (7) Massachusetts Health and Educational Facilities Authority, Revenue Bonds, Emerson Hospital, Series 2005E, 5.000%, 8/15/35 – RAAI Insured	8/15 at 100.00	AA	2,388,029
2,385				
	Massachusetts Housing Finance Agency, Housing Bonds, Series 2010C, 5.000%, 12/01/30 (Alternative Minimum Tax)	6/20 at 100.00	AA-	1,035,720
1,000				
7,535	Total Massachusetts Michigan – 2.2%			4,696,079
	Detroit, Michigan, Water Supply System Senior Lien Revenue Bonds, Series 2003A, 5.000%, 7/01/34 – NCFG Insured	1/16 at 100.00	A3	1,906,213
1,900				
	Marysville Public School District, St Claire County, Michigan, General Obligation Bonds, School Building and Site, Series 2007, 5.000%, 5/01/32 – AGM Insured	5/17 at 100.00	Aa1	3,030,339
2,865				
	Michigan State Hospital Finance Authority, Hospital Revenue Bonds, Henry Ford Health System, Refunding Series 2009, 5.750%, 11/15/39	11/19 at 100.00	A-	2,376,759
2,100				
6,865	Total Michigan Mississippi – 0.1%			7,313,311
	Mississippi Business Finance Corporation, Pollution Control Revenue Refunding Bonds, System Energy Resources Inc. Project, Series 1998, 5.875%, 4/01/22 Missouri – 0.2%	10/15 at 100.00	BBB	422,449
420				
	St. Louis County Industrial Development Authority, Missouri, Revenue Bonds, Friendship Village of West County, Series 2007A, 5.375%, 9/01/21 Nebraska – 0.3%	9/17 at 100.00	BBB-	662,515
640				
1,000			AA (5)	1,066,400

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	Omaha Public Power District, Nebraska, Electric System Revenue Bonds, Series 2007A, 5.000%, 2/01/43 (Pre-refunded 2/01/17)	2/17 at 100.00		
2,000	Nevada – 1.6% Clark County, Nevada, Passenger Facility Charge Revenue Bonds, Las Vegas-McCarran International Airport, Series 2010A, 5.000%, 7/01/30	1/20 at 100.00	A+	2,226,400
1,670	Las Vegas, Nevada, General Obligation Bonds, Tender Option Bond Trust 3265, 33.062%, 4/01/17 (IF)	No Opt. Call	AA	3,112,396
3,670	Total Nevada			5,338,796
	New Jersey – 1.7% New Jersey Economic Development Authority, Special Facilities Revenue Bonds, Continental Airlines Inc., Series 1999:			
1,000	5.125%, 9/15/23 (Alternative Minimum Tax)	9/15 at 100.00	BB–	1,092,190
1,650	5.250%, 9/15/29 (Alternative Minimum Tax)	9/22 at 101.00	BB–	1,796,801
1,280	New Jersey Higher Education Assistance Authority, Student Loan Revenue Bonds, Series 2010-1A, 5.000%, 12/01/26	12/19 at 100.00	AA	1,349,504
1,500	Tobacco Settlement Financing Corporation, New Jersey, Tobacco Settlement Asset-Backed Bonds, Series 2007-1A, 4.625%, 6/01/26	6/17 at 100.00	B+	1,445,145
5,430	Total New Jersey			5,683,640
	New York – 4.3% Brooklyn Arena Local Development Corporation, New York, Payment in Lieu of Taxes Revenue Bonds, Barclays Center Project, Series 2009:			
1,100	6.000%, 7/15/30	1/20 at 100.00	BBB–	1,261,865
1,225	6.250%, 7/15/40		BBB–	1,409,167

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		1/20 at 100.00		
4,500	6.375%, 7/15/43 Monroe County Industrial Development Corporation, New York, Revenue Bonds,	1/20 at 100.00	BBB-	5,221,350
1,000	St. John Fisher College, Series 2011, 6.000%, 6/01/34 New York City Industrial Development Agency, New York, American	6/21 at 100.00	BBB+	1,112,970
2,500	Airlines-JFK International Airport Special Facility Revenue Bonds, Series 2005, 7.750%, 8/01/31 (Alternative Minimum Tax) Port Authority of New York and New Jersey, Special Project Bonds, JFK	8/16 at 101.00	N/R	2,664,950
265	International Air Terminal LLC Project, Eighth Series 2010, 6.000%, 12/01/42 TSASC Inc., New York, Tobacco Asset-Backed Bonds, Series 2006, 5.000%, 6/01/26	12/20 at 100.00	BBB	309,160
2,000	Total New York Ohio - 9.7% Buckeye Tobacco Settlement Financing Authority, Ohio, Tobacco Settlement Asset-Backed Revenue Bonds, Senior Lien, Series 2007A-2:	6/16 at 100.00	BB-	2,033,300
12,590				14,012,762
1,000	5.125%, 6/01/24	6/17 at 100.00	B-	832,240
6,000	5.750%, 6/01/34	6/17 at 100.00	B-	4,790,039
6,500	5.875%, 6/01/47 Franklin County, Ohio, Healthcare Facilities Revenue Bonds, Ohio	6/17 at 100.00	B	5,229,315
760	Presbyterian Retirement Services, Improvement Series 2010A, 5.625%, 7/01/26	7/21 at 100.00	BBB-	817,243

10,000	Franklin County, Ohio, Hospital Facilities Revenue Bonds, OhioHealth Corporation, Series 2015, 5.000%, 5/15/40 (UB)	5/25 at 100.00	AA+	11,050,300
3,000	Lucas County, Ohio, Hospital Revenue Bonds, ProMedica Healthcare Obligated Group, Series 2011A, 5.750%, 11/15/31	11/21 at 100.00	AA	3,571,710
1,000	Montgomery County, Ohio, Health Care and Multifamily Housing Revenue Bonds, Saint Leonard, Refunding & improvement Series 2010, 6.375%, 4/01/30	4/20 at 100.00	BBB-	1,078,710
1,670	Montgomery County, Ohio, Revenue Bonds, Catholic Health Initiatives, Tender Option Bond Trust 3260, 29.120%, 5/01/29 (IF)	5/19 at 100.00	A+	2,957,787
1,200	Ohio Air Quality Development Authority, Ohio, Revenue Bonds, Ohio Valley Electric Corporation Project, Series 2009E, 5.625%, 10/01/19	No Opt. Call	BBB-	1,342,668
31,130	Total Ohio Pennsylvania – 6.4%			31,670,012
1,387	Aliquippa Municipal Water Authority, Pennsylvania, Water and Sewer Revenue Bonds, Subordinated Series 2013, 5.000%, 5/15/26	No Opt. Call	N/R	1,439,295
1,000	Allegheny Country Industrial Development Authority, Pennsylvania, Environmental Improvement Revenue Bonds, United States Steel Corporation Project, Refunding Series 2009, 6.750%, 11/01/24	11/19 at 100.00	BB-	1,117,190
1,500	Allegheny Country Industrial Development Authority, Pennsylvania, Environmental Improvement Revenue Bonds, United States Steel Corporation Project, Refunding Series	12/21 at 100.00	BB-	1,717,905

	2011, 6.550%, 12/01/27 Allegheny County Hospital Development Authority, Pennsylvania, Revenue	10/15 at		
1,335	Bonds, Ohio Valley General Hospital, Series 2005A, 5.125%, 4/01/35 Cumberland County Municipal Authority Revenue Bonds, Pennsylvania, Diakon	100.00	Ba3	1,333,104
150	Lutheran Social Ministries Project, Series 2009, 6.125%, 1/01/29 Cumberland County Municipal Authority Revenue Bonds, Pennsylvania, Diakon	1/19 at 100.00	BBB+	171,242
1,350	Lutheran Social Ministries Project, Series 2009, 6.125%, 1/01/29 (Pre-refunded 1/01/19) Luzerne County Industrial Development Authority, Pennsylvania, Guaranteed	1/19 at 100.00	N/R (5)	1,576,598
2,000	Lease Revenue Bonds, Series 2009, 7.750%, 12/15/27 Montgomery County Industrial Development Authority, Pennsylvania, FHA Insured Mortgage Revenue	12/19 at 100.00	N/R	2,084,360
1,080	Bonds, New Regional Medical Center Project, Tender Option Bond Trust 62B, 17.873%, 8/01/38 (Pre-refunded 8/01/20) (IF) (4) Northumberland County Industrial Development Authority, Pennsylvania, Facility Revenue Bonds, NHS Youth Services Inc. Series 2002A, 7.500%, 2/15/29 Pennsylvania Economic Development Finance Authority, Solid Waste Disposal Revenue Bonds (USG	8/20 at 100.00	AA (5)	1,824,217
25		8/15 at 100.00	N/R	15,079
1,000		12/15 at 100.00	B-	999,960

	Corporation Project) Series 1999, 6.000%, 6/01/31 (Alternative Minimum Tax) Pennsylvania Economic Development Financing Authority, Sewage Sludge Disposal Revenue Bonds, Philadelphia Biosolids Facility Project, Series 2009, 6.250%, 1/01/32	1/20 at 100.00	BBB	1,110,300
1,000				
	Pennsylvania Higher Educational Facilities Authority, Revenue Bonds, Edinboro University Foundation Student Housing Project, Series 2010, 5.800%, 7/01/30	7/20 at 100.00	Baa3	1,290,780
1,200				
	Pennsylvania Public School Building Authority, Lease Revenue Bonds, School District of Philadelphia, Series 2006B, 5.000%, 6/01/27 – AGM Insured	No Opt. Call	AA	1,137,090
1,000				
	Pennsylvania Turnpike Commission, Turnpike Revenue Bonds, Capital Appreciation Series 2009E:	12/27 at 100.00	A–	3,859,424
3,480	0.000%, 12/01/30			
		12/27 at 100.00	A–	1,101,120
1,000	0.000%, 12/01/38			
18,507	Total Pennsylvania Puerto Rico – 0.8% Puerto Rico Housing Finance Authority, Subordinate Lien Capital Fund Program Revenue Bonds, Modernization Series 2008, 5.125%, 12/01/27			20,777,664
		12/18 at 100.00	A+	1,582,035
1,500				
	Puerto Rico Infrastructure Financing Authority, Special Tax Revenue Bonds, Series 2005C, 5.500%, 7/01/27 – AMBAC Insured	No Opt. Call	CC	930,900
1,000				
	Total Puerto Rico Tennessee – 0.1%			2,512,935
2,500				
	The Tennessee Energy Acquisition Corporation,	No Opt. Call	A	57,810
50				

	Gas Revenue Bonds, Series 2006A, 5.250%, 9/01/24 The Tennessee Energy Acquisition Corporation, Gas Revenue Bonds, Series	No Opt. Call	A	175,004
155	2006C, 5.000%, 2/01/24			232,814
205	Total Tennessee Texas – 3.4%			
	Brazos River Authority, Texas, Pollution Control Revenue Refunding Bonds, TXU Electric	7/18 at 100.00	N/R	210,000
3,500	Company, Series 2001D, 8.250%, 5/01/33 (Alternative Minimum Tax) (7)			
	North Texas Tollway Authority, Special Projects System Revenue Bonds, Tender Option Bond Trust	No Opt. Call	AA+	3,415,950
1,800	11947, 24.988%, 3/01/19 (IF)			
	Red River Health Facilities Development Corporation, Texas, First Mortgage Revenue Bonds, Eden	12/21 at 100.00	N/R	930,860
1,000	Home Inc., Series 2012, 7.250%, 12/15/47			
	San Antonio Convention Center Hotel Finance Corporation, Texas, Contract Revenue Empowerment	1/16 at 100.00	BBB	2,328,207
2,325	Zone Bonds, Series 2005A, 5.000%, 7/15/39 – AMBAC Insured (Alternative Minimum Tax)			
	Texas Municipal Gas Acquisition and Supply Corporation I, Gas Supply Revenue Bonds, Senior	No Opt. Call	A–	546,860
455	Lien Series 2008D, 6.250%, 12/15/26			
	Texas Private Activity Bond Surface Transportation Corporation, Revenue Bonds, NTE Mobility	12/19 at 100.00	Baa2	950,989
810	Partners LLC North Tarrant Express Managed Lanes Project, Senior Lien Series 2009, 6.875%, 12/31/39			

	Texas Private Activity Bond Surface Transportation Corporation, Senior Lien	6/20 at		
1,000	Revenue Bonds, LBJ Infrastructure Group LLC IH-635 Managed Lanes Project, Series 2010, 7.000%, 6/30/34	100.00	Baa3	1,196,458
	Texas Public Finance Authority, Charter School Finance Corporation	8/17 at		
1,500	Revenue Bonds, Idea Public School Project, Series 2007A, 5.000%, 8/15/37 (Pre-refunded 8/15/17) – ACA Insured	100.00	BBB (5)	1,629,795
12,390	Total Texas Utah – 0.3%			11,209,119
	Utah State Charter School Finance Authority, Charter School Revenue Bonds, Paradigm High School, Series 2010A, 6.250%, 7/15/30	7/20 at		
1,000	Vermont – 0.9%	100.00	BB–	1,028,410
	Vermont Educational and Health Buildings Financing Agency, Revenue Bonds, Vermont Law School Project, Series 2011A:			
		1/21 at		
1,000	6.125%, 1/01/28	100.00	Ba1	1,049,070
		1/21 at		
1,760	6.250%, 1/01/33	100.00	Ba1	1,841,418
2,760	Total Vermont Virgin Islands – 0.4%			2,890,488
	Virgin Islands Public Finance Authority, Gross Receipts Taxes Loan Note, Refunding Series	10/24 at		
1,000	2014C, 5.000%, 10/01/39	100.00	BBB+	1,064,210
	Virgin Islands Public Finance Authority, Matching Fund Loan Notes Revenue Bonds, Subordinate	10/19 at		
250	Lien Series 2009A, 6.000%, 10/01/39	100.00	Baa3	272,908
1,250	Total Virgin Islands Virginia – 0.8%			1,337,118
2,000	Tobacco Settlement Financing Corporation of	6/17 at 100.00	B–	1,391,520

	Virginia, Tobacco Settlement Asset Backed Bonds, Series 2007B1, 5.000%, 6/01/47			
1,010	Virginia Small Business Financing Authority, Senior Lien Revenue Bonds, Elizabeth River Crossing, Opco LLC Project, Series 2012, 5.500%, 1/01/42 (Alternative Minimum Tax)	7/22 at 100.00	BBB-	1,095,638
3,010	Total Virginia Washington – 2.5%			2,487,158
250	Tacoma Consolidated Local Improvement District 65, Washington, Special Assessment Bonds, Series 2013, 5.750%, 4/01/43	4/16 at 100.00	N/R	251,408
2,000	Washington Health Care Facilities Authority, Revenue Bonds, Fred Hutchinson Cancer Research Center, Series 2011A, 5.375%, 1/01/31	1/21 at 100.00	A	2,200,600
2,000	Washington State Health Care Facilities Authority, Revenue Bonds, Fred Hutchinson Cancer Research Center, Series 2009A, 6.000%, 1/01/33 (Pre-refunded 7/01/19)	7/19 at 100.00	A (5)	2,368,320
1,000	Washington State Health Care Facilities Authority, Revenue Bonds, Group Health Cooperative of Puget Sound, Series 2006, 5.000%, 12/01/36 – RAAI Insured	12/16 at 100.00	AA	1,035,220
2,000	Washington State Higher Education Facilities Authority, Revenue Bonds, Whitworth University, Series 2009, 5.625%, 10/01/40	10/19 at 100.00	Baa1	2,140,900
7,250	Total Washington West Virginia – 0.2%			7,996,448
750	West Virginia Hospital Finance Authority, Hospital	10/18 at 100.00	N/R	782,505

	Revenue Bonds, Thomas Health System, Inc., Series 2008, 6.500%, 10/01/38				
	Wisconsin – 6.3%				
	Oneida Tribe of Indians of Wisconsin, Retail Sales Revenue Bonds, Series 2011-144A, 6.500%, 2/01/31	2/19 at 102.00	AA–	4,051,283	
3,500					
	Public Finance Authority of Wisconsin, Student Housing Revenue Bonds, Collegiate Housing Foundation – Cullowhee LLC – Western California University Project, Series 2015A, 5.000%, 7/01/35	7/25 at 100.00	BBB–	2,952,582	
2,905					
	Wisconsin Center District, Senior Dedicated Tax Revenue Refunding Bonds, Series 2003A, 0.000%, 12/15/31	No Opt. Call	AA	561,630	
1,000					
	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Beloit College, Series 2010A, 6.000%, 6/01/30	6/20 at 100.00	Baa2	1,112,580	
1,000					
	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Beloit Health System, Inc., Series 2010B, 5.000%, 4/01/30	4/20 at 100.00	A–	525,520	
500					
	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Froedtert Community Health, Inc. Obligated Group, Tender Option Bond Trust 2015-XF0118:				
		4/19 at 100.00	AA–	1,380,600	
1,000	22.237%, 4/01/29 (IF) (4)				
		No Opt. Call	AA–	1,329,668	
1,290	17.239%, 10/01/20 (IF) (4)				
	Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Three Pillars Senior	8/23 at 100.00	A–	1,137,982	
1,090					

	Living Communities, Refunding Series 2013, 5.000%, 8/15/43 Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Wheaton Franciscan Healthcare System, Series 2006A, 5.250%, 8/15/21 Wisconsin Health and Educational Facilities Authority, Revenue Bonds, Wheaton Franciscan Services Inc., Series 2006B, 5.125%, 8/15/30 Wisconsin State, General Fund Annual Appropriation Revenue Bonds, Tender Option Bond Trust 10B, 33.716%, 5/01/36 (IF) (4)	8/16 at 100.00	A-	2,087,560
2,000				
500		8/16 at 100.00	A-	512,125
2,500		5/19 at 100.00	AA-	4,902,550
17,285	Total Wisconsin Wyoming – 0.8% Wyoming Community Development Authority, Student Housing Revenue Bonds, CHF-Wyoming, L.L.C. – University of Wyoming Project, Series 2011:			20,554,080
710	6.250%, 7/01/31	7/21 at 100.00	BBB	797,863
1,600	6.500%, 7/01/43	7/21 at 100.00	BBB	1,813,534
2,310	Total Wyoming			2,611,397
\$ 308,549	Total Municipal Bonds (cost \$294,401,540)			337,640,536
Shares	Description (1) COMMON STOCKS – 0.9%			Value
75,333	Airlines – 0.9% American Airlines Group Inc., (9)			\$ 3,020,853
	Total Common Stocks (cost \$2,340,765)			3,020,853
	Total Long-Term Investments (cost \$296,742,305)			340,661,389
	Floating Rate Obligations – (5.5)%			(18,000,000)

Other Assets Less Liabilities	
– 1.2%	3,921,652
Net Assets – 100%	\$ 326,583,041

Fair Value Measurements

Fair value is defined as the price that would be received upon selling an investment or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. A three-tier hierarchy is used to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability. Observable inputs are based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Unobservable inputs are based on the best information available in the circumstances. The following is a summary of the three-tiered hierarchy of valuation input levels.

Level 1 – Inputs are unadjusted and prices are determined using quoted prices in active markets for identical securities.

Level 2 – Prices are determined using other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 – Prices are determined using significant unobservable inputs (including management's assumptions in determining the fair value of investments).

The inputs or methodologies used for valuing securities are not an indication of the risks associated with investing in those securities.

The following is a summary of the Fund's fair value measurements as of the end of the reporting period:

	Level 1	Level 2	Level 3	Total
Long-Term Investments:				
Municipal Bonds	\$ —	\$337,610,603	\$29,933	\$337,640,536
Common Stocks	3,020,853	—	—	3,020,853
Total	\$3,020,853	\$337,610,603	\$29,933	\$340,661,389

Income Tax Information

The following information is presented on an income tax basis. Differences between amounts for financial statement and federal income tax purposes are primarily due to timing differences in recognizing taxable market discount, timing differences in recognizing certain gains and losses on investment transactions and the treatment of investments in inverse floating rate securities reflected as financing transactions, if any. To the extent that differences arise that are permanent in nature, such amounts are reclassified within the capital accounts on the Statement of Assets and Liabilities presented in the annual report, based on their federal tax basis treatment; temporary differences do not require reclassification. Temporary and permanent differences do not impact the net asset value of the Fund.

As of July 31, 2015, the cost of investments was \$278,750,939.

Gross unrealized appreciation and gross unrealized depreciation of investments as of July 31, 2015, were as follows:

Gross unrealized:	
Appreciation	\$48,949,781
Depreciation	(5,039,331)
Net unrealized appreciation (depreciation) of investments	\$43,910,450

- (1) All percentages shown in the Portfolio of Investments are based on net assets.
- (2) Optional Call Provisions: Dates (month and year) and prices of the earliest optional call or redemption. There may be other call provisions at varying prices at later dates. Certain mortgage-backed securities may be subject to periodic principal paydowns.
Ratings: Using the highest of Standard & Poor's Group ("Standard & Poor's"), Moody's Investors Service, Inc. ("Moody's") or Fitch, Inc. ("Fitch") rating. Ratings below BBB by Standard & Poor's, Baa by Moody's or BBB by Fitch are considered to be below investment grade. Holdings designated N/R are not rated by any of these national rating agencies.
- (3) Investment, or portion of investment, has been pledged to collateralize the net payment obligations for investments in derivatives and/or inverse floating rate transactions.
Backed by an escrow or trust containing sufficient U.S. Government or U.S. Government agency securities, which ensure the timely payment of principal and interest. Certain bonds backed by U.S. Government or agency securities are regarded as having an implied rating equal to the rating of such securities.
- (4) Investment valued at fair value using methods determined in good faith by, or at the discretion of, the Board. For fair value measurement disclosure purposes, investment classified as Level 3.
As of, or subsequent to, the end of the reporting period this security is non-income producing.
- (5) Non-income producing, in the case of a fixed-income security, generally denotes that the issuer has (1) defaulted on the payment of principal or interest, (2) is under the protection of the Federal Bankruptcy Court or (3) the Fund's Adviser has concluded that the issue is not likely to meet its future interest payment obligations and has ceased accruing additional income on the Fund's records.
- (6) On May 7, 2015, the Fund's Adviser determined it was unlikely that this borrower would fulfill its entire obligation on this security, and therefore reduced the security's interest rate of accrual from 5.250% to 2.100%.
- (7) On November 28, 2011, AMR Corp. ("AMR"), the parent company of American Airlines Group, Inc. ("AAL") filed for federal bankruptcy protection. On December 9, 2013, AMR emerged from federal bankruptcy with the acceptance of its reorganization plan by the bankruptcy court. Under the settlement agreement established to meet AMR's unsecured bond obligations, the bondholders, including the Fund, received a distribution of AAL preferred stock which was converted to AAL common stock over a 120-day period. Every 30 days, a quarter of the preferred stock was converted to AAL common stock based on the 5-day volume-weighted average price and the amount of preferred shares tendered during the optional preferred conversion period.
- 144A Investment is exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These investments may only be resold in transactions exempt from registration, which are normally those transactions with qualified institutional buyers.
- (IF) Inverse floating rate investment.
- (UB) Underlying bond of an inverse floating rate trust reflected as a financing transaction.

Item 2. Controls and Procedures.

- a. The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rule 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934 (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- b. There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

File as exhibits as part of this Form a separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)), exactly as set forth below: See EX-99 CERT attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Nuveen Enhanced Municipal Value Fund

By
(Signature /s/ Kevin J. McCarthy
and Title)
Kevin J. McCarthy
Vice President and Secretary

Date: September 29, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By
(Signature /s/ Gifford R. Zimmerman
and Title)
Gifford R. Zimmerman
Chief Administrative Officer (principal executive officer)

Date: September 29, 2015

By
(Signature /s/ Stephen D. Foy
and Title)
Stephen D. Foy
Vice President and Controller (principal financial officer)

Date: September 29, 2015