UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

MARK ONE

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1999 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: 0-20720

LIGAND PHARMACEUTICALS INCORPORATED
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	77-0160744
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
10275 SCIENCE CENTER DRIVE SAN DIEGO, CA (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	92121-1117 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (619) 535-7500

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 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 [X] No [ ]

As of April 30, 1999 the registrant had 46,612,073 shares of Common Stock outstanding.

LIGAND PHARMACEUTICALS INCORPORATED
QUARTERLY REPORT

FORM 10-Q

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* No information provided due to inapplicability of item.

PART I. FINANCIAL INFORMATION
ITEM 1 FINANCIAL STATEMENTS

LIGAND PHARMACEUTICALS INCORPORATED
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>
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	March 31, 1999	December 31, 1998
	(Unaudited)	
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,011	$ 32,801
Short-term investments	35,694	37,166
Accounts receivable	4,327	830
Inventories	6,167	6,166
Other current assets	1,134	1,030
Total current assets	58,333	77,993
Restricted short-term investments	2,244	2,554
Property and equipment, net	22,931	23,722
Acquired technology	39,976	40,312
Notes receivable from officers and employees	500	544
Other assets	11,342	10,895
	$ 135,326	$ 156,020
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,113	$ 12,363

Accrued liabilities	6,549	7,216
Deferred revenue	3,110	4,115
Current portion of obligations under capital leases	3,263	3,201
Total current liabilities	20,035	26,895
Long-term obligations under capital leases	7,328	8,165
Accrued acquisition obligation	40,000	50,000
Convertible note	2,500	2,500
Convertible subordinated debentures	39,971	39,302
Zero coupon convertible senior notes	41,252	40,520
Stockholders' equity:		
Convertible preferred stock, $.001 par value; 5,000,000 shares authorized; none issued	--	--
Common stock, $.001 par value; 80,000,000 shares authorized; 46,601,200 shares and 45,690,067 shares issued at March 31, 1999 and December 31, 1998, respectively	47	46
Paid-in capital	394,901	384,715
Adjustment for unrealized losses on available-for-sale securities	(509)	(482)
Accumulated deficit	(410,188)	(395,630)
	(15,749)	(11,351)
Less treasury stock, at cost (1,114 shares at March 31, 1999 and December 31, 1998)	(11)	(11)
Total stockholders' equity	(15,760)	(11,362)
	$ 135,326	$ 156,020

</TABLE>

See accompanying notes.

LIGAND PHARMACEUTICALS INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
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	Three Months Ended March 31,	
	1999	1998
<S>	<C>	<C>
Revenues:		
Product sales	$ 4,366	$ 92
Contract manufacturing sales	297	--
Collaborative research and development, and other milestone revenues	5,618	4,974
Total revenues	10,281	5,066
Costs and expenses:		
Cost of products sold	2,583	175
Research and development expenses	14,469	14,732
Selling, general and administrative	5,875	2,769
Total costs and expenses	22,927	17,676
Loss from operations	(12,646)	(12,610)
Interest income	750	1,052
Interest expense	(2,663)	(1,982)
Net loss	$(14,559)	$(13,540)

Basic and diluted loss per share	$ (.32)	$ (.35)
Shares used in computing net loss per share	45,794	38,565

</TABLE>

See accompanying notes.

LIGAND PHARMACEUTICALS INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

<TABLE>
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	Three Months Ended March 31,	
	1999	1998
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net loss	$(14,559)	$(13,540)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	1,309	1,053
Amortization of notes receivable from officers and employees	44	50
Amortization of acquired technology	336	--
Accretion of debt discount and interest	1,401	668
Change in operating assets and liabilities:		
Accounts receivable	(3,497)	(257)
Inventory	(1)	(37)
Other current assets	(104)	(883)
Accounts payable and accrued liabilities	(5,917)	(7,411)
Deferred revenue	(1,005)	270
Net cash used in operating activities	(21,993)	(20,087)
INVESTING ACTIVITIES		
Purchase of short-term investments	(9,364)	(19,878)
Proceeds from short-term investments	10,811	6,386
Increase in notes receivable from officers and employees	--	(75)
Payment of notes receivable from officers and employees	--	8
Increase in other assets	(3,549)	(2,234)
Decrease in other assets	3,102	309
Purchase of property and equipment	(518)	(833)
Net cash (used in) provided by investing activities	482	(16,317)
FINANCING ACTIVITIES		
Principal payments on obligations under capital leases	(775)	(784)
Net change in restricted short-term investment	310	248
Net proceeds from sale of common stock	186	742
Net cash provided by financing activities	(279)	206
Net decrease in cash and cash equivalents	(21,790)	(36,198)
Cash and cash equivalents at beginning of period	32,801	62,252
Cash and cash equivalents at end of period	$ 11,011	$ 26,054
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 2,242	$ 2,327

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Additions to obligations under capital leases	$--	$ 827
Conversion of accrued acquisition obligation to common stock	10,000	--

</TABLE>

See accompanying notes.

LIGAND PHARMACEUTICALS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

MARCH 31, 1999

1. BASIS OF PRESENTATION

The consolidated financial statements of Ligand Pharmaceuticals Incorporated ("Ligand") for the three months ended March 31, 1999 and 1998 are unaudited. These financial statements reflect all adjustments, consisting of only normal recurring adjustments which, in the opinion of management, are necessary to fairly present the consolidated financial position as of March 31, 1999 and the consolidated results of operations for the three months ended March 31, 1999 and 1998. The results of operations for the period ended March 31, 1999 are not necessarily indicative of the results to be expected for the year ending December 31, 1999. For more complete financial information, these financial statements, and the notes thereto, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 1998 included in the Ligand Pharmaceuticals Incorporated Form 10-K filed with the Securities and Exchange Commission.

In June 1997, the Financial Accounting Standards Board issued SFAS 130, Reporting Comprehensive Income and SFAS 131, Segment Information. Both of these standards are effective for fiscal years beginning after December 15, 1997. SFAS 130 requires that all components of comprehensive income, including net income, be reported in the financial statements in the period in which they are recognized. SFAS 130 requires the change in net unrealized gains (losses) on available-for-sale securities to be included in comprehensive income. As adjusted for this item, comprehensive net loss for the three month periods ended March 31, 1999 and 1998 is $(14.6) million and $(12.3) million, respectively. SFAS 131 amends the requirements for public enterprises to report financial and descriptive information about its reportable operating segments. Ligand currently operates in one business and operating segment and does not believe adoption of this standard will have a material impact on the Ligand's financial statements as reported.

2. NET LOSS PER SHARE

Net loss per share is computed using the weighted average number of common shares outstanding.

3. INVENTORIES

Inventories are stated at the lower of cost or market.

The products Panretin(R) and ONTAK(TM) received approval for marketing by the FDA in early February 1999. Ligand outsources all manufacturing related to the production of Panretin(R) commercial inventory. ONTAK(TM) commercial inventory is produced at the manufacturing facility of Marathon Biopharmaceuticals, Incorporated, a fully owned subsidiary acquired in January 1999. Inventory also includes Targretin(R) ("Targretin") for which a New Drug Application ("NDA") will be filed in 1999. In preparation for the approval by the FDA, if received, Ligand has manufactured commercial quantities of Targretin of approximately $1.3 million of work-in-process inventory as of March 31, 1998. If the FDA does not approve the NDA, and Targretin is not approved for commercial sale, any capitalized costs related to Targretin will be expensed.

PART I. FINANCIAL INFORMATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This quarterly report may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, including those discussed below at "Risks and Uncertainties." This outlook represents our current judgment on the future direction of our business. Such risks and uncertainties could cause actual results to differ materially from any future performance suggested below. We undertake no obligation to release publicly the results of any revisions to these forward-looking statements to reflect events or circumstances arising after the date of this quarterly report.

OVERVIEW

Since January 1989, we have devoted substantially all of our resources to our intracellular receptor, also known as IR, and signal transducers and activators of transcription, also known as STATs, drug discovery and development programs. We have been unprofitable since our inception. We expect to incur substantial additional operating losses until the commercialization of our products, begun in the first quarter of 1999, generates sufficient revenues to cover our expenses. We expect that our operating results will fluctuate from quarter to quarter as a result of differences in the timing of expenses incurred and revenues earned from collaborative arrangements and product sales. Some of these fluctuations may be significant. As of March 31, 1999, our accumulated deficit was $410.2 million.

In January 1999, we formed Ligand Pharmaceuticals International, Inc. to develop a global pharmaceutical business.

In January 1999, we purchased substantially all of the assets of Marathon Biopharmaceuticals LLC for $5.0 million through the issuance of 402,820 shares of our common stock, at $12.41 per share with an additional $3.0 million to be paid in August 1999. The purchase of the assets was completed under an agreement between Ligand, Marathon Biopharmaceuticals LLC and other subsidiaries of Boston University dated May 11, 1998.

In February 1999, the FDA granted us marketing approval for our first two products, Panretin(R) gel for the treatment of patients with cutaneous AIDS-related Kaposi's sarcoma (KS) and ONTAK(TM) for the treatment of patients with persistent or recurrent cutaneous T-cell lymphoma (CTCL) whose malignant cells express the CD25 component of the IL-2 receptor.

In February 1999, we submitted a Marketing Authorization Application (MAA) with the European Agency for the Evaluation of Medicinal Products (EMEA) for Panretin(R) gel for the treatment of cutaneous lesions of patients with AIDS-related KS.

In February 1999, Eli Lilly and Company (Lilly) decided to discontinue the development efforts for three first generation compounds in the Retinoid X Receptor (RXR) program in diabetes. Instead, Lilly and Ligand have agreed to focus their efforts on the RXR modulator second generation program, which has compounds with improved therapeutic indices relative to the three first generation compounds and on co-agonists of the PPAR receptor program.

In March 1999, we signed marketing and distribution agreements with Ferrer Internacional, S.A. (Ferrer) to exclusively market and distribute when approved, in Spain, Portugal, Greece, and Central and South America Ligand's five near-term oncology products: ONTAK(TM), Panretin(R) gel, Panretin(R) capsules, Targretin(R) gel and Targretin(R) capsules.

RESULTS OF OPERATIONS

Three Months Ended March 31, 1999 ("1999"), as compared with Three Months Ended March 31, 1998 ("1998")

Total revenues for 1999 were $10.3 million, an increase of $5.2 million as compared to 1998. Net loss for 1999 was $14.6 million, an increase of $1.0 million from 1998. The principal factors causing these changes are discussed below.

Product sales for 1999 were $4.4 million, as compared to $92,000 in 1998. The increase is due to the revenues from sales of our products, Panretin(R) gel and ONTAK(TM), approved by the FDA in February 1999.

Contract manufacturing sales for 1999 were $297,000 as compared to $0 in 1998. These sales were generated under contract manufacturing agreements performed at the Marathon Biopharmaceuticals facility acquired in January 1999.

Collaborative research and development and other milestone revenues for 1999 were $5.6 million, an increase of $644,000 or 13%, over 1998. The increase was primarily due to an initial payment of $1.5 million received from Ferrer in connection with the marketing and distribution agreements entered into in March 1999, partially offset by (a) a one-time payment of $686,000 received from Cytel Corporation (Cytel) in 1998 and (b) additional payments of $530,000 received from American Home Products Corporation (AHP) in 1998. The quarter-to-quarter comparison of collaborative research and development, and other milestone revenues is as follows ($,000):

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	March 31,	
	1999	1998
<S>	<C>	<C>
Eli Lilly and Company	$2,709	$2,500
Ferrer Internacional S.A	1,500	--
SmithKline Beecham, plc	934	784
Abbott Laboratories	300	300
American Home Products	175	705
Cytel Corporation	--	686
	$5,618	$4,974

</TABLE>

Cost of products sold increased from $175,000 in 1998 to $2.6 million in 1999. The increase is due to manufacturing costs and royalty expenses of $1.3 million associated with our new products as well as costs of $1.3 million incurred at the Marathon Biopharmaceuticals facility which, except for the impact of unutilized production capacity in the first quarter, we expect to recover when services performed under contracts for our contract manufacturing operation are completed and invoiced.

Research and development expenses were $14.5 million in 1999, compared to $14.7 million in 1998. Selling, general and administrative expenses were $5.9 million in 1999, up from $2.8 million in 1998. The increase was due primarily to increased costs associated with the expansion of our sales and marketing activities related to the launch of our new products.

Interest income declined from $1.1 million in 1998 to $750,000 in 1999, reflecting lower cash balances following the use of cash to fund development and clinical programs and to support commercialization activities as well as lower interest rates on the available cash balances.

Interest expense in 1999 was $2.7 million, an increase of $681,000 over 1998. The increase is due to the accretion related to the $40.0 million in issue price of zero coupon convertible senior notes issued to entities affiliated with Elan Corporation plc.

We have significant net operating loss carry forwards for federal and state income taxes which are available subject to Internal Revenue Code 382 and 383 carryforward limitations.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations through private and public offerings of our equity securities, collaborative research revenues, issuance of convertible notes, capital and operating lease transactions, investment income and product

sales. From inception through March 31, 1999, we have raised cash proceeds of $244.6 million from sales of equity securities: $166.4 million from private placements and the exercise of options and warrants and $78.2 million from public offerings.

As of March 31, 1999, we had acquired a total of $37.0 million in property, laboratory and office equipment (including assets used by Marathon Biopharmaceuticals) and $5.0 million in tenant leasehold improvements. Of these totals, $7.6 million was recorded in the merger with Seragen and will be paid in cash or common stock, at our option, while substantially all of the balance has been funded through capital lease and equipment note obligations. In addition, we lease our office and laboratory facilities. In July 1994, we entered into a long-term lease related to the construction of a new laboratory facility, which was completed and occupied in August 1995. In March 1997, we entered into a long-term lease, related to a second build-to-suit facility and loaned the construction partnership $3.7 million at an annual interest rate of 8.5% which will be paid back monthly over a 10-year period. The second build-to-suit facility was completed and occupied

in December 1997. In February 1997, the Company signed a master lease agreement to finance future capital equipment up to $1.5 million. This master lease agreement was expanded and extended in July 1997 and again in December 1998 and is currently available until March 31, 2000. Each individual schedule under the master lease agreement will be paid back monthly with interest over a five-year period. As of March 31, 1999, we had $2.0 million available to finance future capital equipment. An additional capital equipment line of credit of $2.0 million has been negotiated in May 1999.

Working capital decreased to $38.3 million as of March 31, 1999, from $51.1 million at the end of 1998. The decrease in working capital resulted from a decrease in cash of $21.8 million offset in part by (a) an increase in accounts receivable of $3.5 million related to the sale of the recently introduced products, (b) a decrease in accounts payable of $5.2 million (c) lower accrued interest payable of $1.0 million and (d) lower deferred revenues of $1.0 million due to the timing of completion of collaboration agreements.

For the same reasons, cash and cash equivalents, short-term investments and restricted cash decreased to $48.9 million at March 31, 1999 from $72.5 million at December 31, 1998. We primarily invest our cash in United States government and investment grade corporate debt securities.

In January 1999, we purchased substantially all of the assets of Marathon Biopharmaceuticals for $5.0 million through the issuance of 402,820 shares of our common stock, at $12.41 per share with an additional $3.0 million to be paid in August 1999.

We believe our available cash, cash equivalents, marketable securities and existing sources of funding will be adequate to satisfy our anticipated operating and capital requirements through 1999. Our future operating and capital requirements will depend on many factors, including: (1) the effectiveness of our commercialization activities (2) the pace of scientific progress in our research and development programs, (3) the magnitude of these programs, (4) the scope and results of preclinical testing and clinical trials, (5) the time and costs involved in obtaining regulatory approvals, (6) the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims, (7) competing technological and market developments, (8) the ability to establish additional collaborations or changes in existing collaborations, (9) the cost of manufacturing scale-up.

YEAR 2000 COMPLIANCE

Many currently installed computer systems and software products are coded to accept only two digit entries in the date code field. These date code fields will need to accept four digit entries to distinguish 21st century dates from 20th century dates. As a result, many companies' software and computer systems may need to be upgraded or replaced in order to comply with year 2000 requirements. The impact of the year 2000 issue may affect other systems that utilize imbedded computer chip technology, including, building controls,

security systems or laboratory equipment. It may also impact the ability to obtain products or services if the provider encounters and fails to resolve year 2000 related problems.

We have established an active program to identify and resolve year 2000 related issues. This program includes the review and assessment of our information technology and non-information technology systems, as well as third parties with whom we have a material relationship. This program consists of four phases: inventory, risk assessment, problem validation and problem resolution. The inventory phase identified potential risks we face. They include among others computer software, computer hardware, telecommunications systems, laboratory equipment, facilities systems (security, environment control, alarm), service providers (contract research organizations, consultants, product distribution), and other third parties. The risk assessment phase categorizes and prioritizes each risk by its potential impact. The problem validation phase tests each potential risk, according to priority, to determine if an action risk exists. In the case of critical third parties, this step will include a review of their year 2000 plans and activities. The problem resolution phase will, for each validated risk, determine the method/strategy for alleviating the risk. It may include anything from replacement of hardware or software to process modification to selection of alternative vendors. This step also includes the development of contingency plans.

We initiated this program in 1998. The inventory and risk assessment phases were completed in 1998 while the problem validation phase was completed in 1998 for all areas, except for evaluating specific pieces of research equipment and the assessment of some critical third parties. We expect that we will complete the last portion of the problem validation phase by the end of the second calendar quarter of 1999. Contingency plans are being developed. We expect to have those plans completed by the end of the second quarter of 1999. We expect the problem resolution phase to be completed by the end of the third quarter in 1999.

To date, we have determined that some of our internal information technology and non-information technology systems are not year 2000 compliant. However, we have not completed our full assessment of the critical third-party service providers we utilize. This assessment is taking place as part of the current problem validation phase.

We are actively correcting problems as we identify them. These corrections include the replacement of hardware and software systems, the identification of alternative service providers and the creation of contingency plans. We currently estimate that the cost of identified problems will be approximately $100,000 for hardware and software upgrades or modifications. In addition, we estimate that we will incur approximately $400,000 of internal personnel costs to complete the remaining phases of the project. We do not believe that the cost of these actions will have a material adverse affect on our business. We expect that we will be able to resolve any problems we identify in the remaining phases of the project as part of normal operating expenses.

Any failure of our internal computer systems or of third-party equipment or software we use, or of systems maintained by our suppliers, to be year 2000 compliant may adversely effect our business. In addition, adverse changes in the purchasing patterns of our potential customers as a result of year 2000 issues affecting them may adversely effect our business. These expenditures by potential customers may result in reduced funds available to purchase our products, which could adversely effect our business.

RISKS AND UNCERTAINTIES

The following is a summary description of some of the many risks we face in our business. You should carefully review these risks in evaluating our business and the businesses of our subsidiaries. You should also consider the other information described in this report.

OUR PRODUCT DEVELOPMENT AND COMMERCIALIZATION INVOLVES A NUMBER OF UNCERTAINTIES AND WE MAY NEVER GENERATE REVENUES FROM THE SALE OF PRODUCTS SUFFICIENT TO BECOME PROFITABLE.

We were founded in 1987. We have incurred significant losses since our

inception. At March 31, 1999, our accumulated deficit was $410.2 million. To date, we have received the majority of our revenues from our collaborative arrangements. We expect to incur additional losses as we continue our research and development, testing and regulatory activities and as we establish manufacturing and sales and marketing capabilities. To become profitable, we must successfully develop, clinically test, market and sell our products. Even if we achieve profitability, we cannot predict the level of that profitability or whether we will be able to sustain profitability. We expect that our operating results will fluctuate from period to period as a result of differences in when we incur expenses and receive revenues from collaborative arrangements and other sources. Some of these fluctuations may be significant.

Most of our products will require extensive additional development, including preclinical testing and human studies, as well as regulatory approvals, before we can market them. We do not expect that any products other than these for which marketing approval has been received resulting from our product development efforts or the efforts of our collaborative partners will be available for sale until the end of the 1999 calendar year at the earliest, if at all. There are many reasons that we may fail in our efforts to develop our other potential products, including the possibility that:

- we may discover during preclinical testing or human studies that they are ineffective or cause harmful side effects,
- the products may fail to receive necessary regulatory approvals from the FDA or other foreign authorities in a timely manner or at all,
- we may fail to produce the products, if approved, in commercial quantities or at reasonable costs, or
- the proprietary rights of other parties may prevent us from marketing the products.

We also will rely, at least initially, on another company to distribute our approved products and have only recently developed a sales force. Therefore, even though two of our products have been approved for marketing, we still may not be able to successfully market these products or potential products in the territories chosen for marketing.

WE NEED TO BUILD MARKETING AND SALES FORCES IN THE UNITED STATES AND EUROPE WHICH WILL BE AN EXPENSIVE AND TIME-CONSUMING PROCESS.

Developing the sales force to market and sell products is a difficult, expensive and time-consuming process. We recently developed a sales force for the U.S. market and will, at least initially, rely on another company to distribute our products. The distributor will be responsible for providing many marketing support services, including customer service, order entry, shipping and billing, and customer reimbursement assistance. In addition, in Canada we are the sole marketer of two cancer products other companies have developed. We may not be able to continue to establish and maintain the necessary sales and marketing capabilities. To the extent we enter into co-promotion or other licensing arrangements, any revenues we receive will depend on the marketing efforts of others, which may or may not be successful. Our failure to establish an effective sales force, either directly or through others, could adversely affect our business.

SOME OF OUR KEY TECHNOLOGIES HAVE NOT BEEN USED TO PRODUCE MARKETED PRODUCTS AND MAY NOT BE CAPABLE OF PRODUCING SUCH PRODUCTS.

To date, we have dedicated most of our resources to the research and development of potential drugs based upon our expertise in our IR and STATs technologies. Even though certain marketed drugs act through IRs, some aspects of our IR technologies have not been used to produce marketed products. In addition, we are not aware of any drugs that have been developed and successfully commercialized that interact directly with STATs. Much remains to be learned about the location and function of IRs and STATs. If we are unable to apply our IR and STAT technologies to the development of our potential products, our business could be adversely affected.

OUR DRUG DEVELOPMENT PROGRAMS WILL REQUIRE SUBSTANTIAL ADDITIONAL FUTURE CAPITAL AND WE MAY NEED MORE CAPITAL.

Our drug development programs require substantial additional capital, arising from costs to:

- conduct research, preclinical testing and human studies,
- establish pilot scale and commercial scale manufacturing processes and facilities, and
- establish and develop quality control, regulatory, marketing, sales and administrative capabilities.

Our future operating and capital needs will depend on many factors, including:

- the pace of scientific progress in our research and development programs and the magnitude of these programs,
- the scope and results of preclinical testing and human studies,
- the time and costs involved in obtaining regulatory approvals,
- the time and costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims,
- competing technological and market developments,
- our ability to establish additional collaborations,
- changes in our existing collaborations,
- the cost of manufacturing scale-up, and
- the effectiveness of our commercialization activities.

OUR PRODUCTS MUST CLEAR SIGNIFICANT REGULATORY HURDLES PRIOR TO MARKETING.

Before we obtain the approvals necessary to sell any of our potential products, we must show through preclinical studies and clinical trials that each product is safe and effective. Our failure to show any product's safety and effectiveness would delay or prevent regulatory approval of the product and could adversely affect our business. The clinical trials process is complex and uncertain. The results of preclinical studies and initial clinical trials may not necessarily predict the results from later large-scale clinical trials. In addition, clinical trials may not demonstrate a product's safety and effectiveness to the satisfaction of the regulatory authorities. A number of companies have suffered significant setbacks in advanced clinical trials or in seeking regulatory approvals, despite promising results in earlier trials. The FDA may also require additional

clinical trials post approval, which could be expensive and time-consuming, and failure to successfully conduct those trials could jeopardize continued commercialization.

The rate at which we complete our clinical trials depends on many factors, including our ability to obtain adequate clinical supplies and patient enrollment. Patient enrollment is a function of many factors, including the size of the patient population, the proximity of patients to clinical sites and the eligibility criteria for the trial. Delays in patient enrollment may result in increased costs and longer development times. In addition, some of our collaborative partners have rights to control product development and clinical programs for products developed under the collaborations. As a result, these collaborators may conduct these programs more slowly or in a different manner than we had expected. Even if clinical trials are completed, we or our collaborative partners still may not apply for FDA approval in a timely manner or the FDA still may not grant approval.

WE MAY NOT BE ABLE TO PAY AMOUNTS DUE ON OUR OUTSTANDING INDEBTEDNESS.

We may not have sufficient cash to make required payments due under our existing debt. Our subsidiary, Glycomed, is obligated to make payments under certain debentures in the total principal amount of $50.0 million. The debentures bear interest at a rate of 7 1/2% per annum and are due in 2003. Glycomed may not have the funds necessary to pay the interest on and the principal of these debentures when due. If Glycomed does not have adequate funds, it will be forced to refinance the debentures and may not be successful in doing so. In addition, in November 1998, we issued notes with a total issue price of $40.0 million to Elan. Glycomed's failure to make payments when due under its debentures would cause us to default under the notes we have issued or may issue to Elan.

WE MAY REQUIRE ADDITIONAL STOCK OR DEBT FINANCINGS TO FUND OUR OPERATIONS WHICH MAY NOT BE AVAILABLE ON ACCEPTABLE TERMS.

We have incurred losses since our inception and do not expect to generate positive cash flow to fund our operations for the 1999 calendar year and perhaps for one or more subsequent years. As a result, we may need to complete additional equity or debt financings in the near future to fund our operations. These financings may not be available on acceptable terms. In addition, these financings, if completed, still may not meet our capital needs and could result in substantial dilution to our stockholders. For instance, the notes we issued to Elan are convertible into common stock at the option of Elan, subject to some limitations. In addition, we may issue additional notes to Elan with up to a total issue price of $70.0 million, which also would be convertible into common stock. If adequate funds are not available, we may be required to delay, reduce the scope of or eliminate one or more of our drug development programs. Alternatively, we may be forced to attempt to continue development by entering into arrangements with collaborative partners or others that require us to relinquish some or all of our rights to certain technologies or drug candidates that we would not otherwise relinquish. Our inability to obtain additional financing or to satisfy our obligations or the obligations of our subsidiaries under outstanding indebtedness could adversely affect our business.

WE FACE SUBSTANTIAL COMPETITION.

Some of the drugs that we are developing and marketing will compete with existing treatments. In addition, several companies are developing new drugs that target the same diseases that we are targeting and are taking IR-related and STAT-related approaches to drug development. Many of our existing or potential competitors, particularly large drug companies, have greater financial, technical and human resources than us and may be better equipped to develop, manufacture and market products. Many of these companies also have extensive experience in preclinical testing and human clinical trials, obtaining FDA and other regulatory approvals and manufacturing and marketing pharmaceutical products. In addition, academic institutions, governmental agencies and other public and private research organizations are developing products that may compete with the products we are developing. These institutions are becoming more aware of the commercial value of their findings and are seeking patent protection and licensing arrangements to collect payments for the use of their technologies. These institutions also may market competitive products on their own or through joint ventures and will compete with us in recruiting highly qualified scientific personnel. Any of these companies, academic institutions, government agencies or research organizations may develop and introduce products and processes that compete with or are better than ours. As a result, our products may become noncompetitive or obsolete.

OUR SUCCESS WILL DEPEND ON THIRD-PARTY REIMBURSEMENT AND MAY BE IMPACTED BY HEALTH CARE REFORM.

The efforts of governments and third party payors to contain or reduce the cost of health care will continue to affect the

business and financial condition of drug companies. A number of legislative and regulatory proposals to change the health care system have been discussed in

recent years. In addition, an increasing emphasis on managed care in the United States has and will continue to increase pressure on drug pricing. We cannot predict whether legislative or regulatory proposals will be adopted or what effect those proposals or managed care efforts may have on our business. The announcement and/or adoption of such proposals or efforts could adversely affect our profit margins and business.

Sales of prescription drugs depend significantly on the availability of reimbursement to the consumer from third party payors, such as government and private insurance plans. These third party payors frequently require drug companies to provide predetermined discounts from list prices, and they are increasingly challenging the prices charged for medical products and services. Our current and potential products may not be considered cost-effective and reimbursement to the consumer may not be available or sufficient to allow us to sell our products on a competitive basis.

WE RELY HEAVILY ON COLLABORATIVE RELATIONSHIPS AND TERMINATION OF ANY OF THESE PROGRAMS COULD HAVE AN ADVERSE EFFECT ON OUR BUSINESS.

Our strategy for developing and commercializing many of our potential products includes entering into collaborations with corporate partners, licensors, licensees and others. To date, we have entered into collaborations with Eli Lilly and Company, SmithKline Beecham Corporation, American Home Products, Abbott Laboratories, Sankyo Company Ltd., Glaxo-Wellcome plc, Allergan, Inc. and Pfizer Inc. These collaborations provide us with funding and research and development resources for potential products for the treatment or control of metabolic diseases, hematopoiesis, women's health disorders, inflammation, cardiovascular disease, cancer and skin disease, and osteoporosis. These agreements also give our collaborative partners significant discretion when deciding whether or not to pursue any development program. We cannot be certain that our collaborations will continue or be successful.

In addition, our collaborators may develop drugs, either alone or with others that compete with the types of drugs they currently are developing with us. This would result in less support and increased competition for our programs. If products are approved for marketing under our collaborative programs, any revenues we receive will depend on the manufacturing, marketing and sales efforts of our collaborators, who generally retain commercialization rights under the collaborative agreements. Our current collaborators also generally have the right to terminate their collaborations under certain circumstances. If any of our collaborative partners breach or terminate their agreements with us or otherwise fail to conduct their collaborative activities successfully, our product development under these agreements will be delayed or terminated. The delay or termination of any of the collaborations could adversely affect our business.

We may have disputes in the future with our collaborators, including disputes concerning who owns the rights to any technology developed. For instance, we were involved in litigation with Pfizer, which we settled in April 1996, concerning our right to milestones and royalties based on the development and commercialization of droloxifene. These and other possible disagreements between us and our collaborators could delay our ability and the ability of our collaborators to achieve milestones or our receipt of other payments. In addition, any disagreements could delay, interrupt or terminate the collaborative research, development and commercialization of certain potential products, or could result in litigation or arbitration. The occurrence of any of these problems could be time-consuming and expensive and could adversely affect our business.

OUR SUCCESS DEPENDS ON OUR ABILITY TO OBTAIN AND MAINTAIN OUR PATENTS AND OTHER PROPRIETARY RIGHTS.

Our success will depend on our ability and the ability of our licensors to obtain and maintain patents and proprietary rights for our potential products and to avoid infringing the proprietary rights of others, both in the United States and in foreign countries. Patents may not be issued from any of these applications currently on file or, if issued, may not provide sufficient protection. In addition, if we breach our licenses, we may lose rights to important technology and potential products.

Our patent position like that of many pharmaceutical companies, is uncertain and involves complex legal and technical questions for which important legal principles are unresolved. We may not develop or obtain rights to products or

processes that are patentable. Even if we do obtain patents, they may not adequately protect the technology we own or have licensed. In addition, others may challenge, seek to invalidate, infringe or circumvent any patents we own or license, and rights we receive under those patents may not provide competitive advantages to us. Further, the manufacture, use or sale of our products may infringe the patent rights of others.

Several drug companies and research and academic institutions have developed technologies, filed patent applications or

received patents for technologies that may be related to our business. Others have filed patent applications and received patents that conflict with patents or patent applications we have licensed for our use, either by claiming the same methods or compounds or by claiming methods or compounds that could dominate those licensed to us. In addition, we may not be aware of all patents or patent applications that may impact our ability to make, use or sell any of our potential products. For example, United States patent applications are confidential while pending in the Patent and Trademark Office, and patent applications filed in foreign countries are often first published six months or more after filing. Any conflicts resulting from the patent rights of others could significantly reduce the coverage of our patents and limit our ability to obtain meaningful patent protection. If other companies obtain patents with conflicting claims, we may be required to obtain licenses to those patents or to develop or obtain alternative technology. We may not be able to obtain any such license on acceptable terms or at all. Any failure to obtain such licenses could delay or prevent us from pursuing the development or commercialization of our potential products, which would adversely affect our business.

We have had and will continue to have discussions with our current and potential collaborators regarding the scope and validity of our patent and other proprietary rights. If a collaborator or other party successfully establishes that our patent rights are invalid, we may not be able to continue our existing collaborations beyond their expiration. Any determination that our patent rights are invalid also could encourage our collaborators to terminate their agreements where contractually permitted. Such a determination could also adversely affect our ability to enter into new collaborations.

We may also need to initiate litigation, which could be time-consuming and expensive, to enforce our proprietary rights or to determine the scope and validity of others' rights. If litigation results, a court may find our patents or those of our licensors invalid or may find that we have infringed on a competitor's rights. If any of our competitors have filed patent applications in the United States which claim technology we also have invented, the Patent and Trademark Office may require us to participate in expensive interference proceedings to determine who has the right to a patent for the technology.

We have learned that Hoffman LaRoche, Inc. has received a United States patent and has made patent filings in foreign countries that relate to our Panretin(R) capsules and gel products. We filed a patent application with an earlier filing date than Hoffman LaRoche's patent, which we believe is broader than, but overlaps in part with, Hoffman LaRoche's patent. We currently are investigating the scope and validity of Hoffman LaRoche's patent to determine its impact upon our products. The Patent and Trademark Office has informed us that the overlapping claims are patentable to us and has initiated a proceeding to determine whether we or Hoffman LaRoche are entitled to a patent. We may not receive a favorable outcome in the proceeding. In addition, the proceeding may delay the Patent and Trademark Office's decision regarding our earlier application. While we believe that the Hoffman LaRoche patent does not cover the use of Panretin(R) capsules and gel for most of our planned uses, if we do not prevail, the Hoffman LaRoche patent might block our use of Panretin(R) capsules and gel in certain cancers.

We also rely on unpatented trade secrets and know-how to protect and maintain our competitive position. We require our employees, consultants, collaborators and others to sign confidentiality agreements when they begin their relationship with us. These agreements may be breached and we may not have adequate remedies for any breach. In addition, our competitors may independently discover our trade secrets. Any of these actions might adversely affect our business.

WE CURRENTLY HAVE LIMITED MANUFACTURING CAPABILITY AND WILL RELY ON THIRD-PARTY MANUFACTURERS.

We currently have no manufacturing facilities outside of Marathon's facility and rely on Marathon and others for clinical or commercial production of our potential products. To be successful, we will need to manufacture our products, either directly or through others, in commercial quantities, in compliance with regulatory requirements and at acceptable cost. If we are unable to develop our own facilities or contract with others for manufacturing services, our ability to conduct preclinical testing and human clinical trials will be adversely affected. This in turn could delay our submission of products for regulatory approval and our initiation of new development programs. In addition, although other companies have manufactured drugs acting through IRs and STATs on a commercial scale, we may not be able to do so at costs or in quantities to make marketable products. Any of these events would adversely affect our business.

Our manufacturing process also may be susceptible to contamination, which could cause the affected manufacturing facility to close until the contamination is identified and fixed. In addition, problems with equipment failure or operator error also could cause delays. Any extended and unplanned manufacturing shutdowns could be expensive and could result in inventory and product shortages.

OUR BUSINESS EXPOSES US TO PRODUCT LIABILITY RISKS AND WE MAY NOT HAVE SUFFICIENT INSURANCE TO COVER ANY CLAIMS.

Our business exposes us to potential product liability risks. A successful product liability claim or series of claims brought against us could adversely affect our business. Some of the compounds we are investigating may be harmful to humans. For example, retinoids as a class are known to contain compounds, which can cause birth defects. We have arranged to increase our product liability insurance coverage in connection with the planned launch of two of our potential products; however, we may not be able to maintain our insurance on acceptable terms, or our insurance may not provide adequate protection in the case of a product liability claim. We expect to purchase additional insurance when more of our products progress to a later stage of development and if we license any rights to use later-stage products in the future. To the extent that product liability insurance, if available, does not cover potential claims, we will be required to self-insure the risks associated with such claims.

WE ARE DEPENDENT ON OUR KEY EMPLOYEES, THE LOSS OF WHOSE SERVICES COULD ADVERSELY AFFECT US.

We depend on our key scientific and management staff, the loss of whose services could adversely affect our business. Furthermore, we are currently experiencing a period of rapid growth, which requires us to hire many new scientific, management and operational personnel. Accordingly, recruiting and retaining qualified management, operations and scientific personnel to perform research and development work also is critical to our success. Although we believe we will successfully attract and retain the necessary personnel, we may not be able to attract and retain such personnel on acceptable terms given the competition among numerous drug companies, universities and other research institutions for such personnel.

WE USE HAZARDOUS MATERIALS WHICH REQUIRES US TO INCUR SUBSTANTIAL COSTS TO COMPLY WITH ENVIRONMENTAL REGULATIONS.

In connection with our research and development activities, we handle hazardous materials, chemicals and various radioactive compounds. For example, as we previously mentioned, retinoids as a class are known to contain compounds, which can cause birth defects. We cannot completely eliminate the risk of accidental contamination or injury from the handling and disposing of hazardous materials. In the event of any accident, we could be held liable for any damages that result, which could be significant. In addition, we may incur substantial costs to comply with environmental regulations. Any of these events could adversely affect our business.

OUR STOCK PRICE MAY BE ADVERSELY AFFECTED BY VOLATILITY IN THE MARKETS.

The market prices and trading volumes for our securities, and the securities of emerging companies like us, have historically been highly volatile and have experienced significant fluctuations unrelated to operating performance. Future announcements concerning us or our competitors may impact the market price of our common stock. These announcements might include the results of research, development testing, technological innovations, new commercial products, government regulation, receipt of regulatory approvals by competitors, our failure to receive regulatory approvals, developments concerning proprietary rights, litigation or public concern about the safety of the products.

YOU MAY NOT RECEIVE A RETURN ON YOUR SHARES OTHER THAN THROUGH THE SALE OF YOUR SHARES OF COMMON STOCK.

We have not paid any cash dividends on our common stock to date, and we do not anticipate paying cash dividends in the foreseeable future. Accordingly, other than through a sale of your shares, you may not receive a return.

OUR CHARTER DOCUMENTS AND SHAREHOLDER RIGHTS PLAN MAY PREVENT TRANSACTIONS THAT COULD BE BENEFICIAL TO YOU.

Our shareholder rights plan and provisions contained in our certificate of incorporation and bylaws may discourage transactions involving an actual or potential change in our ownership, including transactions in which you might otherwise receive a premium for your shares over then-current market prices. These provisions also may limit your ability to approve transactions that you deem to be in your best interests. In addition, our board of directors may issue shares of preferred stock without any further action by you. Such issuance's may have the effect of delaying or preventing a change in our ownership.

WE ARE SUBJECT TO YEAR 2000 RISKS FOR WHICH WE MAY NOT BE PREPARED AND WHICH COULD HAVE AN ADVERSE EFFECT ON OUR BUSINESS.

For a discussion of the risks associated with our year 2000 readiness, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Year 2000 Compliance."

PART I. FINANCIAL INFORMATION
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

At March 31, 1999 our investment portfolio includes fixed-income securities of $37.9 million. These securities are subject to interest rate risk and will decline in value if interest rates increase. However, due to the short duration of our investment portfolio, an immediate 10% change in interest rates would have no material impact on our financial condition or results of operations.

We generally conduct business including sales to foreign customers, in U.S. dollars and as a result we have very limited foreign currency exchange rate risk. The effect of an immediate 10% change in foreign exchange rates would not have a material impact on our financial condition or results of operations.

PART II. OTHER INFORMATION
ITEM 2 CHANGES IN SECURITIES AND USE OF PROCEEDS

On March 8, 1999, Ligand issued to Eli Lilly & Company ("Lilly") 434,546 shares of the Company's common stock as payment of a $5 million milestone due to Lilly under an agreement with Ligand and Seragen, Inc. covering rights to ONTAK(TM). The shares were issued to a single entity, Lilly, under an exemption from registration under Section 4(2) of the Securities Act of 1933.

ITEM 5 OTHER INFORMATION

At April 30, 1999, Ligand had outstanding warrants to purchase 4,486,304 shares of Ligand's Common Stock, of which 4,228,054 warrants relate to the Allergan-Ligand Retinoid Therapeutics transaction (the "ALRT warrants"). The

ALRT warrants have an exercise price of $7.12 and expire on June 3, 2000.

In May 1999, Ligand received net proceeds of approximately $3.5 million from an investor who elected to exercise ALRT warrants to purchase 625,000 shares of Ligand common stock. Ligand agreed to pay a cost of money incentive to the investor for the early exercise of those warrants.

ITEM 6 (A) EXHIBITS

<TABLE>
<S> <C>
Exhibit 3.1(1) Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.2).

Exhibit 3.2(1) Bylaws of the Company, as amended (filed as Exhibit 3.3).

Exhibit 3.3 (Amended) Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock of Ligand Pharmaceuticals Incorporated.

Exhibit 10.1(2) Amendment, dated as of November 9, 1998, between Ligand Pharmaceuticals Incorporated and ChaseMellon Shareholder Services, L.L.C., as Rights Agent (Exhibit 99.1).

Exhibit 10.2(3) Form of Second Amendment to the Preferred Share Rights Agreement and Certificate of Compliance with Section 27 thereof (Exhibit 1).

Exhibit 10.3(4) Marketing and Distribution Agreement with Ferrer Internacional S.A. to market and distribute Ligand Pharmaceuticals Incorporated products in Spain, Portugal and Greece.

Exhibit 10.4(4) Marketing and Distribution Agreement with Ferrer Internacional S.A. to market and distribute Ligand Pharmaceuticals Incorporated products in Central and South America.

Exhibit 27.1 Financial Data Schedule
</TABLE>

(1) This exhibit was previously filed as part of, and is hereby incorporated by reference to the numbered exhibit filed with, the Registration Statement on Form S-4 (No. 333-58823) filed on July 9, 1998.

(2) This exhibit was previously filed as part of, and is hereby incorporated by reference to the numbered exhibit filed with, the Registration Statement on Form 8-A/A Amendment No. 1 (No. 0-20720) filed on November 10, 1998.

(3) This exhibit was previously filed as part of, and is hereby incorporated by reference to the numbered exhibit filed with, the Registration Statement on Form 8-A/A Amendment No. 2 (No. 0-20720 filed on December 24, 1998.

(4) Certain confidential portions of this Exhibit were omitted by means of marking such portions with an asterisk (the "Mark"). This Exhibit has been filed separately with the Secretary of the Commission without the Mark pursuant to the Company's Application Requesting Confidential Treatment under Rule 246-2 of the Securities Exchange Act of 1934.

ITEM 6 (B) REPORTS ON FORMS 8-K-

No reports on Form 8-K were filed during the quarter ended on March 31, 1999.

March 31, 1999

SIGNATURE

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

Ligand Pharmaceuticals Incorporated

Date: May 14, 1999 By /s/ PAUL V. MAIER

Paul V. Maier
Senior Vice President and
Chief Financial Officer

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "LIGAND PHARMACEUTICALS INCORPORATED", FILED IN THIS OFFICE ON THE EIGHTH DAY OF MARCH, A.D. 1999, AT 9 O'CLOCK A.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE KENT COUNTY RECORDER OF DEEDS.

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

[SEAL]

2138989 8100 AUTHENTICATION: 9616201

991089522 DATE: 03-09-99

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED ON 09:00 AM 03/08/1999
991089522 - 2138989

AMENDED CERTIFICATE OF DESIGNATION OF RIGHTS, PREFERENCES AND PRIVILEGES OF SERIES A PARTICIPATING PREFERRED STOCK OF LIGAND PHARMACEUTICALS INCORPORATED

The undersigned, David E. Robinson and William L. Respess, do hereby certify:

1. That they are the duly elected and acting President and Secretary, respectively, of Ligand Pharmaceuticals Incorporated, a Delaware corporation (the "Corporation").

2. That pursuant to the authority conferred upon the Board of the Corporation by the Amended and Restated Certificate of incorporation of said Corporation, the Board adopted the following recital and resolution amending the Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock (the "Certificate of Designation") that was filed in the office of the Delaware Secretary of State on September 30, 1996:

WHEREAS, pursuant to the authority vested in the Board of the Corporation by the Amended and Restated Certificate of Incorporation (the "Charter"), the Board previously created by resolution a series of 80,000 shares of Series A Participating Preferred Stock of the Corporation (the "Series A Shares") and fixed the powers, designation, preferences and relative and other special rights and the qualifications, limitations and restrictions in a Certificate of Designation previously filed with the Delaware Secretary of State.

RESOLVED FURTHER, that pursuant to authority expressly granted to and vested in the Board by the provisions of the Charter and pursuant to the provisions of Section 151(g) of the Delaware General Corporation Law, the Board hereby amends in its entirety Section 1 of the Certificate of Designation of Rights, Preferences and privileges to read as follows:

"Section 1. DESIGNATION AND AMOUNT. The shares of such series shall be designated as "Series A Participating Preferred Stock," par value

$.001 per share, and the number of shares constituting such series shall be 1,600,000."

3. That none of the Series A Participating Preferred Stock has been issued.

4. That the authorized number of shares of Preferred Stock of the Corporation is 5,000,000 and that no such Preferred Stock has been issued.

IN WITNESS WHEREOF, this Amended Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock is executed on behalf of Ligand Pharmaceuticals Incorporated by its President and Secretary this 3rd day of March 1999.

/s/ DAVID E. ROBINSON

David E. Robinson, President

/s/ WILLIAM L. RESPESS

William L. Respess, Secretary

[SIGNATURE PAGE TO AMENDED CERTIFICATE OF DESIGNATION OF RIGHTS, PREFERENCES AND PRIVILEGES OF SERIES A PARTICIPATING PREFERRED STOCK OF LIGAND PHARMACEUTICALS INCORPORATED]

EXHIBIT 10.3

DISTRIBUTORSHIP AGREEMENT

This Distributorship Agreement ("Agreement"), is entered into as of March 26, 1999, between:

LIGAND PHARMACEUTICALS, INCORPORATED, a corporation organized and existing under the laws of the State of Delaware, U.S.A., with its principal place of business at 10275 Science Center Drive, San Diego, California, U.S.A. and SERAGEN, INC. a Delaware corporation having its principle place of business at 97 South Street, Hopkinton, Massachusetts (collectively referred to herein as "Ligand")

and

FERRER INTERNACIONAL , S.A, a corporation organized and existing under the laws of Spain with its principal place of business at Gran Via Carlos III, 94, Barcelona, Spain ("Distributor")

W I T N E S S E T H:

A. Ligand is a leading researcher, developer and manufacturer of biopharmaceutical products, including the Products, and is the exclusive owner or licensee of proprietary rights in such Products.

B. Distributor is engaged in the marketing of pharmaceutical products and has represented to Ligand that it has the facilities, personnel and technical expertise to market and distribute the Products in the Territory.

C. Ligand is willing to exclusively sell Products in the Territory to Distributor on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. DEFINITIONS

For purposes of this Agreement, the following terms shall have the following meanings:

1.1 "Affiliate" means any corporation or business entity which, directly or indirectly, is controlled by, controls, or is under common control with Ligand or Distributor, as applicable. For this purpose, "control" includes, but is not limited to, direct or indirect ownership of more than fifty percent (50%) of the voting shares or stock of such corporation or business entity.

1.2 "Approvals" means and includes all filings, approvals, registrations, permits, licenses and authorizations related to Product pricing or marketing activities which

are necessary or which, in the reasonable opinion of Ligand, are desirable, to be made with or obtained from any Governmental Authority for the sale of the Products in the Territory, including, without limitation, any pricing approvals, government reimbursement approvals, import permits and approvals concerning Distributor's facilities, but excluding Product Authorizations.

1.3 "Base Price" means, with respect to each Product, the price set forth in Attachment B.

1.4 "Confidential Information" means any and all data, trade secrets, confidential knowledge, specifications, clinical data and protocols and other proprietary information, not in the public domain, relating to the Products and/or the business or affairs of either party (the

"Disclosing Party"). Confidential Information shall also include the present Agreement and the terms set forth herein to the extent that it has not been placed into the public domain by the Disclosing Party. Confidential Information may be communicated to the other party (the "Receiving Party") orally, visually, in writing, or in any other recorded or tangible form. All data and information will be considered to be Confidential Information hereunder (1) if the Disclosing Party has marked them as such, (2) if the Disclosing Party, orally or in writing, has advised the Receiving Party of the confidential nature, provided that, if disclosed orally, the Disclosing Party confirms such confidential nature in writing within two weeks thereafter; or (3) if, due to their character or nature, a reasonable person in a like position and under like circumstances as the Receiving Party would treat them as secret and confidential.

1.5 "Dealer" means a sub-distributor, agent or marketing representative of Distributor.

1.6 "Effective Date" means the date of this Agreement as designated in preamble to this Agreement on the first page.

1.7 "Ex-Distributor Price" means the actual price at which Distributor sells each Product to customers of Distributor, less:

(a) freight, shipping and insurance with respect to such Products;

(b) sales, excise or similar taxes imposed on the sale of the Products;

(c) any mandatory or industry standard discounts or rebates to the competent Governmental Authorities and/or Social Security Systems pursuant to the regulations and/or agreements in force; and

(d) cash and trade discounts and allowances as customarily applied to products of a similar kind in the pharmaceutical industry in the relevant country within the Territory;

but in each case only if paid by Distributor or actually charged against Distributor and evidenced in Distributor's books and records of account and the reports

provided to Ligand pursuant to Clause 9.3 hereof.

1.8 "Governmental Authority" means and includes all governmental and regulatory bodies, agencies, departments or entities, whether or not located in the Territory, which regulate, direct or control commerce in or with the Territory.

1.9 "Intellectual Property Rights" means and includes all copyrights, designs, databases, mask works, patents, trademarks, trade names and other proprietary rights, and all registrations and applications therefor, which Ligand may at any time own, adopt, use, license or register with respect to a Product or its business, and includes the Trademarks.

1.10 "Net Sale Price" means the amount equal to the percentage of the Ex-Distributor Price for each Product in accordance with the pricing schedule set forth in Appendix C.

1.11 "Person" means and includes any agency, association, company, individual, or other entity regardless of the type or nature thereof.

1.12 "Product Authorizations" means and includes all filings, approvals, registrations and authorizations relating to pharmaceutical or medicinal products which are necessary or which, in the reasonable opinion of Ligand, are desirable, to be made with or obtained from any Governmental Authority in order for Distributor to lawfully market, promote, offer for sale and sell the Products in the Territory, including, without limitation, authorizations required from the

European MEA ("EMEA"), but excluding Approvals.

1.13 "Products" means the biopharmaceutical products manufactured by or on behalf of Ligand, for the indications and applications specified, which are listed in Appendix A, as amended by Ligand from time to time by written notice to Distributor; and shall include all line extensions and modified or improved versions of such products from time to time.

1.14 "Resale Price" means the price from the Distributor to the wholesalers in each respective country of the Territory, in the case of Spain as determined by the Spanish Governmental Authorities ("Precio de Venta Laboratorio") or, in the case of any other country of the Territory, as determined by the competent Governmental Agency in such country, as reduced by:

(a) freight, shipping and insurance with respect to such Products;

(b) sales, excise or similar taxes imposed on the sale of the Products;

(c) any mandatory or industry standard discounts or rebates to the competent Governmental Authorities and/or Social Security Systems pursuant to the regulations and/or agreements in force; and

(d) cash and trade discounts and allowances as customarily applied to products of a similar kind in the pharmaceutical industry in the relevant country within the Territory;

but in either case only if paid by Distributor or actually charged against Distributor and evidenced in Distributor's books and records of account and the reports provided to Ligand pursuant to Clause 9.3 hereof.

1.15 "Technical Assistance" means and includes advice, training, information and other support regarding the manufacture, specifications, clinical trials and marketing specifically related to the Products.

1.16 "Term" means the term of this Agreement as determined in accordance with Clause 3.1 and, where the context permits, includes the extensions as per Clause 3.2.

1.17 "Territory" means the geographic area comprising the countries of Spain, Portugal and Greece.

1.18 "Trademarks" means the trademarks owned or licensed and designated by Ligand for the Products in Appendix D, as well as any substitute marks that are used for the Products in accordance with Clause 12.2.

2. GRANT OF RIGHTS

2.1 Distribution Rights: Subject to the terms and conditions of this Agreement, Ligand grants to Distributor, and Distributor accepts, the exclusive right to market the Products in the Territory. Right to market under this Agreement shall mean the Distributor's right (1) to hold itself out as Ligand's exclusive authorized Distributor in the Territory; (2) to acquire the Products from Ligand for resale to customers on its own account in the Territory; and (3) to appoint Affiliates of Distributor, or other third parties (deemed) approved by Ligand, as Dealers in the Territory; provided, however, that (a) Distributor shall obtain an executed copy of a sub-

distributor or dealer agreement, in a form containing terms and conditions substantially similar to the terms and conditions of this Agreement, from the relevant Dealer; and (b) Distributor shall notify Ligand in writing of the desired appointment of any third party Dealer

and, at Ligand's request, provide Ligand with adequate background information on such Dealer. Unless Ligand reasonably objects to such appointment within thirty calendar days after its receipt of such notice and information, Ligand shall be deemed to have given the requisite approval to the appointment.

2.2 Additional Rights: Ligand further grants Distributor the royalty-free and (except as to Ligand) exclusive right to use the Confidential Information, the assistance and information related thereto pursuant to Clause 4.4, and the Trademarks solely to the extent reasonably necessary for the distribution and marketing of the Products within the Territory in accordance with this Agreement.

2.3 Independent Contractors: The relationship of Ligand and Distributor established by this Agreement is of seller and buyer, or independent contractors, and nothing in this Agreement shall be construed: (1) to give either party the power to direct or control the daily activities of the other party, or (2) to constitute the parties as principal and agent, partners, or otherwise as participants in a joint undertaking. Ligand shall have no obligation or authority, express or implied, to exercise any control whatsoever over the employees or the business affairs of Distributor. Except as specifically provided in this Agreement, Distributor shall have no power or authority to make or give any representation or warranty or to incur any liability or obligation, or to waive any right, on Ligand's behalf.

2.4 Ligand's Rights: Ligand reserves the right to modify and/or to discontinue developing or producing the Products at its discretion at any time either (1) due to legal or regulatory requirements, administrative or court orders, or safety risks, or (2) so long as the Product in question is withdrawn from the market throughout the European Union for a justified and reasonable motive; provided, however, that Ligand shall notify Distributor as soon as practicable after any such modification or discontinuance and that Distributor shall be entitled to market any modified versions of Products pursuant to the terms of this Agreement. Nothing in this Agreement shall be deemed to restrict Ligand from selling the Products or other products to Persons outside the Territory for use within the Territory, nor from appointing Distributors in countries outside the Territory who may be permitted, by operation of law, to sell the Products in the Territory, and Distributor shall receive no compensation for such sales by Ligand or any other Distributor; provided, however, that Ligand shall impose upon its other Distributors restrictions on their active marketing of the Products in the Territory equivalent to restrictions placed upon Distributor's active marketing of Products outside the Territory in this Agreement, to the extent such restrictions are legally permissible.

2.5 Ligand Exclusive Supplier: During the Term, Distributor shall purchase all of its requirements of the Products from Ligand or any party designated by Ligand for this purpose.

3. TERM

3.1 Term: The term of this Agreement shall commence on the Effective Date and shall continue, with respect to a particular Product, for a period of ten years from the date of first sale of that particular Product to Distributor anywhere in the Territory after the Product Authorization is obtained for such Product, unless the Agreement is earlier terminated in accordance with Clause 16.

3.2 Extensions: Ligand and Distributor agree that, at least one year before the expiration of the initial ten-year term of the Agreement, they shall engage in good faith discussions for a period not to exceed six months concerning the extension of the term of the Agreement for the relevant Product(s) for a period of three to five years at commercial terms and conditions to be negotiated during the six month discussion period.

4. AUTHORIZATIONS

4.1 Distributor to Use Diligent Efforts to Apply for and Pursue Product Authorizations: Following the application by Ligand, at Ligand's cost, and further issuance of any Product Authorization by the EMEA or any other agency pursuant to a mutual recognition procedure in the Territory and in consultation with Ligand, Distributor shall be responsible for, and shall use diligent efforts to, file applications for, pursue and maintain, in each country within the Territory, during the Term, all Product Authorizations. All Product Authorizations shall be in Ligand's name, whenever legally permissible, unless otherwise agreed to by Ligand. Distributor shall obtain Ligand's prior approval of all applications and submissions to any Governmental Authority in respect of any Product Authorization. Distributor shall keep Ligand informed, in writing, of the status of its applications for Product Authorizations on a regular basis, and in any event no less frequently than once every three months, and shall immediately notify Ligand in writing of any substantial change in the status of any Product Authorization or any substantive questions received from any Governmental Authority in respect of such Product Authorizations. Distributor shall provide copies of all Product Authorizations to Ligand at its request. If at any time there is a choice in respect of the appropriate type of such Product Authorization to be obtained or maintained in respect of any one or more of the Products, Ligand may, in its sole and absolute discretion, exercise such choice and shall direct Distributor as to the appropriate Product Authorization to be. requested. If Ligand, at its sole discretion, informs Distributor that it does not intend to apply for any requisite Product Authorization in any country in the Territory, Distributor may give Ligand written notice of its intention to seek such Product Authorization on its own and shall have the right to do so, unless Ligand proceeds with or authorizes the filing on its behalf within thirty calendar days after its receipt of Distributor's notice. In any given case when Distributor seeks Product Authorization, Ligand shall provide Distributor with all reasonably necessary and available clinical data, documentation and assistance to such effect.

4.2 Distributor to Apply for Approvals: Distributor, at its cost, shall file applications for and maintain Approvals for all Products listed on Appendix A in effect as of the Effective Date in each country in the Territory during the Term. If Distributor believes that any application for Approval for any particular future Product or indication that may be included within the scope of this Agreement is not economically justified, Ligand may proceed with the application at its own cost and, upon issuance of the Approval, Distributor shall market the Product in the country concerned, if Ligand so requests. Distributor shall immediately notify Ligand in writing of any substantial change in the status of any Approval or any substantive questions received from any Governmental Authority in respect of such Approvals. Distributor shall provide copies of all Approvals to Ligand.

4.3 Pricing Approvals: Without limiting the generality of Clause 4.2, any applications, submissions, negotiations and agreements with any Governmental Authority on Product prices will require Ligand's prior consent provided, however, that in Spain Ligand shall:

(a) give its consent, if the price from the Distributor to the wholesalers in the relevant country of the Territory, as determined by the Spanish Governmental Authorities ("Precio de Venta Laboratorio") amount to not less than *** percent of the Reference Price;

(b) have the option to either consent to the Precio de Venta Laboratorio Resale Price or buy back from the Distributor the exclusive marketing rights in the Territory for the relevant Product (as listed in Appendix A) at a price of US$ *** each, if the Resale Price negotiated by Distributor amounts to less than *** , but more than *** , percent of the Reference Price and Ligand wishes to withhold its consent to the sale of the Products at such Resale Price; and

(c) have no obligation to give its consent, if the Precio de Venta Laboratorio Resale Price negotiated by Distributor amounts to *** percent or less of the Reference Price, in which case the marketing rights for the relevant Product shall revert to Ligand at no cost and Distributor shall be prevented from marketing the relevant Product in the Territory.

If Ligand exercises its option to buy back the exclusive marketing rights in the Territory for the relevant Product under clause 4.3 (b) or Distributor loses its rights under clause 4.3 (c) to distribute the relevant Product in the Territory, Ligand shall either (i) refrain from marketing directly or indirectly in the Territory for a period of three years the relevant Product at a price equal or inferior to the price that caused the aforesaid transfer of marketing rights to Ligand under 4.3(b) or (c), or (ii) restore Distributor's rights to market the relevant Product in the Territory under this Agreement.

For purposes of this Clause 4.3, "Reference Price" shall mean the average, same distribution level price agreed upon by Ligand or its other Distributors for the relevant Products with the Governmental Authorities in the first three European Union Member States outside of the Territory where the relevant Product is sold. If Product prices have been approved in fewer than three European Union Member States when Distributor seeks Ligand's approval, the Reference Price shall be the average price in such fewer countries or, if there is no such country, a price mutually agreed upon by the parties. If Ligand reacquires the marketing rights for any Products pursuant to Clause 4.3 (b) or (c), all obligations of the parties under this Agreement, including those under Clause 10, shall cease with respect to such Products.

4.4 Ligand to Provide Assistance: Ligand shall provide such assistance as Ligand may deem reasonably necessary to Distributor in respect of Distributor's Product Authorization and Approval obligations under Clauses 4.1, 4.2 and 4.3, and in particular shall provide:

(a) written materials and information concerning the Products, including copies, or summaries, of materials prepared for submission to the United States (or, at Ligand's discretion, European) Governmental Authorities concerning the Products or their labeling, to the extent that Ligand is legally and contractually permitted or required to do so, for Distributor's use in obtaining Product Authorizations in respect of each of the Products; and

(b) access to such clinical data and documentation in respect of the Products generated by research and trials funded by Ligand or to which Ligand may have access with the right to disclose, as Ligand may deem reasonably necessary to be relevant and useful to Distributor in obtaining Product Authorizations in respect of each Product.

4.5 Distributor to Bear Costs: Subject to Clauses 4.1 and 4.6 below, Distributor shall be responsible for all costs and expenses associated with filing for and maintaining Product Authorizations and Approvals , including, without limitation, the Base Price of Product supplied by Ligand and the costs of any clinical trials conducted by or on behalf of Distributor for the purposes of any Product Authorizations, unless otherwise agreed in writing between the parties prior to such costs being incurred.

4.6 Clinical Trial Program: The parties agree to jointly evaluate the merits of a clinical trial program for one or more of the Products for severe, recalcitrant, plaque psoriasis vulgaris.

4.7 No Marketing of Products without Product Authorizations: Except to the extent permitted by law and as may be agreed in writing between the parties, Distributor shall not market, promote, offer for sale or sell any one of the Products unless and until Distributor obtains the

appropriate Product Authorizations in respect of such Product. In the event that Distributor is legally permitted, due to an individual pre-

approval in respect of any Product, to market any Product prior to obtaining the relevant Product Authorization, Distributor shall not do so without obtaining the prior written consent of Ligand, which will not be unreasonably withheld.

5. ORDERS AND FORECASTS

5.1 Forecasts: In order to permit Ligand and its suppliers to allocate their manufacturing capacity, Distributor shall provide Ligand with written 4-quarter rolling forecasts of its Product requirements. Such forecast shall be broken down by Product, quantities, and shipping dates, and shall be delivered to Ligand not later than one hundred twenty days prior to the beginning of each calendar quarter (commencing after Distributor has obtained the first Product Authorization and Approval in respect of any Product). Ligand shall either accept or reasonably reject such forecasts within thirty days after receipt. Any forecast accepted by Ligand or not rejected within that period shall be binding on the Parties as follows: Unless otherwise agreed, Distributor shall order, and Ligand shall supply, one hundred percent of the quantities forecast for the first calendar quarter and between eighty and one hundred twenty percent of the quantities forecast for the next quarter. Quantities forecasts for subsequent quarters shall be non-binding indications for production schedules, only, until included in subsequent quarterly forecasts.

5.2 Orders: Purchase of Products by Distributor hereunder shall be made only pursuant to written orders executed by Distributor, and shall be for a minimum of the Distributor's quarterly requirements for the Territory. The orders of Panretin(TM) Gel, Ontak(TM) and Targretin(TM) Gel shall separately specify the labeling requirements so as to allow Ligand to label those products before shipment. The orders shall be accepted in writing by Ligand at the offices specified in Clause 19.7. Subject to Clause 5.1 above, no order shall be binding upon Ligand until accepted by Ligand in writing. Subject to Clause 5.1 above, Ligand reserves the right to accept or reject any order, offer or request for Products in its sole discretion. The terms and conditions of this Agreement shall apply to all orders placed by Distributor and shall override and supersede any different or additional terms on orders from or any general conditions maintained by Distributor. All orders must be received by Ligand from Distributor at least 120 days prior to the desired shipment date. If any order for quarters 2, 3 or 4 of a forecast exceeds the forecasts for that calendar quarter provided by Distributor under Clause 5.1 hereof by more than twenty percent (20%), Ligand shall use its reasonable efforts, but shall not be obligated, to ship the requested quantities of Products, with the normal lead time stated above. If the order cannot be fully shipped, Ligand will notify Distributor by the end of that period, and the parties will jointly determine an appropriate shipment schedule.

5.3 Shipment Frequency: The Products shall be shipped at a frequency no greater than once per month with a minimum purchase price to Distributor of $ *** U.S provided, however, that Distributor may request shipments at a frequency greater than once per month at the same minimum purchase price during the first year of the

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*** Portions of this page have been omited pursuant to a request for Confidential Treatment and filed separately with the Commission.

Agreement.

5.4 Inventory Requirements: Distributor shall maintain a reasonable supply

of Products adequate to serve the appropriate customer base in each country of the Territory from time to time. For the first six months beginning with the first sale of a Product, such inventory shall be sufficient to cover not less than a three month supply of Ontak(TM), Panretin(TM) and Targretin(TM) Products based on Distributor's forecasts. Thereafter, the inventory may be reduced to a two months supply.

5.5 Cancellation and Rescheduling. Ligand will use its reasonable best efforts to honor any request of Distributor to reschedule shipment of any order accepted by Ligand. For Panretin(TM) and Targretin(TM) capsules, orders for bulk capsules or capsules in unlabeled bottles accepted by Ligand may be canceled by Distributor, provided that Distributor cancels the order at least forty five (45) days in advance of the shipment date and pays a cancellation charge equal to *** of the order price. No cancellation shall be allowed for any other Products once a firm order has been accepted by Ligand.

5.6 Terms of Shipment and Transfer of Title. All shipments of Products shall be made in Ligand's standard shipping packages CIF Distributor's designated port of entry in Spain or such other port of entry agreed upon by the parties. Unless otherwise agreed in writing between the parties, Ligand shall select the method of shipment and the carrier, and Distributor shall be responsible for all actions and documents necessary to obtain clearance to import the Products into the Territory. Ligand shall retain title to the Products until full payment of the Base Price for the Products is irrevocably credited to Ligand's bank account, and Distributor shall store all Products in its facilities so that they are readily identifiable as Ligand's Products.

5.7 Product Availability. Ligand will use its reasonable efforts to deliver to Distributor the Products in the quantities and at the dates specified on the orders submitted by Distributor and accepted by Ligand; provided, however, that Ligand (1) reserves the right to allocate the Products equitably among its customers in the event of a shortage of any Products; and (2) shall not be liable to Distributor for any delay in delivery without Ligand being at fault.

6. REGISTRATION SERVICES AND PAYMENTS

6.1 Initial Service Reimbursement. On execution of this Agreement Distributor shall make a non-refundable initial payment to Ligand in the sum of US$ *** as reimbursement for services rendered in the registration of the Products in the Territory.

6.2 Additional Service Reimbursement: On either (a) the date on which Distributor obtains the first Product Authorization in any country in the Territory in respect of any Product; or (b) September 30, 1999, whichever is the earlier, Distributor shall

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make a non-refundable payment to Ligand in the sum of US$ *** as reimbursement for services rendered in the registration of the Products in the Territory.

6.3 Final Service Reimbursement: Within thirty days of the date on which a Product Authorization is first obtained in any country in the Territory for a breast cancer indication for Targretin(TM) capsules,Distributor shall pay to Ligand US$ *** as reimbursement for services rendered in the registration of Targretin(TM) for such indication.

6.4 Product Pricing: Ligand shall supply the Products CIF to the port of entry designated pursuant to Clause 5.6. For all Products supplied, Distributor shall pay to Ligand the higher of: (1) the Base Price, or (2) the Net Sale Price. All payments under this Agreement shall be made in United States dollars. Where payment must be converted into U.S.

dollars from another currency, the conversion shall be made based on the applicable exchange rate as published on the European Central Bank's Web Site for the date of Ligand's invoice.

6.5 Payment of Base Price: Unless otherwise agreed in writing by Ligand, Distributor shall pay the invoiced estimated Base Price for each order of Products under this Agreement within forty-five calendar days' net by international wire transfer to the bank identified by Ligand from time to TIME. If Distributor at any time has become delinquent, Ligand shall have the right to make sales contingent upon Distributor's payment by irrevocable letter of credit confirmed by a major US merchant bank and payable in United States Dollars (US$) by draft at sight against delivery of bill of lading (which may be marked "freight collect" and which shall permit transshipments and partial shipments), commercial invoice and packing list.

6.6 Payment Reconciliation: Within ninety (90) days of the end of each calendar quarter (commencing after Distributor has made the first sale of any product), the amounts paid by Distributor to Ligand under clause 6.5 shall be adjusted as follows:

(a) First, Distributor or Ligand, as the case may be, shall pay or credit to the other, the amount, if any, by which the estimated Base Prices paid by Distributor to Ligand under clause 6.5 differ from the Base Prices payable by Distributor after deducting the deductionsactually paid or charged against Distributor pursuant to Clause 1.14 (a)-(d) during that quarter.

(b) Second, Distributor shall pay to Ligand, the amount, if any, by which the aggregate net sales prices for all products purchased from Ligand and sold by Distributor during that quarter exceeds the aggregate Base Prices payable to Ligand pursuant to clause 6.6 (a), above.

6.7 Late Payments: Whenever a late payment is due to a cause attributable to a party, all amounts not paid to the other party when due shall accrue interest daily at the lesser of an annual rate of twelve percent (12%) or the highest rate permissible by

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law on the unpaid balance until paid in full.

6.8 Taxes. All amounts payable to Ligand under this Agreement are exclusive of any income, sales, use, property, ad valorem, value added or other taxes, levies, imposts, duties, charges or withholdings of any nature (collectively, "Taxes"), arising out of any transaction contemplated by this Agreement and imposed against or the Products by any taxing authority in the Territory (excluding, however, any Taxes on, or measured solely by, the net income of Ligand and Taxes imposed on Ligand in the United States). Distributor shall pay all applicable Taxes or provide Ligand with a certificate of exemption acceptable to the relevant taxing authority, and shall also be liable for all bank charges levied in connection with payments made to Ligand (excluding, however, any bank charges levied by Ligand's bank). In the event that any payments to Ligand under this Agreement are subject to any withholding taxes, Distributor shall promptly provide all tax certificates, applications and related documents to Ligand. If Ligand is required to pay any Taxes in the Territory, other than Taxes imposed upon the payments under Clause 6.1 or 6.2, Distributor shall promptly reimburse Ligand upon written request therefor.

7. MARKETING AND PROMOTION

7.1 Marketing Plans: At least six (6) months prior to the anticipated date on which the relevant Product Authorization and Approval shall be issued in respect of each Product, Ligand and Distributor shall consult in good faith to determine an appropriate marketing plan in respect of

each Product for the Territory. All such marketing plans shall be harmonized with, and shall not prejudice, Ligand's global and regional marketing strategies covering the Territory. Distributor shall be responsible for implementing such marketing plans and for advertising and promoting each Product within the Territory from the dates on which it obtains the relevant Product Authorization and Approval for each Product. Distributor shall at all times adhere to the policies set by Ligand in the execution of mutually agreed upon annual marketing plans for the Products, including any marketing plans which Ligand wishes to implement among its Distributors in other territories and which are set by Ligand and agreed to by Distributor in good faith, ; provided, however, that Distributor, at its sole discretion (but in accordance with any relevant Approvals in the Territory in respect of pricing), may determine the Resale Prices for the Products and the terms and conditions of distribution.

7.2 Marketing Materials. In the promotion and marketing of the Products, Distributor shall develop sales literature and promotional materials provided to Distributor by Ligand pursuant to Clause 7.3. Distributor shall have the right to prepare other product descriptions and other promotional and marketing materials relating to the Products; provided however, that (1) all costs and expenses incurred by Distributor in the preparation and distribution of such product descriptions and other promotional and marketing materials shall be borne solely by Distributor; and (2) all such product descriptions and other promotional and marketing materials shall not be released by Distributor until approved in writing by Ligand, such

approval not to be unreasonably withheld. Distributor shall submit samples of final copy for all key product descriptions and other promotional and marketing materials it proposes to use in respect of the Products for Ligand's approval within sixty (60) days prior to the first date of anticipated use of such materials. Ligand shall use its reasonable efforts to respond to any such request for approval within thirty (30) days of its receipt thereof. If no written response is given by Ligand denying such request within the aforesaid term, then Ligand's approval shall be deemed granted.

7.3 Product Literature: To the extent that it is legally and contractually permitted to do so, Ligand will share with Distributor samples of product descriptions, sales aids and advertising and promotional materials developed and used by Ligand, its other Distributors or licensees (collectively "Promotional Materials") in respect of each Product as soon as practicable. Distributor shall bear all costs of reproducing and/or adapting such Promotional Materials for use within the Territory, and shall not use any adaptations of such Promotional Materials without Ligand's prior approval of such adaptations. Likewise, Distributor agrees to share samples of its Promotional Materials with Ligand and Ligand's other Distributors and licensees.

7.4 Rights to Reproductions: All translations, reproductions, adaptations and creations of derivative works of all of Ligand's Promotional Materials (collectively "Reproductions") created by Distributor will be created as "works made for hire" with Ligand as the hirer, and copyright and all other proprietary rights in all of the Reproductions shall vest in Ligand from the date of completion thereof by Distributor. To the extent that any Reproductions do not qualify as "works made for hire", then Distributor hereby assigns to Ligand all copyrights and all other proprietary rights in the Reproductions to Ligand. In this event, Distributor will, at Ligand's request, execute any assignment or "work made for hire" documents and shall take all other steps as necessary or appropriate to perfect copyrights and all other proprietary rights in the Reproductions in the name of Ligand. If, notwithstanding the foregoing, Ligand, for any reason, is deemed not to own all rights, title, and interest in and to the Reproductions, Distributor shall be automatically considered to have granted to Ligand a royalty-free, perpetual and transferable license to use, distribute, translate and reproduce the Reproductions. Such license shall be exclusive to Ligand and shall survive the expiration or termination of

this Agreement for any reason whatsoever.

7.5 Sales Assistance: Whenever Ligand considers it reasonably necessary in order to maintain or increase the volume of sales of Products in the Territory, Ligand shall be entitled to send, at its own cost, representatives to visit Distributor or Distributor's customers or prospective customers. Ligand shall keep Distributor informed of promotional methods and techniques used by Ligand in respect of the Products.

8. OBLIGATIONS OF DISTRIBUTOR

8.1. Diligent Efforts: Distributor shall use its diligent efforts to market and sell the

Products within the Territory at its own expense, including but not limited to professional sales calls on target medical audiences (e.g. physicians, hospitals, pharmacists, etc.), advertising the Products in appropriate media and participating in trade shows, conferences, expositions, and promotional seminars, all with due consideration for the local marketing environment in the Territory. Distributor shall conduct its marketing activities in a lawful manner with the highest standards of pharmaceutical product promotional practices, fair trade, fair competition, and business ethics, and shall cause its employees and Dealers to do the same.

8.2. Offices and Personnel. Distributor shall maintain offices adequate to market and support the Products in the Territory and shall retain and have at its disposal at all times an adequate staff of trained and qualified personnel to perform its obligations under this Agreement.

8.3. Dealers: Distributor may only appoint Affiliates or other third parties pursuant to the terms and conditions set forth in Clause 2.1. Any such appointment shall be made in writing and only in the name and for the account of Distributor, and shall terminate upon the expiration, non-renewal, or termination of this Agreement for any reason; provided, however, that:

(a) Distributor shall not undertake to grant to any Dealer any rights greater than those which are granted by Ligand to Distributor under this Agreement;

(b) In order to protect the goodwill of Ligand and the Products in the Territory, Distributor shall secure the agreement of each and every Dealer that it shall assume the same obligations as have been assumed by Distributor under this Agreement; and

(c) Distributor shall defend, indemnify and hold Ligand harmless against any claim, loss, liability or expense (including attorney's fees and court costs) arising out of or based upon (1) any act or omission of any Dealer, or (2) any claim made by any Dealer against Ligand.

8.4 Alterations: Distributor shall ensure that the Products are distributed, sold, and advertised in the form and with the labeling or marking designated by Ligand and in accordance with the applicable regulations in the Territory and, in particular, shall not alter, remove, or deface any Trademark. Distributor acknowledges that it shall have no right to sell any products under Ligand's name or trademark if they were not originally manufactured or supplied by, or on behalf of, Ligand.

8.5 Clinical Evaluations: Prior to conducting any clinical evaluation of any of the Products, Distributor shall furnish to Ligand, for its prior review and written approval, the protocols for such evaluation written in the English language. Ligand shall use its reasonable efforts to respond to any such written request for approval within ninety (90) days of its receipt thereof, granting its approval or, if duly and reasonably justified, denying it. If no written notice is given by

Ligand denying its approval within the aforesaid term, then Ligand's approval shall be deemed

granted. Results from any such clinical evaluation shall not be publicly disclosed or disclosed in confidence to any third party without Ligand's prior written approval, such approval not to be unreasonably withheld.

8.6 Insurance. Both parties shall obtain and at all times during the term of this Agreement maintain, and bear the cost of, liability insurance which, in the judgment of Ligand, is adequate to cover their respective obligations under this Agreement . A certificate of insurance and any other documentation necessary to prove compliance with this provision will be provided to the other party upon request.

9. REPORTING OBLIGATIONS

9.1 Foreign Laws and Regulations: In addition to its obligations under Clauses 4.1, 4.2 and 4.3 to provide Product Authorization and Approval information, Distributor shall advise Ligand of any legislation, rule, regulation or other law (including but not limited to any customs, tax, foreign exchange or foreign trade, antimonopoly, pharmaceutical products or intellectual property law) which is in effect or which may come into effect in the Territory after the date of this Agreement and which may affect the importation of the Products into the Territory or the use of the Products or the protection of Ligand's Intellectual Property Rights therein.

9.2 Record Keeping: At all times during the term of this Agreement, Distributor shall maintain at its principal place of business full, complete and accurate books of account and records with regard to its activities under this Agreement, including, without limitation, records of all sales of the Products including the names of customers to whom Products are sold and total gross sales and net sales for each calendar quarter. Upon reasonable notice, and not more than twice a year, Distributor shall grant Ligand or its representatives access during normal business hours to any premises of Distributor in order that Ligand, at its expense, may inspect Distributor's books and premises related to the Products for the sole purpose of verifying and enforcing compliance by Distributor with its obligations under this Agreement; provided, however, that Distributor shall reimburse Ligand for the full amount of the inspection costs if any inspection under this Clause 9.2 reveals any substantial breach by Distributor of this Agreement, provided that Ligand shall have the burden of establishing any such substantial breach.

9.3 Reports: Distributor shall provide Ligand with quarterly operation reports of Distributor's activities to register, develop and market the Products in the Territory, and shall provide to Ligand copies of all such reports received by Distributor from Dealers. Each such report shall be due within thirty (30) days after the end of the period to which it relates. Each report shall include:

(a) a monthly compilation of all Products distributed by Distributor, including the revenues derived therefrom and a breakdown of the prices charged in respect of each Product; and

(b) a monthly list of the amount of inventory on hand; and

(c) monthly gross and net sales on a per Product, per country basis in local currency and U.S. dollars, using the average exchange rate set forth in the European Central Bank's Web Site for the month.

9.4 Annual Statements: Distributor shall provide Ligand with annual statements within thirty (30) days after the end of each calendar year showing annual sales figures and the amount of inventory on hand as at December 31 of each year, and shall provide to Ligand copies of all such annual statements received by Distributor from Dealers. Such annual statements shall also contain a summary of all promotional activities undertaken by Distributor with respect to the Product during the preceding calendar year, and current credit references.

9.5 Exchange of Adverse Event Information: The recipient of Adverse Event (AE) reports and/or data, either Distributor or Ligand, will mutually exchange and promptly provide in writing, using the latest applicable International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH) and Council for International Organizations of Medical Sciences (CIOMS) guidelines for reporting, any adverse event information obtained by the receiving party associated with the use of the Products either as a result of marketed use or from investigational clinical trials:

(a) Without limiting the foregoing, the party that is the original recipient of AE information relating to incidents of serious and unexpected reactions and/or events associated with the use of any of the Products, as defined by the ICH and/or CIOMS guidelines, shall make an initial written report of that information to the other party, via facsimile, not more than 72 hours following receipt of that information. A full written report, following the content and format guidelines indicated in the applicable current ICH and CIOMS guidelines, is to be sent to and received by the other party within seven (7) days following the date the initial recipient receives such AE information.

(b) Distributor shall also provide Ligand with routine quarterly and annual adverse event reports and/or safety data received from any source in the Territory, using the ICH guidelines for the content and format for these types of reports. These reports are intended to be used for and incorporated into Periodic Safety Update Reports [PSUR] as defined by ICH guidelines. Ligand will provide a copy of each of the Products' complete PSUR to the Distributor within five (5) days of submission of the applicable Product's PSUR to the U.S. regulatory authorities.

(c) Distributor shall be responsible for submitting the adverse event/ medical safety (safety surveillance) reports in the countries of the Territory as required by the regulatory authorities. Ligand will hold and maintain the Central AE/ safety database for the Products and reports based on this

database, as necessary to meet the requirements of regulatory authorities in the Territory, will be made available to Distributor during the agreement life. Without limiting the generality of the foregoing, Distributor shall cooperate with Ligand for the development of standard operating procedures for exchange of information concerning Adverse Events and Product safety information derived from Products use in the Territory and each party shall at all times comply with the procedures so developed.

(d) For all of the reports specified above, the language of all exchange between and among the Parties will be English. Distributor will provide Ligand all of the above-required AE reports to the following address: Ligand Medical Safety Ligand Pharmaceuticals Inc. 10275 Science Center Drive San Diego, California 92121 U. S. A. Tel: 1 (619) 550-7588 Fax: 1 (619) 550-1860

Ligand will provide Distributor all of the above-required AE reports to the following address:

Ferrer Group
Pharmacoepidemiology and Safety
Medical Department
Gran Via Carlos III, 86
08028 Barcelona Spain
Tel: +34 93 330 61 11
Fax: +34 93 490 70 78

9.6 Recall Procedures: Ligand will provide Distributor with a copy of Ligand's standard operating procedure for recalls of products. Distributor acknowledges the importance of the development and the observance of correct procedures in case of recalls. Distributor shall cooperate with Ligand for the development of recall standard operating procedures and shall at all times comply with the procedures so developed and adhere to Ligand's instructions from time to time and always in accordance with mandatory requirements applicable in the Territory.

10. PRODUCT AUTHORIZATIONS AND BUY BACK OF RIGHTS

10.1 Distributor acknowledges that Ligand cannot and does not guarantee the issuance of any Product Authorization for any or all of the Products in any country in the Territory and that Ligand will have satisfied its contractual obligations to Distributor concerning Product Authorizations once it has submitted complete registration dossiers for Products subject to the following provisions:

(a) Within a period of *** the Effective Date, Ligand shall have the option of either (1) submitting a complete registration dossier for

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*** Portions of this page have been omited pursuant to a request for Confidential Treatment and filed separately with the Commission.

Product Authorization via central EMEA or mutual recognition procedures for at least *** Products (one of them being Targretin(TM) capsules); or (2) offering to buy-back from the Distributor the exclusive marketing rights for Products which Ligand has not submitted a complete registration dossier at a price of US$ *** for each such Product.

(b) If, within *** the Effective Date, Ligand has filed registration dossiers for at least *** Products, but has been unable to obtain Product Authorizations for Spain for at least *** Products (one of them being Targretin(TM) capsules), Distributor shall have the option, exercisable by written notice to Ligand within three months after the expiration of the *** period, either to:

(1) (Re)submit the registration dossier for *** Products, in which case Ligand will provide Distributor with reasonable assistance and all product data in its possession or available to it with the right to disclose that may be required for the registration process; and acquire, at no additional cost to Distributor, the exclusive marketing rights for all Products in the Philippines for a period of ten years from the date of Distributor's notice under the terms and conditions specified in this Agreement; or to

(2) Sell back to Ligand the exclusive marketing rights in the Territory for all unapproved Products in exchange, at Distributor's option, for (i) Ligand's waiver of its rights under Clause 6.3; or (ii) a payment of US$ *** in the aggregate.

(c) If, within *** from the Effective Date, Ligand and Distributor have been unable to obtain the Product Authorization in Spain for at least one Product and Distributor has not previously exercised either option granted under Clause 10.1 (b), Distributor shall have the further option, exercisable by

written notice to Ligand within *** after the expiration of the *** period, to take one of the steps described in Clause 10.1 (b); provided that the price payable by Ligand under Clause 10.1(b)(2)(ii) would be increased to US$ *** .

11. COVENANTS OF DISTRIBUTOR

11.1 Restrictions: To the extent permissible by law, Distributor is prohibited from:

(a) Advertising, circulating price lists or otherwise soliciting orders for the Products, and from establishing or maintaining branches, sales offices or distribution depots, outside the Territory for the distribution of the Products;

(b) During the term of this Agreement, seeking the Approval for, or marketing, (a) any products of a third party for a registration indication of CTCL or,

(b) any oral or topical product of a third party for a registration indication of Kaposi's Sarcoma, except as agreed by the parties.

12. INTELLECTUAL PROPERTY RIGHTS

12.1 Acknowledgment: Distributor acknowledges Ligand's exclusive right, title and interest in and to any and all Intellectual Property Rights pertaining to the Products. Distributor shall not at any time during or after the term of this Agreement take any act or step impairing the Intellectual Property Rights or do anything that may otherwise adversely affect the Intellectual Property Rights, provided that any good faith legal challenge shall not be deemed to be such an act or step.

12.2 Notices, Trademarks and Name. Distributor shall have the royalty-free and (except as to Ligand) exclusive, right to use in the Territory, and shall use where available, the trademarks in Appendix D designated by Ligand for each Product. If no trademark in Appendix D is available for a Product in a country of the Territory and Ligand is unable or elects not to provide an alternative trademark, then Distributor shall have the right to secure, in Ligand's name and for its benefit, trademark rights to a substitute mark for the Products in the relevant country and Ligand will reimburse Distributor for the pre-approved expenses of securing such rights. The rights to the substitute mark shall remain with the Product it is used for and shall be transferred accordingly in the event that corresponding Product rights are transferred. Distributor shall not alter, deface, remove, cover, mutilate, or add to, in any manner whatsoever, any patent notice, copyright notice, trademark, trade name, serial number, model number or brand name that Ligand may attach or affix to the Products. Distributor shall not market the Products under any name, sign or logo other than the Trademarks approved by Ligand. Distributor may use the Trademarks solely in connection with the distribution of the Products and in accordance with Ligand's instructions and quality control standards from time to time, and will execute any document reasonably requested by Ligand in connection with the use and maintenance of the Trademarks in the Territory. Distributor acknowledges and agrees that it shall not have any rights in respect of the Trademarks except to the extent expressly granted in this Agreement, and that all use of the Trademarks in the Territory and all goodwill in the Trademarks shall inure to the benefit of Ligand.

12.3 Third Party Claims: Distributor shall promptly notify Ligand of any claims or objections that its use of the Intellectual Property Rights in connection with the marketing, support or service of the Products may or will infringe the copyrights, patents, trademarks or other proprietary rights of another Person ("Third Party Claim"). If Distributor is served with a legal action or otherwise forced to

respond in a legal proceeding due to a Third Party Claim, Distributor shall (1) without delay, tender the defense of such Third Party Claim to Ligand; and (2) render Ligand all reasonable assistance, at Ligand's expense, in connection with the defense of any such third party claim or objection, whether in the courts, before administrative agencies, or otherwise. If Ligand refuses to assume the defense of a

Third Party Claim, Distributor shall have the right to defend itself against such Third Party Claim, in which case Ligand shall render Distributor all reasonable assistance, at Ligand's expense. Distributor shall not, except as required by law, knowingly make any admission to jeopardize, compromise or otherwise limit the validity of Intellectual Property Rights.

12.4 Infringement of Intellectual Property Rights: Distributor shall promptly notify Ligand of any infringement or suspected infringement of Intellectual Property Rights in the Territory relating to the Products of which it becomes aware, and provide Ligand with any available evidence of such infringement or suspected infringement.

(a) Enforcement by Ligand: Ligand, at its option, shall be entitled to institute enforcement proceedings ("Enforcement Proceedings") in respect of any infringement or unauthorized use of Intellectual Property Rights in the Territory. Distributor agrees to provide all reasonable co-operation and assistance to Ligand in relation to any such Enforcement Proceedings (and agrees to be named as a party if legally required). Any reasonable fees and costs borne by Distributor shall be reimbursed by Ligand. Ligand shall be entitled to deduct its reasonable expenses in relation to such Enforcement Proceedings (including reasonable attorney's fees and expenses and reimbursements to Distributor) from any recovery and any remaining amount shall be distributed pro rata among the parties in which Distributor shall receive 50% of any remaining recovery and Ligand shall receive 50% of any remaining recovery.

(b) Enforcement by Distributor: If, after six (6) months of receipt of credible evidence of infringement or unauthorized use of Intellectual Property Rights in the Territory or such lesser period of time if further delay would result in a loss of right to bring an Enforcement Proceeding, Ligand elects not to institute or continue an already instituted, Enforcement Proceeding then Distributor, using attorneys of Distributor's choosing reasonably acceptable to Ligand, can undertake or continue such Enforcement Proceeding at Distributor's expense. In such event, Distributor shall keep Ligand fully and timely informed of the action so as to enable Ligand to provide input which Distributor shall reasonable consider. Distributor may not enter into any settlement agreement or consent to judgement relating to the invalidity, unenforceability or noninfringement of the Intellectual Property Rights without Ligand's prior written consent. Ligand agrees to provide all reasonable co-operation and assistance to Distributor in relation to any such Enforcement Proceeding at Distributor's expense and agrees to be named as a party in any Enforcement Proceeding. Any reasonable fees and costs borne by Ligand shall be reimbursed by Distributor. If Distributor enforces Intellectual Property Rights in the Territory in accordance with this paragraph, Distributor shall be entitled to deduct its reasonable expenses in relation to such Enforcement Proceeding (including reasonable attorney's fees and expenses and reimbursements to Ligand)

from any recovery and any remaining amount shall be distributed pro rata among the parties in which Distributor shall receive 50% of any remaining recovery and Ligand shall receive 50% of

any remaining recovery.

13. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION

13.1 Non-Disclosure Obligations: During the term of this Agreement, the Disclosing Party will disclose certain Confidential Information to the Receiving Party to permit the Receiving Party to perform its obligations under this Agreement. The Receiving Party shall refrain from using or exploiting any and all Confidential Information for any purposes or activities other than those expressly authorized in this Agreement. The Receiving Party agrees that such Confidential Information shall be kept secret by the Receiving Party during the term of this Agreement and after the expiration hereof. The Receiving Party shall disclose Confidential Information only to its agents, representatives or employees with a need to know and shall implement appropriate security measures in order to avoid the disclosure or misappropriation of such Confidential Information.

13.2 Confidentiality Agreements: Both parties shall cause each of their directors, officers and employees and the directors, officers and employees of, respectively, Distributor's Dealers and agents, and Ligand's assignee's, who will receive Confidential Information pursuant to Clause 13.1 to enter into a Confidentiality Agreement in a form approved by both parties. The Distributor and Ligand, respectively, shall at their own expense undertake the enforcement of any such Confidentiality Agreement in the event of any breach thereof. Execution of Confidentiality Agreements by the parties shall not, however, be construed as limiting their duties or obligations hereunder.

13.3 Ownership of Ligand's Materials. All files, lists, records, documents, drawings, specifications and records, whether in written or electronic form, which incorporate or refer to all or a portion of Ligand's Confidential Information shall remain the sole property of Ligand. Such materials shall be promptly returned (1) upon Ligand's reasonable request, or (2) in accordance with Clause 17.2 of this Agreement upon termination of this Agreement, whichever is earlier.

13.4 Exceptions. The provisions of this Clause 13 shall not apply, or cease to apply, to information supplied by Ligand if it (1) was already known to Distributor; (2) came into the public domain without breach of confidence by Distributor or any other Person; (3) was received by Distributor from a third party without restrictions on their use in favor of Ligand; or (4) is required to be disclosed pursuant to any statutory or regulatory provision or court order; provided that Distributor shall have the burden of establishing any of the foregoing exceptions.

14. LIGAND WARRANTY, INDEMNITY, AND LIMITATIONS OF LIABILITY

14.1 Non-Infringement. To the best of Ligand's knowledge, the sale and use of the Products does not infringe the proprietary rights of any third party in the Territory,

and no court proceedings or any other procedure for infringement of patent, copyright, trademark, trade secret or any other property rights have been brought against Ligand with respect to the Products as of the effective date of this Agreement. Ligand makes no warranty or representation, implied or otherwise, that the Products and/or their sale or use will not infringe the property rights of any third party in the Territory.

14.2 Products Warranty: Ligand warrants that all Products supplied hereunder shall (1) conform to the products specifications therefor, as published by Ligand from time to time consistent with the data contained in the Product Authorizations, and (2) have a shelf life of one year or more (or in the case of Ontak, nine months or more) from the date of shipment to Distributor. The aforementioned shelf life terms shall be proportionally increased from time to time in accordance with improved

stability data.

14.3 Indemnity: Ligand shall defend, indemnify and hold Distributor and its shareholders, managers, officers, directors, agents and employees harmless against any and all losses, damages, claims, liabilities, costs and expenses (including reasonable attorney's fees) resulting solely from the personal injury or death caused by the defective design and/or manufacture of the Products when supplied to Distributor by Ligand or by Ligand's appointee, provided that Distributor promptly notifies Ligand in writing of any claim, action or suit potentially giving rise to the indemnification obligation hereunder. Ligand shall have the sole and absolute control of, and discretion in, the handling of the defense and/or settlement of any such claim, action or suit, including, without limitation, the selection of defense counsel, and Distributor shall fully cooperate with Ligand in the defense and settlement of all such claims, actions or suits, provided, however, that Distributor may take any appropriate action necessary to preserve or avoid prejudice to its interests, or the interests of Ligand as indemnitor, in the event that (1) notice to Ligand cannot be given in sufficient time for Ligand to take action, or (2) Ligand, after prompt notice and inquiry from Distributor, fails to acknowledge its obligation to indemnify Distributor under this clause.

14.4 DISCLAIMERS. TO THE FULL EXTENT PERMITTED BY LAW, APART FROM THE FOREGOING WARRANTIES AND INDEMNITY, LIGAND MAKES NO ADDITIONAL REPRESENTATIONS OR WARRANTIES AND HEREBY DISCLAIMS ALL WARRANTIES, REPRESENTATIONS, AND LIABILITIES, WHETHER EXPRESS OR IMPLIED, ARISING FROM CONTRACT OR TORT (EXCEPT FRAUD), IMPOSED BY STATUTE OR OTHERWISE, RELATING TO THE PRODUCTS AND/OR ANY PATENTS OR TECHNOLOGY USED OR INCLUDED IN THE PRODUCTS, INCLUDING ANY WARRANTIES AS TO MERCHANTABILITY, FITNESS FOR PURPOSE, CORRESPONDENCE WITH DESCRIPTION, OR NON-INFRINGEMENT.

14.5 LIMITATION. IN NO EVENT WILL LIGAND BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL OR SPECIAL DAMAGES, INCLUDING

ANY LOSS OF PROFITS, EVEN IF LIGAND HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

14.6 LIABILITY CAP. IN NO EVENT SHALL LIGAND'S LIABILITY TO DISTRIBUTOR EXCEED AN AMOUNT EQUAL TO THE AGGREGATE BASE PRICES PAID BY DISTRIBUTOR TO LIGAND FOR PRODUCTS DURING THE LAST CALENDAR QUARTER, except that this liability limitation shall not apply to Ligand's indemnity obligation under section 14.3 arising from personal injury or death caused by the defective design and/or manufacture of the Products when supplied to Distributor by Ligand or by Ligand's appointee.

15. DISTRIBUTOR'S WARRANTIES, INDEMNITY AND LIMITATIONS OF LIABILITY

15.1 Warranties: Distributor represents and warrants to Ligand that:

(a) Distributor is a corporation duly organized, validly existing and in good standing under the laws of Spain and has the corporate power to execute this Agreement and to perform its obligations hereunder;

(b) the person or persons executing this Agreement on behalf of Distributor have been duly authorized to do so by all requisite corporate or other actions of Distributor;

(c) this Agreement is the legal, valid and binding obligation of Distributor, enforceable in accordance with its terms;

(d) the execution, delivery and performance of this Agreement by Distributor does not and will not conflict with or result in a breach of any agreement, instrument or understanding, oral or written, to which Distributor is a party or by which Distributor may be bound, nor violate any law or regulation of any court or

Governmental Authority having jurisdiction over Distributor;

(e) Distributor will maintain at all times during this Agreement all necessary Approvals, according to Clause 4.2; and

(f) all Affiliates of Distributor are duly organized, validly existing and in good standing under the laws of the country in which they operate and have the power to perform all obligations under this Agreement that they are assigned by Distributor.

15.2 Indemnity: Distributor shall indemnify and hold Ligand and its shareholders, managers, officers, directors, agents and employees harmless against any and all losses, damages, claims, liabilities, costs and expenses (including reasonable attorneys' fees) resulting from any breach by Distributor of this Agreement so declared by a court of competent jurisdiction or as agreed between the parties, or resulting from any claim that may be made by reason of any damage caused by an

act or omission of Distributor or any of its shareholders, managers, officers, directors, agents or employees whenever such act or omission is in connection with this Agreement, contrary to the law and is so declared by a court of competent jurisdiction or as agreed between the parties.

15.3 LIMITATION. IN NO EVENT WILL DISTRIBUTOR BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL OR SPECIAL DAMAGES, INCLUDING ANY LOSS OF PROFITS, EVEN IF DISTRIBUTOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

16. TERMINATION

16.1 Termination by Ligand: Ligand may terminate this Agreement, at its sole discretion: (1) in its entirety; or (2) in respect of any specified part of the Territory and/or any one or more of the Products only, by giving Distributor thirty (30) days written notice of termination, effective on the date such notice is received, in the event that:

(a) Distributor breaches any of its material obligations under this Agreement, and fails to cure such breach within thirty (30) days of receiving a written notice from Ligand specifying such breach and requiring it to be cured;

(b) Distributor takes any act or step impairing the Intellectual Property Rights or does anything that may otherwise adversely affect the Intellectual Property Rights of Ligand, provided, however, that Ligand may exercise its rights of termination pursuant to this Clause 16.1(b) whether or not the Distributor's legal challenge of Ligand's rights is in good faith;

(c) Distributor enters into insolvency or bankruptcy or is unable to pay its debts as they fall due, or a trustee or receiver or the equivalent is appointed to Distributor, or proceedings are instituted against Distributor in the Territory relating to dissolution, liquidation, winding up, bankruptcy, insolvency or the relief of creditors, if such proceedings are not terminated or discharged within thirty days;

(d) there is a change of control of Distributor, beyond its corporate structure and owners on the Effective Date, or a sale or disposition by Distributor to a third party other than its owners and companies in its corporate structure on the Effective Date of substantially all of its assets, without the prior written approval of Ligand, which approval may be given or withheld in Ligand's sole discretion. For the purposes of this Clause 16.1(d), the transfer (whether direct or indirect) of all or a majority of the capital stock of Distributor or the merger, consolidation or reorganization of Distributor beyond its corporate structure and owners on the Effective Date shall be considered a "change in control" of Distributor;

(e) any event of Force Majeure, as defined in Clause 19.6 hereof, occurs and

prevents Distributor from performing its obligations under this Agreement for a period of 90 days or more, provided there is no commercially reasonable alternative;

(f) Distributor ceases to carry on business in the marketing of pharmaceutical products in the Territory;

(g) any law, decree, or regulation is enacted within the Territory which would substantially impair or restrict (1) Ligand's right to terminate or elect not to renew this Agreement as herein provided; (2) Ligand's right, title or interest in the Products or the Intellectual Property Rights therein; or (3) Ligand's right to collect the purchase prices for the Products as set forth in this Agreement; or

(h) an adverse event occurs which has substantially impaired the ability of Distributor to continue to perform its obligations hereunder and Distributor is unable to provide Ligand with adequate assurance of future performance.

16.2 Termination by Distributor: Distributor may terminate this Agreement, at its sole discretion: (1) in its entirety; or (2) in respect of any specified part of the Territory and/or any one or more of the Products only, by giving Ligand thirty (30) days written notice of termination, effective on the date such notice is received, in the event that:

(a) Ligand breaches any of its material obligations under this Agreement, and fails to cure such breach within thirty (30) days of receiving a written notice from Distributor specifying such breach and requiring it to be cured;

(b) any event of Force Majeure, as defined in Clause 19.6 hereof, occurs and prevents Ligand from performing its obligations under this Agreement for a period of 90 days or more, provided there is no commercially reasonable alternative ;

(c) the Governmental Authorities have not issued the requisite Product Authorization or Approval for any Product for any country in the Territory;

(d) any law, decree, or regulation is enacted within the Territory which would substantially impair or restrict (1) Distributor's right to terminate or elect not to renew this Agreement as herein provided; (2) Ligand's right, title or interest in the Products or the Intellectual Property Rights therein; or (3) Distributor's right to market and distribute the Products in accordance with this Agreement; or

(e) an adverse event occurs which has substantially impaired Ligand's ability to continue to perform its obligations hereunder and Ligand is unable to provide Distributor with adequate assurance of future performance.

17. RIGHTS AND OBLIGATIONS UPON TERMINATION/NONRENEWAL

17.1 Cessation of Rights: Upon expiration or termination (collectively, the "Termination") of this Agreement for any reason whatsoever as provided herein all rights and obligations of the parties hereunder shall cease, except as provided in Clauses 17.5 of this Agreement; provided, however, that Termination of this Agreement shall not relieve the

parties hereto of any obligations accrued prior to said Termination. Distributor, following notice of Termination by Ligand, shall be entitled to purchase under the terms and conditions of this Agreement, any Products the orders for which were accompanied by payment and which were accepted by Ligand prior to the effective date of Termination, even though shipment of the Products may be made subsequent to the date of Termination, provided that Distributor has paid all outstanding obligations to Ligand. Upon Termination by Ligand pursuant to Clauses 16.1, Distributor shall immediately cease to use any advertising or promotional materials relating to the Products and discontinue any previously authorized use of the Trademarks and Confidential Information (except for activities permitted by the last sentence of Clause 17.3), and shall cease all conduct that might cause any Person to believe that Distributor is a Distributor of the Products or otherwise connected with Ligand.

17.2 Return of Materials and Customer List: Upon Termination, Distributor shall promptly return to Ligand, or deliver to a third party designated by Ligand, and shall cause its Dealers and employees to return or deliver, all sales materials, Confidential Information in written, recorded or other tangible form and other items in Distributor's possession, which Ligand has furnished or supplied to Distributor, or which Distributor has furnished to its Dealers and employees, and all customer lists for Ligand Products. If Distributor purchased any such materials or other items, Distributor shall be reimbursed in an amount equal to the net price paid by Distributor for the same.

17.3 Repurchase of Inventory: Ligand shall have the option, exercisable at its sole discretion by written notice to Distributor within thirty (30) days after Termination, to repurchase all or part of Distributor's remaining inventory of Products. The price payable by Ligand upon the exercise of the option shall be the net price paid by Distributor to Ligand for the Products, plus the costs of re-shipment to San Diego, California, or to such other destination within the Territory as Ligand may designate. Upon receipt of Ligand's notice of exercise of its option pursuant to this clause, Distributor shall ship its inventory of Products on hand to such location as Ligand may designate. If Ligand does not exercise its rights under this clause, Distributor shall have the right to sell its existing inventory for a period of six months months following the date of Termination.

17.4 Product Authorizations, Trademarks and other Product rights: Upon Termination of this Agreement as provided herein for any reason whatsoever, Distributor shall immediately take all steps necessary to transfer to Ligand, or to Ligand's designee, any and all rights Distributor may have to Product Authorizations, Trademarks and any other rights associated with the Products, to the extent permitted by applicable

law and at Distributor's cost. Distributor shall, at the time for application for Product Authorizations, take all reasonable steps to ensure that such transfers may later be completed. If such transfer is not possible, Distributor shall use its best efforts to arrange for Ligand or its designee to rely upon such Product Authorizations and shall permit Ligand or its designee to use and reference such Product Authorizations in its own applications.

17.5 Survival of Non-Disclosure Obligation: Notwithstanding the Termination of this Agreement, both Parties shall continue to abide by the terms of its non-disclosure obligations with respect to Confidential Information under Clause 12 of this Agreement.

17.6 Waiver of Termination Compensation: Neither Party shall be liable for, and each Party hereby waives, all right to compensation and all claims of any kind whether on account of the loss by the other of present or prospective profits, or anticipated orders, or expenditures, investments, or commitments made in connection with this Agreement, goodwill created, or on account of any other cause whatsoever.

18. CERTAIN PAYMENTS

18.1 No Payments: Distributor shall not make, offer or agree to offer anything of value to any government official, political party or candidate for government office. Distributor undertakes that there is not now nor will there be any employment of or beneficial ownership of Distributor by governmental or political officials in the Territory. Distributor will indemnify and hold harmless Ligand against any and all losses, costs, expenses or liabilities resulting from any breach by Distributor of its obligations under this Clause 18.

19. GENERAL PROVISIONS

19.1 Waivers: The waiver by either party of a breach or default in any of the provisions of this Agreement by the other party shall not be construed as a waiver of any succeeding breach of the same or other provisions.

19.2 Entire Agreement and Amendments: This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements between the parties, whether written or oral, relating to the same subject matter. No modification, amendments or supplements to this Agreement shall be effective for any purpose unless in writing, signed by each party.

19.3 Governing Language: This Agreement has been prepared and executed in the English language. No authorized translation has been prepared or executed. In the event that any translation is prepared, the English language version of this Agreement shall govern. All written correspondence between the parties shall be in the English language.

19.4 Further Assurances: Each party agrees to do such acts and execute such further documents as may be necessary or desirable to enable the performance of and to fulfill the provisions and intent of this Agreement.

19.5 Assignments: This Agreement is entered into by Ligand in reliance upon the facilities, personnel and technical expertise of Distributor, and Distributor may only transfer or delegate the performance of the Agreement or any part thereof to a Dealer pursuant to the terms and conditions of Clause 2.1. Nothing herein contained, however, shall prevent Ligand or Distributor from assigning this Agreement in whole or in part to, or causing any order or orders to be filled in whole or in part by, any Affiliate of Ligand or the Distributor, respectively. Ligand shall also have the right to assign this agreement in amerger or acquisition in which Ligand is not the surviving entity, or as part of a transfer of all or substantially all of the assets of its business to which this Agreement pertains.

19.6 Force Majeure: Neither party shall be liable to the other party for any delay or omission in the performance of any obligation under this Agreement, other than the obligation to pay monies, where the delay or omission is due to any cause or condition beyond the reasonable control of the party obliged to perform, including, but not limited to, strikes or other labor difficulties, acts of God, acts of government (in particular with respect to the refusal to issue necessary import or export licenses), war, riots, embargoes, or inability to obtain supplies ("Force Majeure"). If Force Majeure prevents or delays the performance by a party of any obligation under this Agreement, then the party claiming Force Majeure shall promptly notify the other party thereof in writing.

19.7 Notices: Unless otherwise specifically provided, all notices required or permitted by this Agreement shall be in writing and in English, effective upon receipt, and may be delivered personally, or may be sent by facsimile, commercial express courier, or first class air mail, postage prepaid, addressed as follows:

If to Ligand: Ligand Pharmaceuticals Incorporated

10275 Science Center Drive
San Diego, California 92121
Attention: General Counsel
Facsimile: (+)(1)(619) 550-1825

If to Distributor: Ferrer Internacional , S.A.
Gran Via Carlos III, 94,
08028 Barcelona, Spain
Attention: Licensing Department (cc. Legal Department)
Facsimile: (+)(34)(3) 330 80 57

20. CHOICE OF LAW AND DISPUTE RESOLUTION

20.1 Choice of Law: This Agreement is governed by, and shall be construed in accordance with, the laws of the State of California, United States of America, excluding (a) conflicts of laws rules, and (b) the United Nations' Convention on Contracts for the International Sale of Goods. The parties shall endeavor to resolve amicably any and all disputes arising under or in connection with this Agreement, including but not limited to the interpretation of this Agreement, its validity and the performance hereunder.

20.2 Disputes: Any dispute between the parties relating to the validity, performance, interpretation or construction of this Agreement that cannot be resolved amicably between the parties shall be submitted to the exclusive jurisdiction of the courts, including the United States District Courts, in the State of California. Each party hereto irrevocably submits to the personal jurisdiction of the courts in California, for the resolution of all disputes hereunder.

20.3 Right to Judicial Remedies: Nothing in this Clause 20 shall be construed to impair or restrict either Party's right to judicial remedies, including preliminary and permanent injunctions from any court of competent jurisdiction to prevent any infringement of the Intellectual Property Rights, representation of competitive products, and/or disclosure of the Confidential Information.

IN WITNESS WHEREOF, each party has caused its duly authorized representative to execute and deliver this Agreement in reliance on the due authority of the representative of the other party, to be effective as of March 26, 1999.

DISTRIBUTOR: LIGAND PHARMACEUTICALS, INC.:

By: /s/ R. FOGUET By: /s/ David E. Robinson
---------- ----------
Title: CEO Title: Chairman, President & CEO
---------- ----------

SERAGEN, INC.:

By: /s/ Paul V. Maier

Title: CEO

APPENDIX A

PRODUCTS

<TABLE>
<CAPTION>
PRODUCT COVERED INDICATIONS
------- ----------
<S> <C>

Panretin(TM) Gel (alitretinoin)	All indications
Panretin(TM) Capsules (alitretinoin)	All indications
Ontak(TM) (denileukin diftitox)	All indications
Targretin(TM) Gel (bexarotene)	The treatment, palliation, prevention and/or remission of cancer and dermatological diseases
Targretin(TM) Capsules (bexarotene)	The treatment, palliation, prevention and/or remission of cancer and dermatological diseases

APPENDIX B

BASE PRICE SCHEDULE

Targretin(TM) products:	***% of Resale Price.
Ontak(TM) products:	***% of Resale Price.
Panretin(TM)products:	***% of Resale Price.

- ----------
*** Portions of this page have been omited pursuant to a request for Confidential Treatment and filed separately with the Commission.

APPENDIX C

NET SALE PRICE SCHEDULE

1. Targretin(TM) products:	***% of Ex-Distributor price in the Territory
2. Ontak(TM)(TM) products:	***% of Ex-Distributor price in the Territory
3. Panretin(TM) products:	***% of Ex-Distributor price in the Territory

- ----------
*** Portions of this page have been omited pursuant to a request for Confidential Treatment and filed separately with the Commission.

APPENDIX D

LIGAND TRADEMARKS

<CAPTION>

Trademark	Generic Product Name	Country	Trademark Status
<S>	<C>	<C>	<C>
Panretin(TM)	alitretinoin	US	Registered
		EP (CTM)	Pending
Targretin(TM)	bexarotene	US	Registered
		EP(CTM)	Pending
Ontak(TM)	denileukin diftitox	US	Pending
		EP(CTM)	Pending
Onact(TM)	denileukin diftitox	Portugal	Registered
		Spain	Pending

</TABLE>

EXHIBIT 10.4

DISTRIBUTORSHIP AGREEMENT

This Distributorship Agreement ("Agreement"), is entered into as of March 26, 1999 between:

LIGAND PHARMACEUTICALS, INCORPORATED, a corporation organized and existing under the laws of the State of Delaware, U.S.A., with its principal place of business at 10275 Science Center Drive, San Diego, California, U.S.A. and SERAGEN, INC. a Delaware corporation having its principle place of business at 97 South Street, Hopkinton, Massachusetts (collectively referred to herein as "Ligand")

and

FERRER INTERNACIONAL, S.A, a corporation organized and existing under the laws of Spain with its principal place of business at Gran Via Carlos III, 94, Barcelona, Spain ("Distributor")

W I T N E S S E T H:

A. Ligand is a leading researcher, developer and manufacturer of biopharmaceutical products, including the Products, and is the exclusive owner or licensee of proprietary rights in such Products.

B. Distributor is engaged in the marketing of pharmaceutical products and has represented to Ligand that it has the facilities, personnel and technical expertise to market and distribute the Products in the Territory.

C. Ligand is willing to exclusively sell Products in the Territory to Distributor on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. DEFINITIONS

For purposes of this Agreement, the following terms shall have the following meanings:

1.1 "Affiliate" means any corporation or business entity which, directly or indirectly, is controlled by, controls, or is under common control with Ligand or Distributor, as applicable. For this purpose, "control" includes, but is not limited to, direct or indirect ownership of more than fifty percent (50%) of the voting shares or stock of such corporation or business entity.

1.2 "Approvals" means and includes all filings, approvals, registrations, permits, licenses and authorizations related to Product pricing or marketing activities which are necessary or

which, in the reasonable opinion of Ligand, are desirable, to be made with or obtained from any Governmental Authority for the sale of the Products in the Territory, including, without limitation, any pricing approvals, government reimbursement approvals, import permits and approvals concerning Distributor's facilities, but excluding Product Authorizations.

1.3 "Base Price" means, with respect to each Product, the price set forth in Attachment B.

1.4 "Confidential Information" means any and all data, trade secrets, confidential knowledge, specifications, clinical data and protocols and other proprietary information, not in the public domain, relating to the Products and/or the business or affairs of either party (the "Disclosing Party"). Confidential Information shall also include the present Agreement and the terms set forth herein to the extent that it has not been placed into the public domain by the Disclosing Party. Confidential

Information may be communicated to the other party (the "Receiving Party") orally, visually, in writing, or in any other recorded or tangible form. All data and information will be considered to be Confidential Information hereunder (1) if the Disclosing Party has marked them as such, (2) if the Disclosing Party, orally or in writing, has advised the Receiving party of the confidential nature, provided that, if disclosed orally, the Disclosing Party confirms such confidential nature in writing within two weeks thereafter; or (3) if, due to their character or nature, a reasonable person in a like position and under like circumstances as the Receiving Party would treat them as secret and confidential.

1.5 "Dealer" means a sub-distributor, agent or marketing representative of Distributor.

1.6 "Effective Date" means the date of this Agreement as designated in preamble to this Agreement on the first page.

1.7 [Reserved]

1.8 "Governmental Authority" means and includes all governmental and regulatory bodies, agencies, departments or entities, whether or not located in the Territory, which regulate, direct or control commerce in or with the Territory.

1.9 "Intellectual Property Rights" means and includes all copyrights, designs, databases, mask works, patents, trademarks, trade names and other proprietary rights, and all registrations and applications therefor, which Ligand may at any time own, adopt, use, license or register with respect to a Product or its business, and includes the Trademarks.

1.10 [Reserved]

1.11 "Person" means and includes any agency, association, company, individual, or other entity regardless of the type or nature thereof.

1.12 "Product Authorizations" means and includes all filings, approvals, registrations and

authorizations relating to pharmaceutical or medicinal products which are necessary or which, in the reasonable opinion of Ligand, are desirable, to be made with or obtained from any Governmental Authority in order for Distributor to lawfully market, promote, offer for sale and sell the Products in the Territory, but excluding Approvals.

1.13 "Products" means the biopharmaceutical products manufactured by or on behalf of Ligand, for the indications and applications specified, which are listed in Appendix A, as amended by Ligand from time to time by written notice to Distributor; and shall include all line extensions and modified or improved versions of such products from time to time.

1.14 "Resale Price" means the price from the Distributor, as determined by the Spanish Governmental Authorities ("Precio de Venta Laboratorio"), as reduced by:

(a) freight, shipping and insurance with respect to such Products;

(b) sales, excise or similar taxes imposed on the sale of the Products;

(c) any mandatory or industry standard discounts or rebates to the competent Governmental Authorities and/or Social Security Systems pursuant to the regulations and/or agreements in force; and

(d) cash and trade discounts and allowances as customarily applied to products of a similar kind in the pharmaceutical industry in the relevant country within the Territory;

but in no event may the quarterly total deductions to the Precio de Venta Laboratorio in any country of the Territory exceed 5% of the Precio de Venta Laboratorio, and in any case deductions may be taken only if they are paid by Distributor or actually charged against Distributor and evidenced in Distributor's books and records of account and the reports provided to Ligand pursuant to Clause 9.3 hereof. If no such price has been approved by the Spanish Governmental Authorities, Resale Price shall mean the average, same distribution level price agreed upon by Ligand or its other distributors for the relevant Products with the Governmental Authorities in the first three European Union Member States where the relevant Product is sold. If Product prices have been approved in fewer than three European Union Member States, the Resale Price shall be the average price in such fewer countries or, if there is no such country, a price mutually agreed upon by the parties.

1.15 "Technical Assistance" means and includes advice, training, information and other support regarding the manufacture, specifications, clinical trials and marketing specifically related to the Products.

1.16 "Term" means the term of this Agreement as determined in accordance with Clause 3.1 and, where the context permits, includes the extensions as per Clause 3.2 .

1.17 "Territory" means the geographic area comprising the countries in Central and South America, as listed on Appendix D.

1.18 "Trademarks" means the trademarks owned or licensed and designated by Ligand for the Products in Appendix C, as well as any substitute marks that are used for the Products in accordance with Clause 12.2.

2. GRANT OF RIGHTS

2.1 Distribution Rights: Subject to the terms and conditions of this Agreement, Ligand grants to Distributor, and Distributor accepts, the exclusive right to market the Products in the Territory. Right to market under this Agreement shall mean the Distributor's right (1) to hold itself out as Ligand's exclusive authorized distributor in the Territory; (2) to acquire the Products from Ligand for resale to customers on its own account in the Territory; and (3) to appoint Affiliates of Distributor or other third parties (deemed) approved by Ligand as Dealers in the Territory; provided, however, that (a) Distributor shall obtain an executed copy of a sub-distributor or dealer agreement, in a form containing terms and conditions substantially similar to the terms and conditions of this Agreement, from the relevant Dealer; and (b) Distributor shall notify Ligand in writing of the desired appointment of any third party Dealer and, at Ligand's request, provide Ligand with adequate background information on such Dealer. Unless Ligand reasonably objects to such appointment within thirty calendar days after its receipt of such notice and information, Ligand shall be deemed to have given the requisite approval to the appointment.

2.2 Additional Rights: Ligand further grants Distributor the royalty-free and (except as to Ligand) exclusive right to use the Confidential Information, the assistance and information related thereto pursuant to Clause 4.4, and the Trademarks solely to the extent reasonably necessary for the distribution and marketing of the Products within the Territory in accordance with this Agreement.

2.3 Independent Contractors: The relationship of Ligand and Distributor established by this Agreement is of seller and buyer, or independent contractors, and nothing in this Agreement shall be construed: (1) to give either party the power to direct or control the daily activities of the other party, or (2) to constitute the parties as principal and agent, partners, or otherwise as participants in a joint undertaking. Ligand shall have no obligation or authority, express or implied, to exercise any control whatsoever over the employees or the business affairs of Distributor. Except as specifically provided in this Agreement, Distributor shall have no power or authority to make or give

any representation or warranty or to incur any liability or obligation, or to waive any right, on Ligand's behalf.

2.4 Ligand's Rights: Ligand reserves the right to modify and/or to discontinue developing or producing the Products at its discretion at any time either (1) due to legal or regulatory requirements, administrative or court orders, or safety risks, or (2) so long as the Product in question is also withdrawn from the European or the North American market for a justified and reasonable motive; provided, however, that Ligand shall notify Distributor as soon as

practicable after any such modification or discontinuance and that Distributor shall be entitled to market any modified versions of Products pursuant to the terms of this Agreement. Nothing in this Agreement shall be deemed to restrict Ligand from selling the Products or other products to Persons outside the Territory for use within the Territory, nor from appointing distributors in countries outside the Territory who may be permitted, by operation of law, to sell the Products in the Territory, and Distributor shall receive no compensation for such sales by Ligand or any other distributor; provided, however, that Ligand shall impose upon its other distributors restrictions on their active marketing of the Products in the Territory equivalent to restrictions placed upon Distributor's active marketing of Products outside the Territory in this Agreement, to the extent such restrictions are legally permissible.

2.5 Ligand Exclusive Supplier: During the Term, Distributor shall purchase all of its requirements of the Products from Ligand or any party designated by Ligand for this purpose.

3. TERM

3.1 Term: The term of this Agreement shall commence on the Effective Date and shall continue, with respect to a particular Product, for a period of ten years from the date of first sale of that particular Product to Distributor anywhere in the Territory after the Product Authorization is obtained for such Product, unless the Agreement is earlier terminated in accordance with Clause 16.

3.2 Extensions: Ligand and Distributor agree that, at least one year before the expiration of the initial ten-year term of the Agreement, they shall engage in good faith discussions for a period not to exceed six months concerning the extension of the term of the Agreement for the relevant Product(s) for a period of three to five years at commercial terms and conditions to be negotiated during the six month discussion period.

4. AUTHORIZATIONS

4.1 Distributor to Use Diligent Efforts to Apply for and Pursue Product Authorizations: Following the issuance of any Product Authorization by the FDA, the EMEA, or any other Governmental Authority and in consultation with Ligand, Distributor shall be responsible for, and shall use diligent efforts to, file applications for, pursue and maintain, in each country within the Territory, during the Term, all Product Authorizations. All Product Authorizations shall be in Ligand's name, whenever legally permissible, unless otherwise agreed to by Ligand. Distributor shall obtain Ligand's prior approval of all applications and submissions to any Governmental Authority in respect of any Product Authorization. Distributor shall keep Ligand informed, in writing, of the status of its applications for Product Authorizations on a regular basis, and in any event no less frequently than once every three months, and shall immediately notify Ligand in writing of any substantial change in the status of any Product Authorization or any substantive questions received from any Governmental Authority in respect of such Product Authorizations. Distributor

shall provide copies of all Product Authorizations to Ligand at its request. If at any time there is a choice in respect of the appropriate

type of such Product Authorization to be obtained or maintained in respect of any one or more of the Products, Ligand may, in its sole and absolute discretion, exercise such choice and shall direct Distributor as to the appropriate Product Authorization to be requested. If Ligand, at its sole discretion, informs Distributor that it does not intend to apply for any requisite Product Authorization in any country in the Territory, Distributor may give Ligand written notice of its intention to seek such Product Authorization on its own and shall have the right to do so, unless Ligand proceeds with or authorizes the filing on its behalf within thirty calendar days after its receipt of Distributor's notice. In any given case when Distributor seeks Product Authorization, Ligand shall provide Distributor with all reasonably necessary and available clinical data, documentation and assistance to such effect.

4.2 Distributor to Apply for Approvals: Distributor, at its cost, shall file applications for and maintain Approvals for all Products listed on Appendix A in effect as of the Effective Date in each country in the Territory during the Term. If Distributor believes that any application for Approval for any particular future Product or indication that may be included within the scope of this Agreement is not economically justified, Ligand may proceed with the application at its own cost and, upon issuance of the Approval, Distributor shall market the Product in the country concerned, if Ligand so requests. Distributor shall immediately notify Ligand in writing of any substantial change in the status of any Approval or any substantive questions received from any Governmental Authority in respect of such Approvals. Distributor shall provide copies of all Approvals to Ligand.

4.3 Pricing Approvals: Without limiting the generality of Clause 4.2, any applications, submissions, negotiations and agreements with any Governmental Authority on Product prices will require Ligand's prior consent provided, however, that Ligand shall give its consent if the price from the Distributor to the wholesalers in the relevant country of the Territory is not less than ***percent of the price as determined by the Spanish Governmental Authorities ("Precio de Venta Laboratorio").

4.4 Ligand to Provide Assistance: Ligand shall provide such assistance as Ligand may deem reasonably necessary to Distributor in respect of Distributor's Product Authorization and Approval obligations under Clauses 4.1, 4.2 and 4.3, and in particular shall provide:

(a) written materials and information concerning the Products, including copies, or summaries, of materials prepared for submission to the United States and Europe (or, at Ligand's discretion, Central or South American) Governmental Authorities concerning the Products or their labeling, to the extent that Ligand is legally and contractually permitted or required to do so, for Distributor's use in obtaining Product Authorizations in respect of each of the Products; and

(b) access to such clinical data and documentation in respect of the Products generated by research and trials funded by Ligand or to which Ligand may have access with

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the right to disclose, as Ligand may deem reasonably necessary, to be relevant and useful to Distributor in obtaining Product Authorizations in respect of each Product.

4.5 Distributor to Bear Costs: Subject to Clauses 4.1 and 4.6 below, Distributor shall be responsible for all costs and expenses associated with filing for and maintaining Product Authorizations and Approvals, including, without limitation, the Base Price of Product supplied by Ligand and the costs of any clinical trials conducted by or on behalf of Distributor for the purposes of any Product Authorizations, unless otherwise agreed in writing between the parties prior to such costs being incurred.

4.6 Clinical Trial Program: The parties agree to jointly evaluate the merits of a clinical trial program for one or more of the Products for severe, recalcitrant, plaque psoriasis vulgaris.

4.7 No Marketing of Products without Product Authorizations: Except to the extent permitted by law and as may be agreed in writing between the parties, Distributor shall not market, promote, offer for sale or sell any one of the Products unless and until Distributor obtains the appropriate Product Authorizations in respect of such Product. In the event that Distributor is legally permitted, due to an individual pre-approval in respect of any Product, to market any Product prior to obtaining the relevant Product Authorization, Distributor shall not do so without obtaining the prior written consent of Ligand, which will not be unreasonably withheld.

5. ORDERS AND FORECASTS

5.1 Forecasts: In order to permit Ligand and its suppliers to allocate their manufacturing capacity, Distributor shall provide Ligand with written 4-quarter rolling forecasts of its Product requirements. Such forecast shall be broken down by Product, quantities, and shipping dates, and shall be delivered to Ligand not later than one hundred twenty days prior to the beginning of each calendar quarter (commencing after Distributor has obtained the first Product Authorization and Approval in respect of any Product). Ligand shall either accept or reasonably reject such forecasts within thirty days after receipt. Any forecast accepted by Ligand or not rejected within that period shall be binding on the Parties as follows: Unless otherwise agreed, Distributor shall order, and Ligand shall supply, one hundred percent of the quantities forecast for the first calendar quarter and between eighty and one hundred twenty percent of the quantities forecast for the next quarter. Quantities forecasts for subsequent quarters shall be non-binding indications for production schedules, only, until included in subsequent quarterly forecasts.

5.2 Orders: Purchase of Products by Distributor hereunder shall be made only pursuant to written orders executed by Distributor, and shall be for a minimum of the Distributor's quarterly requirements for the Territory. The orders of Panretin(TM) Gel, Ontak(TM) and Targretin(TM) Gel shall separately specify the labeling requirements so as to allow Ligand to label those products before shipment. The orders shall be accepted in writing by Ligand at the offices specified in Clause 19.7. Subject to Clause 5.1 above, no order shall be binding upon Ligand until accepted by Ligand in writing. Subject to Clause 5.1 above, Ligand

reserves the right to accept or reject any order, offer or request for Products in its sole discretion. The terms and conditions of this Agreement shall apply to all orders placed by Distributor and shall override and supersede any different or additional terms on orders from or any general conditions maintained by Distributor. All orders must be received by Ligand from Distributor at least 120 days prior to the desired shipment date. If any order for quarters 2, 3 or 4 of a forecast exceeds the forecasts for that calendar quarter provided by Distributor under Clause 5.1 hereof by more than twenty percent (20%), Ligand shall use its reasonable efforts, but shall not be obligated, to ship the requested quantities of Products, with the normal lead time stated above. If the order cannot be fully shipped, Ligand will notify Distributor by the end of that period, and the parties will jointly determine an appropriate shipment schedule.

5.3 Shipment Frequency: The Products shall be shipped at a frequency no greater than once per month with a minimum purchase price to Distributor of $ *** U.S. provided, however, that Distributor may request shipments at a frequency greater than once per month at the same minimum purchase price during the first year of the Agreement.

5.4 Inventory Requirements: Distributor shall maintain a reasonable supply of Products adequate to serve the appropriate customer base in each

country of the Territory from time to time. For the first six months beginning with the first sale of a Product, such inventory shall be sufficient to cover not less than a three month supply of Ontak(TM), Panretin(TM) and Targretin(TM) Products based on Distributor's forecasts. Thereafter, the inventory may be reduced to a two months supply.

5.5 Cancellation and Rescheduling. Ligand will use its reasonable best efforts to honor any request of Distributor to reschedule shipment of any order accepted by Ligand. For Panretin(TM) and Targretin(TM) capsules, orders for bulk capsules or capsules in unlabeled bottles accepted by Ligand may be canceled by Distributor, provided that Distributor cancels the order at least forty five (45) days in advance of the shipment date and pays a cancellation charge equal to *** of the order price. No cancellation shall be allowed for any other Products once a firm order has been accepted by Ligand.

5.6 Terms of Shipment and Transfer of Title. All shipments of Products shall be made in Ligand's standard shipping packages CIF Distributor's designated port of entry in Spain or such other port of entry agreed upon by the parties. Unless otherwise agreed in writing between the parties, Ligand shall select the method of shipment and the carrier, and Distributor shall be responsible for all actions and documents necessary to obtain clearance to import the Products into the Territory. Ligand shall retain title to the Products until full payment of the Base Price for the Products is irrevocably credited to Ligand's bank account, and Distributor shall store all Products in its facilities so that they are readily identifiable as Ligand's Products.

5.7 Product Availability. Ligand will use its reasonable efforts to deliver to Distributor the

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Products in the quantities and at the dates specified on the orders submitted by Distributor and accepted by Ligand; provided, however, that Ligand (1) reserves the right to allocate the Products equitably among its customers in the event of a shortage of any Products; and (2) shall not be liable to Distributor for any delay in delivery without Ligand being at fault.

6. REGISTRATION SERVICES AND PAYMENTS

6.1 Initial Service Reimbursement: On execution of this Agreement Distributor shall make a non-refundable initial payment to Ligand in the sum of US$ *** as reimbursement for services rendered in the registration of the Products in the Territory.

6.2 Additional Service Reimbursement : On either (a) the date on which Distributor obtains the first Product Authorization for Panretin or Targretin, but not for Ontak, in any country in the Territory; or (b) September 30, 1999, whichever is the earlier, Distributor shall make a non-refundable payment to Ligand in the sum of US$ *** as reimbursement for services rendered in the registration of the Products in the Territory.

6.3 [Reserved]

6.4 Product Pricing: Ligand shall supply the Products CIF to the port of entry designated pursuant to Clause 5.6. For all Products supplied, Distributor shall pay to Ligand the Base Price. All payments under this Agreement shall be made in United States dollars. Where payment must be converted into U.S. dollars from another currency, the conversion shall be made based on the applicable exchange rate as published on the European Central Bank's Web Site for the date of Ligand's invoice.

6.5 Payment of Base Price: Unless otherwise agreed in writing by Ligand, Distributor shall pay the invoiced estimated Base Price for each order

of Products under this Agreement within forty-five calendar days' net by international wire transfer to the bank identified by Ligand from time to time. If Distributor at any time has become delinquent, Ligand shall have the right to make sales contingent upon Distributor's payment by irrevocable letter of credit confirmed by a major US merchant bank and payable in United States Dollars (US$) by draft at sight against delivery of bill of lading (which may be marked "freight collect" and which shall permit transshipments and partial shipments), commercial invoice and packing list.

6.6 Payment Reconciliation: Within ninety (90) days of the end of each calendar quarter (commencing after Distributor has made the first sale of any Product), the amounts paid by Distributor to Ligand under Clause 6.5 shall be adjusted as follows:

(a) Distributor or Ligand, as the case may be, shall pay or credit to the other, the amount, if any, by which the estimated Base Prices paid by Distributor to Ligand under Clause 6.5 differ from the Base Prices payable by Distributor after deducting the deductions, not to exceed 5% of the Precio de Venta Laboratorio, actually paid or charged against Distributor pursuant to Clause 1.14 during that quarter.

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6.7 Late Payments: Whenever a late payment is due to a cause attributable to a party, all amounts not paid to the other party when due shall accrue interest daily at the lesser of an annual rate of twelve percent (12%) or the highest rate permissible by law on the unpaid balance until paid in full.

6.8 Taxes. All amounts payable to Ligand under this Agreement are exclusive of any income, sales, use, property, ad valorem, value added or other taxes, levies, imposts, duties, charges or withholdings of any nature (collectively, "Taxes"), arising out of any transaction contemplated by this Agreement and imposed against Distributor or the Products by any taxing authority in the Territory (excluding, however, any Taxes on, or measured solely by, the net income of Ligand and Taxes imposed on Ligand in the United States). Distributor shall pay all applicable Taxes or provide Ligand with a certificate of exemption acceptable to the relevant taxing authority, and shall also be liable for all bank charges levied in connection with payments made to Ligand (excluding, however, any bank charges levied by Ligand's bank). In the event that any payments to Ligand under this Agreement are subject to any withholding taxes, Distributor shall promptly provide all tax certificates, applications and related documents to Ligand. If Ligand is required to pay any Taxes in the Territory, other than Taxes imposed upon the payments under Clause 6.1 or 6.2, Distributor shall promptly reimburse Ligand upon written request therefor.

7. MARKETING AND PROMOTION

7.1 Marketing Plans: At least six (6) months prior to the anticipated date on which the relevant Product Authorization and Approval shall be issued in respect of each Product, Ligand and Distributor shall consult in good faith to determine an appropriate marketing plan in respect of each Product for the Territory. All such marketing plans shall be harmonized with, and shall not prejudice, Ligand's global and regional marketing strategies covering the Territory. Distributor shall be responsible for implementing such marketing plans and for advertising and promoting each Product within the Territory from the dates on which it obtains the relevant Product Authorization and Approval for each Product. Distributor shall at all times adhere to the policies set by Ligand in the execution of mutually agreed upon annual marketing plans for the Products, including any marketing plans which Ligand wishes to implement among its distributors in other territories and which are set by Ligand

and agreed to by Distributor in good faith provided, however, that Distributor, at its sole discretion (but in accordance with any relevant Approvals in the Territory in respect of pricing), may determine the resale prices for the Products and the terms and conditions of distribution.

7.2 Marketing Materials. In the promotion and marketing of the Products, Distributor shall develop sales literature and promotional materials provided to Distributor by Ligand pursuant to Clause 7.3. Distributor shall have the right to prepare other product descriptions and other promotional and marketing materials relating to the Products; provided however,

that (1) all costs and expenses incurred by Distributor in the preparation and distribution of such product descriptions and other promotional and marketing materials shall be borne solely by Distributor; and (2) all such product descriptions and other promotional and marketing materials shall not be released by Distributor until approved in writing by Ligand, such approval not to be unreasonably withheld. Distributor shall submit samples of final copy for all key product descriptions and other promotional and marketing materials it proposes to use in respect of the Products for Ligand's approval within sixty (60) days prior to the first date of anticipated use of such materials. Ligand shall use its reasonable efforts to respond to any such request for approval within thirty (30) days of its receipt thereof. If no written response is given by Ligand denying such request within the aforesaid term, then Ligand's approval shall be deemed granted.

7.3 Product Literature: To the extent that it is legally and contractually permitted to do so, Ligand will share with Distributor samples of product descriptions, sales aids and advertising and promotional materials developed and used by Ligand, its other distributors or licensees (collectively "Promotional Materials") in respect of each Product as soon as practicable. Distributor shall bear all costs of reproducing and/or adapting such Promotional Materials for use within the Territory, and shall not use any adaptations of such Promotional Materials without Ligand's prior approval of such adaptations. Likewise, Distributor agrees to share samples of its Promotional Materials with Ligand and Ligand's other distributors and licensees.

7.4 Rights to Reproductions: All translations, reproductions, adaptations and creations of derivative works of all of Ligand's Promotional Materials (collectively "Reproductions") created by Distributor will be created as "works made for hire" with Ligand as the hirer, and copyright and all other proprietary rights in all of the Reproductions shall vest in Ligand from the date of completion thereof by Distributor. To the extent that any Reproductions do not qualify as "works made for hire", then Distributor hereby assigns to Ligand all copyrights and all other proprietary rights in the Reproductions to Ligand. In this event, Distributor will, at Ligand's request, execute any assignment or "work made for hire" documents and shall take all other steps as necessary or appropriate to perfect copyrights and all other proprietary rights in the Reproductions in the name of Ligand. If, notwithstanding the foregoing, Ligand, for any reason, is deemed not to own all rights, title, and interest in and to the Reproductions, Distributor shall be automatically considered to have granted to Ligand a royalty-free, perpetual and transferable license to use, distribute, translate and reproduce the Reproductions. Such license shall be exclusive to Ligand and shall survive the expiration or termination of this Agreement for any reason whatsoever.

7.5 Sales Assistance: Whenever Ligand considers it reasonably necessary in order to maintain or increase the volume of sales of Products in the Territory, Ligand shall be entitled to send, at its own cost, representatives to visit Distributor or Distributor's customers or prospective customers. Ligand shall keep Distributor informed of promotional methods and techniques used by Ligand in respect of the Products.

8. OBLIGATIONS OF DISTRIBUTOR

8.1. Diligent Efforts: Distributor shall use its diligent efforts to market and sell the Products within the Territory at its own expense, including but not limited to professional sales calls on target medical audiences (e.g. physicians, hospitals, pharmacists, etc.), advertising the Products in appropriate media and participating in trade shows, conferences, expositions, and promotional seminars, all with due consideration for the local marketing environment in the Territory. Distributor shall conduct its marketing activities in a lawful manner with the highest standards of pharmaceutical product promotional practices, fair trade, fair competition, and business ethics, and shall cause its employees and Dealers to do the same.

8.2. Offices and Personnel. Distributor shall maintain offices adequate to market and support the Products in the Territory and shall retain and have at its disposal at all times an adequate staff of trained and qualified personnel to perform its obligations under this Agreement.

8.3. Dealers: Distributor may only appoint Affiliates or other third parties pursuant to the terms and conditions set forth in Clause 2.1. Any such appointment shall be made in writing and only in the name and for the account of Distributor, and shall terminate upon the expiration, non-renewal, or termination of this Agreement for any reason; provided, however, that:

(a) Distributor shall not undertake to grant to any Dealer any rights greater than those which are granted by Ligand to Distributor under this Agreement;

(b) In order to protect the goodwill of Ligand and the Products in the Territory, Distributor shall secure the agreement of each and every Dealer that it shall assume the same obligations as have been assumed by Distributor under this Agreement; and

(c) Distributor shall defend, indemnify and hold Ligand harmless against any claim, loss, liability or expense (including attorney's fees and court costs) arising out of or based upon (1) any act or omission of any Dealer, or (2) any claim made by any Dealer against Ligand.

8.4. Alterations: Distributor shall ensure that the Products are distributed, sold, and advertised in the form and with the labeling or marking designated by Ligand and in accordance with the applicable regulations in the Territory and, in particular, shall not alter, remove, or deface any Trademark. Distributor acknowledges that it shall have no right to sell any products under Ligand's name or trademark if they were not originally manufactured or supplied by, or on behalf of, Ligand.

8.5. Clinical Evaluations: Prior to conducting any clinical evaluation of any of the Products, Distributor shall furnish to Ligand, for its prior review and written approval, the protocols for such evaluation written in the English language. Ligand shall use its reasonable efforts to respond to any such written request for approval within ninety (90) days of its receipt thereof, granting its approval or, if duly and reasonably justified, denying it. If no written notice is given by Ligand denying its approval within the aforesaid term, then Ligand's

approval shall be deemed granted. Results from any such clinical evaluation shall not be publicly disclosed or disclosed in confidence to any third party without Ligand's prior written approval, such approval not to be unreasonably withheld.

8.6 Insurance. Both parties shall obtain and at all times during the term of this Agreement maintain, and bear the cost of, liability insurance

which, in the judgment of Ligand, is adequate to cover their respective obligations under this Agreement. A certificate of insurance and any other documentation necessary to prove compliance with this provision will be provided to the other party upon request.

9. REPORTING OBLIGATIONS

9.1 Foreign Laws and Regulations: In addition to its obligations under Clauses 4.1, 4.2 and 4.3 to provide Product Authorization and Approval information, Distributor shall advise Ligand of any legislation, rule, regulation or other law (including but not limited to any customs, tax, foreign exchange or foreign trade, antimonopoly, pharmaceutical products or intellectual property law) which is in effect or which may come into effect in the Territory after the date of this Agreement and which may affect the importation of the Products into the Territory or the use of the Products or the protection of Ligand's Intellectual Property Rights therein.

9.2 Record Keeping: At all times during the term of this Agreement, Distributor shall maintain at its principal place of business full, complete and accurate books of account and records with regard to its activities under this Agreement, including, without limitation, records of all sales of the Products including the names of customers to whom Products are sold and total gross sales and net sales for each calendar quarter. Upon reasonable notice, and not more than twice a year, Distributor shall grant Ligand or its representatives access during normal business hours to any premises of Distributor in order that Ligand, at its expense, may inspect Distributor's books and premises related to the Products for the sole purpose of verifying and enforcing compliance by Distributor with its obligations under this Agreement; provided, however, that Distributor shall reimburse Ligand for the full amount of the inspection costs if any inspection under this Clause 9.2 reveals any substantial breach by Distributor of this Agreement, provided that Ligand shall have the burden of establishing any such substantial breach.

9.3 Reports: Distributor shall provide Ligand with quarterly operation reports of Distributor's activities to register, develop and market the Products in the Territory, and shall provide to Ligand copies of all such reports received by Distributor from Dealers. Each such report shall be due within thirty (30) days after the end of the period to which it relates. Each report shall include:

(a) a monthly compilation of all Products distributed by Distributor, including the revenues derived therefrom and a breakdown of the prices charged in respect of each Product; and

(c) a monthly list of the amount of inventory on hand; and

(d) monthly gross and net sales on a per Product, per country basis in local currency and U.S. dollars, using the average exchange rate set forth in the European Central Bank's Web Site for the month.

9.4 Annual Statements: Distributor shall provide Ligand with annual statements within thirty (30) days after the end of each calendar year showing annual sales figures and the amount of inventory on hand as at December 31 of each year, and shall provide to Ligand copies of all such annual statements received by Distributor from Dealers. Such annual statements shall also contain a summary of all promotional activities undertaken by Distributor with respect to the Product during the preceding calendar year, and current credit references.

9.5 Exchange of Adverse Event Information: The recipient of Adverse Event (AE) reports and/or data, either Distributor or Ligand, will mutually exchange and promptly provide in writing, using the latest applicable International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH) and Council for International Organizations of Medical Sciences (CIOMS) guidelines for reporting, any adverse event information obtained by the receiving party

associated with the use of the Products either as a result of marketed use or from investigational clinical trials:

(a) Without limiting the foregoing, the party that is the original recipient of AE information relating to incidents of serious and unexpected reactions and/or events associated with the use of any of the Products, as defined by the ICH and/or CIOMS guidelines, shall make an initial written report of that information to the other party, via facsimile, not more than 72 hours following receipt of that information. A full written report, following the content and format guidelines indicated in the applicable current ICH and CIOMS guidelines, is to be sent to and received by the other party within seven (7) days following the date the initial recipient receives such AE information.

(b) Distributor shall also provide Ligand with routine quarterly and annual adverse event reports and/or safety data received from any source in the Territory, using the ICH guidelines for the content and format for these types of reports. These reports are intended to be used for and incorporated into Periodic Safety Update Reports [PSUR] as defined by ICH guidelines. Ligand will provide a copy of each of the Products' complete PSUR to the Distributor within five (5) days of submission of the applicable Product's PSUR to the U.S. regulatory authorities.

(c) Distributor shall be responsible for submitting the adverse event/ medical safety (safety surveillance) reports in the countries of the Territory as required by the regulatory authorities. Ligand will hold and maintain the Central AE/ safety database for the Products and reports based on this database, as necessary to meet the requirements of regulatory authorities in the Territory, will be made available

to Distributor during the agreement life. Without limiting the generality of the foregoing, Distributor shall cooperate with Ligand for the development of standard operating procedures for exchange of information concerning Adverse Events and Product safety information derived from Products use in the Territory and each party shall at all times comply with the procedures so developed.

(d) For all of the reports specified above, the language of all exchange between and among the Parties will be English. Distributor will provide Ligand all of the above-required AE reports to the following address:

Ligand Medical Safety
Ligand Pharmaceuticals Inc.
10275 Science Center Drive
San Diego, California 92121 U.S.A.
Tel: 1 (619) 550-7588
Fax: 1 (619) 550-1860

Ligand will provide Distributor all of the above-required AE reports to the following address:

Ferrer Group
Pharmacoepidemiology and Safety
Medical Department
Gran Via Carlos III, 86
08028 Barcelona Spain
Tel: +34 93 330 61 11
Fax: +34 93 490 70 78

9.6 Recall Procedures: Ligand will provide Distributor with a copy of Ligand's standard operating procedure for recalls of products. Distributor acknowledges the importance of the development and the observance of correct procedures in case of recalls. Distributor shall cooperate with Ligand for the development of recall standard operating

procedures and shall at all times comply with the procedures so developed and adhere to Ligand's instructions from time to time and always in accordance with mandatory requirements applicable in the Territory.

10. PRODUCT AUTHORIZATIONS

10.1 Distributor acknowledges that Ligand cannot and does not guarantee the issuance of any Product Authorization for any or all of the Products in any country in the Territory.

11. COVENANTS OF DISTRIBUTOR

11.1 Restrictions: To the extent permissible by law, Distributor is prohibited from:

(a) Advertising, circulating price lists or otherwise soliciting orders for the Products, and from establishing or maintaining branches, sales offices or distribution depots, outside the Territory for the distribution of the Products;

(b) During the term of this Agreement, seeking the Approval for, or marketing, (a) any products of a third party for a registration indication of CTCL or, (b) any oral or topical product of a third party for a registration indication of Kaposi's Sarcoma, except as agreed by the parties.

12. INTELLECTUAL PROPERTY RIGHTS

12.1 Acknowledgment: Distributor acknowledges Ligand's exclusive right, title and interest in and to any and all Intellectual Property Rights pertaining to the Products. Distributor shall not at any time during or after the term of this Agreement take any act or step impairing the Intellectual Property Rights or do anything that may otherwise adversely affect the Intellectual Property Rights, provided that any good faith legal challenge shall not be deemed to be such an act or step.

12.2 Notices, Trademarks and Name. Distributor shall have the royalty-free and (except as to Ligand) exclusive right to use in the Territory, and shall use where available, the trademarks in Appendix C designated by Ligand for each Product. If no trademark in Appendix C is available for a Product in a country of the Territory and Ligand is unable or elects not to provide an alternative trademark, then Distributor shall have the right to secure, in Ligand's name and for its benefit, trademark rights to a substitute mark for the Products in the relevant country and Ligand will reimburse Distributor for the pre-approved expenses of securing such rights. The rights to the substitute mark shall remain with the Product it is used for and shall be transferred accordingly in the event that corresponding Product rights are transferred. Distributor shall not alter, deface, remove, cover, mutilate, or add to, in any manner whatsoever, any patent notice, copyright notice, trademark, trade name, serial number, model number or brand name that Ligand may attach or affix to the Products. Distributor shall not market the Products under any name, sign or logo other than the Trademarks approved by Ligand. Distributor may use the Trademarks solely in connection with the distribution of the Products and in accordance with Ligand's instructions and quality control standards from time to time, and will execute any document reasonably requested by Ligand in connection with the use and maintenance of the Trademarks in the Territory. Distributor acknowledges and agrees that it shall not have any rights in respect of the Trademarks except to the extent expressly granted in this Agreement, and that all use of the Trademarks in the Territory and all goodwill in the Trademarks shall inure to the benefit of Ligand.

12.3 Third Party Claims: Distributor shall promptly notify Ligand of any claims or objections that its use of the Intellectual Property Rights in connection with the marketing, support or service of the Products may or will infringe the copyrights, patents, trademarks or other proprietary

rights of another Person ("Third Party Claim"). If Distributor is served with a legal action or otherwise forced to respond in a legal proceeding due to a Third Party Claim,

Distributor shall (1) without delay, tender the defense of such Third Party Claim to Ligand; and (2) render Ligand all reasonable assistance, at Ligand's expense, in connection with the defense of any such third party claim or objection, whether in the courts, before administrative agencies, or otherwise. If Ligand refuses to assume the defense of a Third Party Claim, Distributor shall have the right to defend itself against such Third Party Claim, in which case Ligand shall render Distributor all reasonable assistance, at Ligand's expense. Distributor shall not, except as required by law, knowingly make any admission to jeopardize, compromise or otherwise limit the validity of Intellectual Property Rights.

12.4 Infringement of Intellectual Property Rights: Distributor shall promptly notify Ligand of any infringement or suspected infringement of Intellectual Property Rights in the Territory relating to the Products of which it becomes aware, and provide Ligand with any available evidence of such infringement or suspected infringement.

(a) Enforcement by Ligand: Ligand, at its option, shall be entitled to institute enforcement proceedings ("Enforcement Proceedings") in respect of any infringement or unauthorized use of Intellectual Property Rights in the Territory. Distributor agrees to provide all reasonable co-operation and assistance to Ligand in relation to any such Enforcement Proceedings (and agrees to be named as a party if legally required). Any reasonable fees and costs borne by Distributor shall be reimbursed by Ligand. Ligand shall be entitled to deduct its reasonable expenses in relation to such Enforcement Proceedings (including reasonable attorney's fees and expenses and reimbursements to Distributor) from any recovery and any remaining amount shall be distributed pro rata among the parties in which Distributor shall receive 50% of any remaining recovery and Ligand shall receive 50% of any remaining recovery.

(b) Enforcement by Distributor: If, after six (6) months of receipt of credible evidence of infringement or unauthorized use of Intellectual Property Rights in the Territory or such lesser period of time if further delay would result in a loss of right to bring an Enforcement Proceeding, Ligand elects not to institute or continue an already instituted, Enforcement Proceeding then Distributor, using attorneys of Distributor's choosing reasonably acceptable to Ligand, can undertake or continue such Enforcement Proceeding at Distributor's expense. In such event, Distributor shall keep Ligand fully and timely informed of the action so as to enable Ligand to provide input which Distributor shall reasonable consider. Distributor may not enter into any settlement agreement or consent to judgement relating to the invalidity, unenforceability or noninfringement of the Intellectual Property Rights without Ligand's prior written consent. Ligand agrees to provide all reasonable co-operation and assistance to Distributor in relation to any such Enforcement Proceeding at Distributor's expense and agrees to be named as a party in any Enforcement Proceeding. Any reasonable fees and costs borne by Ligand shall be reimbursed by Distributor. If Distributor enforces Intellectual Property Rights in the Territory in accordance with this paragraph, Distributor shall be entitled to deduct its reasonable expenses in relation to such Enforcement Proceeding (including reasonable

attorney's fees and expenses and reimbursements to Ligand) from

any recovery and any remaining amount shall be distributed pro rata among the parties in which Distributor shall receive 50% of any remaining recovery and Ligand shall receive 50% of any remaining recovery.

13. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION

13.1 Non-Disclosure Obligations: During the term of this Agreement, the Disclosing Party will disclose certain Confidential Information to the Receiving Party to permit the Receiving Party to perform its obligations under this Agreement. The Receiving Party shall refrain from using or exploiting any and all Confidential Information for any purposes or activities other than those expressly authorized in this Agreement. The Receiving Party agrees that such Confidential Information shall be kept secret by the Receiving Party during the term of this Agreement and after the expiration hereof. The Receiving Party shall disclose Confidential Information only to its agents, representatives or employees with a need to know and shall implement appropriate security measures in order to avoid the disclosure or misappropriation of such Confidential Information.

13.2 Confidentiality Agreements: Both parties shall cause each of their directors, officers and employees and the directors, officers and employees of, respectively, Distributor's Dealers and agents, and Ligand's assignees, who will receive Confidential Information pursuant to Clause 13.1 to enter into a Confidentiality Agreement in a form approved by both parties. The Distributor and Ligand, respectively, shall at their own expense undertake the enforcement of any such Confidentiality Agreement in the event of any breach thereof. Execution of Confidentiality Agreements by the parties shall not, however, be construed as limiting their duties or obligations hereunder.

13.3 Ownership of Ligand's Materials. All files, lists, records, documents, drawings, specifications and records, whether in written or electronic form, which incorporate or refer to all or a portion of Ligand's Confidential Information shall remain the sole property of Ligand. Such materials shall be promptly returned (1) upon Ligand's reasonable request, or (2) in accordance with Clause 17.2 of this Agreement upon termination of this Agreement, whichever is earlier.

13.4 Exceptions. The provisions of this Clause 13 shall not apply, or cease to apply, to information supplied by Ligand if it (1) was already known to Distributor; (2) came into the public domain without breach of confidence by Distributor or any other Person; (3) was received by Distributor from a third party without restrictions on their use in favor of Ligand; or (4) is required to be disclosed pursuant to any statutory or regulatory provision or court order; provided that Distributor shall have the burden of establishing any of the foregoing exceptions.

14. LIGAND WARRANTY, INDEMNITY, AND LIMITATIONS OF LIABILITY

14.1 Non-Infringement. To the best of Ligand's knowledge, the sale and use of the Products

does not infringe the proprietary rights of any third party in the Territory, and no court proceedings or any other procedure for infringement of patent, copyright, trademark, trade secret or any other property rights have been brought against Ligand with respect to the Products as of the effective date of this Agreement. Ligand makes no warranty or representation, implied or otherwise, that the Products and/or their sale or use will not infringe the property rights of any third party in the Territory.

14.2 Products Warranty: Ligand warrants that all Products supplied hereunder shall (1) conform to the products specifications therefor, as published by Ligand from time to time consistent with the data contained in the Product Authorizations, and (2) have a shelf life of one year or more

(or in the case of Ontak, nine months or more) from the date of shipment to Distributor. The aforementioned shelf life terms shall be proportionally increased from time to time in accordance with improved stability data.

14.3 Indemnity: Ligand shall defend, indemnify and hold Distributor and its shareholders, managers, officers, directors, agents and employees harmless against any and all losses, damages, claims, liabilities, costs and expenses (including reasonable attorney's fees) resulting solely from the personal injury or death caused by the defective design and/or manufacture of the Products when supplied to Distributor by Ligand or by Ligand's appointee, provided that Distributor promptly notifies Ligand in writing of any claim, action or suit potentially giving rise to the indemnification obligation hereunder. Ligand shall have the sole and absolute control of, and discretion in, the handling of the defense and/or settlement of any such claim, action or suit, including, without limitation, the selection of defense counsel, and Distributor shall fully cooperate with Ligand in the defense and settlement of all such claims, actions or suits, provided, however, that Distributor may take any appropriate action necessary to preserve or avoid prejudice to its interests, or the interests of Ligand as indemnitor, in the event that (1) notice to Ligand cannot be given in sufficient time for Ligand to take action, or (2) Ligand, after prompt notice and inquiry from Distributor, fails to acknowledge its obligation to indemnify Distributor under this clause.

14.4 DISCLAIMERS. TO THE FULL EXTENT PERMITTED BY LAW, APART FROM THE FOREGOING WARRANTIES AND INDEMNITY, LIGAND MAKES NO ADDITIONAL REPRESENTATIONS OR WARRANTIES AND HEREBY DISCLAIMS ALL WARRANTIES, REPRESENTATIONS, AND LIABILITIES, WHETHER EXPRESS OR IMPLIED, ARISING FROM CONTRACT OR TORT (EXCEPT FRAUD), IMPOSED BY STATUTE OR OTHERWISE, RELATING TO THE PRODUCTS AND/OR ANY PATENTS OR TECHNOLOGY USED OR INCLUDED IN THE PRODUCTS, INCLUDING ANY WARRANTIES AS TO MERCHANTABILITY, FITNESS FOR PURPOSE, CORRESPONDENCE WITH DESCRIPTION, OR NON-INFRINGEMENT.

14.5 LIMITATION. IN NO EVENT WILL LIGAND BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL OR SPECIAL DAMAGES, INCLUDING ANY LOSS OF PROFITS, EVEN IF LIGAND HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH

DAMAGES.

14.6 LIABILITY CAP. IN NO EVENT SHALL LIGAND'S LIABILITY TO DISTRIBUTOR EXCEED AN AMOUNT EQUAL TO THE AGGREGATE BASE PRICES PAID BY DISTRIBUTOR TO LIGAND FOR PRODUCTS DURING THE LAST CALENDAR QUARTER, except that this liability limitation shall not apply to Ligand's indemnity obligation under section 14.3 arising from personal injury or death caused by the defective design and/or manufacture of the Products when supplied to Distributor by Ligand or by Ligand's appointee.

15. DISTRIBUTOR'S WARRANTIES, INDEMNITY AND LIMITATIONS OF LIABILITY

15.1 Warranties: Distributor represents and warrants to Ligand that:

(a) Distributor is a corporation duly organized, validly existing and in good standing under the laws of Spain and has the corporate power to execute this Agreement and to perform its obligations hereunder;

(b) the person or persons executing this Agreement on behalf of Distributor have been duly authorized to do so by all requisite corporate or other actions of Distributor;

(c) this Agreement is the legal, valid and binding obligation of Distributor, enforceable in accordance with its terms;

(d) the execution, delivery and performance of this Agreement by Distributor does not and will not conflict with or result in a breach of any agreement, instrument or understanding, oral or

written, to which Distributor is a party or by which Distributor may be bound, nor violate any law or regulation of any court or Governmental Authority having jurisdiction over Distributor;

(e) Distributor will maintain at all times during this Agreement all necessary Approvals, according to Clause 4.2; and

(f) all Affiliates of Distributor are duly organized, validly existing and in good standing under the laws of the country in which they operate and have the power to perform all obligations under this Agreement that they are assigned by Distributor.

15.2 Indemnity: Distributor shall indemnify and hold Ligand and its shareholders, managers, officers, directors, agents and employees harmless against any and all losses, damages, claims, liabilities, costs and expenses (including reasonable attorneys' fees) resulting from any breach by Distributor of this Agreement so declared by a court of competent jurisdiction or as agreed between the parties, or resulting from any claim that may be made by reason of any damage caused by an act or omission of Distributor or any of its shareholders, managers, officers, directors, agents or employees whenever such act or omission is in connection with this Agreement, contrary to the law and is so declared by

a court of competent jurisdiction or as agreed between the parties.

15.3 LIMITATION. IN NO EVENT WILL DISTRIBUTOR BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL OR SPECIAL DAMAGES, INCLUDING ANY LOSS OF PROFITS, EVEN IF DISTRIBUTOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

16. TERMINATION

16.1 Termination by Ligand: Ligand may terminate this Agreement, at its sole discretion: (1) in its entirety; or (2) in respect of any specified part of the Territory and/or any one or more of the Products only, by giving Distributor thirty (30) days written notice of termination, effective on the date such notice is received, in the event that:

(a) Distributor breaches any of its material obligations under this Agreement, and fails to cure such breach within thirty (30) days of receiving a written notice from Ligand specifying such breach and requiring it to be cured;

(b) Distributor takes any act or step impairing the Intellectual Property Rights or does anything that may otherwise adversely affect the Intellectual Property Rights of Ligand, provided, however, that Ligand may exercise its rights of termination pursuant to this Clause 16.1(b) whether or not the Distributor's legal challenge of Ligand's rights is in good faith;

(c) Distributor enters into insolvency or bankruptcy or is unable to pay its debts as they fall due, or a trustee or receiver or the equivalent is appointed to Distributor, or proceedings are instituted against Distributor in the Territory relating to dissolution, liquidation, winding up, bankruptcy, insolvency or the relief of creditors, if such proceedings are not terminated or discharged within thirty days;

(d) there is a change of control of Distributor, beyond its corporate structure and owners on the Effective Date, or a sale or disposition by Distributor to a third party other than its owners and companies in its corporate structure on the Effective Date of substantially all of its assets, without the prior written approval of Ligand, which approval may be given or withheld in Ligand's sole discretion. For the purposes of this Clause 16.1(d), the transfer (whether direct or indirect) of all or a majority of the capital stock of Distributor or the merger, consolidation or reorganization of Distributor beyond its corporate structure and owners on the Effective Date shall be

considered a "change in control" of Distributor;

(e) any event of Force Majeure, as defined in Clause 19.6 hereof, occurs and prevents Distributor from performing its obligations under this Agreement for a period of 90 days or more, provided there is no commercially reasonable alternative;

(f) Distributor ceases to carry on business in the marketing of pharmaceutical products in the Territory;

(g) any law, decree, or regulation is enacted within the Territory which would substantially impair or restrict (1) Ligand's right to terminate or elect not to renew this Agreement as herein provided; (2) Ligand's right, title or interest in the Products or the Intellectual Property Rights therein; or (3) Ligand's right to collect the purchase prices for the Products as set forth in this Agreement; or

(h) an adverse event occurs which has substantially impaired the ability of Distributor to continue to perform its obligations hereunder and Distributor is unable to provide Ligand with adequate assurance of future performance.

16.2 Termination by Distributor: Distributor may terminate this Agreement, at its sole discretion: (1) in its entirety; or (2) in respect of any specified part of the Territory and/or one or more of the Products only, by giving Ligand thirty (30) days written notice of termination, effective on the date such notice is received, in the event that:

(a) Ligand breaches any of its material obligations under this Agreement, and fails to cure such breach within thirty (30) days of receiving a written notice from Distributor specifying such breach and requiring it to be cured;

(b) any event of Force Majeure, as defined in Clause 19.6 hereof, occurs and prevents Ligand from performing its obligations under this Agreement for a period of 90 days or more, provided there is no commercially reasonable alternative;

(c) the Governmental Authorities have not issued the requisite Product Authorization or Approval for any Product for any country in the Territory;

(d) any law, decree, or regulation is enacted within the Territory which would substantially impair or restrict (1) Distributor's right to terminate or elect not to renew this Agreement as herein provided; (2) Ligand's right, title or interest in the Products or the Intellectual Property Rights therein; or (3) Distributor's right to market and distribute the Products in accordance with this Agreement; or

(e) an adverse event occurs which has substantially impaired Ligand's ability to continue to perform its obligations hereunder and Ligand is unable to provide Distributor with adequate assurance of future performance.

17. RIGHTS AND OBLIGATIONS UPON TERMINATION/NONRENEWAL

17.1 Cessation of Rights: Upon expiration or termination (collectively, the "Termination") of this Agreement for any reason whatsoever as provided herein all rights and obligations of the parties hereunder shall cease, except as provided in Clauses 19.5 of this Agreement; provided, however, that Termination of this Agreement shall not relieve the parties hereto

of any obligations accrued prior to said Termination. Distributor,

following notice of Termination by Ligand, shall be entitled to purchase under the terms and conditions of this Agreement, any Products the orders for which were accompanied by payment and which were accepted by Ligand prior to the effective date of Termination, even though shipment of the Products may be made subsequent to the date of Termination, provided that Distributor has paid all outstanding obligations to Ligand. Upon Termination by Ligand pursuant to Clauses 16.1, Distributor shall immediately cease to use any advertising or promotional materials relating to the Products and discontinue any previously authorized use of the Trademarks and Confidential Information (except for activities permitted by the last sentence of Clause 17.3), and shall cease all conduct that might cause any Person to believe that Distributor is a distributor of the Products or otherwise connected with Ligand.

17.2 Return of Materials and Customer List: Upon Termination, Distributor shall promptly return to Ligand, or deliver to a third party designated by Ligand, and shall cause its Dealers and employees to return or deliver, all sales materials, Confidential Information in written, recorded or other tangible form and other items in Distributor's possession, which Ligand has furnished or supplied to Distributor, or which Distributor has furnished to its Dealers and employees, and all customer lists for Ligand Products. If Distributor purchased any such materials or other items, Distributor shall be reimbursed in an amount equal to the net price paid by Distributor for the same.

17.3 Repurchase of Inventory: Ligand shall have the option, exercisable at its sole discretion by written notice to Distributor within thirty (30) days after Termination, to repurchase all or part of Distributor's remaining inventory of Products. The price payable by Ligand upon the exercise of the option shall be the net price paid by Distributor to Ligand for the Products, plus the costs of re-shipment to San Diego, California, or to such other destination within the Territory as Ligand may designate. Upon receipt of Ligand's notice of exercise of its option pursuant to this clause, Distributor shall ship its inventory of Products on hand to such location as Ligand may designate. If Ligand does not exercise its rights under this clause, Distributor shall have the right to sell its existing inventory for a period of six (6) months following the date of Termination.

17.4 Product Authorizations, Trademarks and other Product rights: Upon Termination of this Agreement as provided herein for any reason whatsoever, Distributor shall immediately take all steps necessary to transfer to Ligand, or to Ligand's designee, any and all rights Distributor may have to Product Authorizations, Trademarks and any other rights associated with the Products, to the extent permitted by applicable law and at Distributor's cost. Distributor shall, at the time for application for Product Authorizations, take all reasonable steps to ensure that such transfers may later be completed. If such transfer is not possible, Distributor shall use its best efforts to arrange for Ligand or its designee to rely upon such Product Authorizations and shall permit Ligand or its designee to use and reference such Product Authorizations in its own applications.

17.5 Survival of Non-Disclosure Obligation: Notwithstanding the Termination of this Agreement, both Parties shall continue to abide by the terms of its non-disclosure

obligations with respect to Confidential Information under Clause 12 of this Agreement.

17.6 Waiver of Termination Compensation: Neither Party shall be liable for, and each Party hereby waives, all right to compensation and all claims of any kind whether on account of the loss by the other of present or prospective profits, or anticipated orders, or expenditures, investments, or commitments made in connection with this Agreement, goodwill created, or on account of any other cause whatsoever.

18. CERTAIN PAYMENTS

18.1 No Payments: Distributor shall not make, offer or agree to offer anything of value to any government official, political party or candidate for government office. Distributor undertakes that there is not now nor will there be any employment of or beneficial ownership of Distributor by governmental or political officials in the Territory. Distributor will indemnify and hold harmless Ligand against any and all losses, costs, expenses or liabilities resulting from any breach by Distributor of its obligations under this Clause 18.

19. GENERAL PROVISIONS

19.1 Waivers: The waiver by either party of a breach or default in any of the provisions of this Agreement by the other party shall not be construed as a waiver of any succeeding breach of the same or other provisions.

19.2 Entire Agreement and Amendments: This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements between the parties, whether written or oral, relating to the same subject matter. No modification, amendments or supplements to this Agreement shall be effective for any purpose unless in writing, signed by each party.

19.3 Governing Language: This Agreement has been prepared and executed in the English language. No authorized translation has been prepared or executed. In the event that any translation is prepared, the English language version of this Agreement shall govern. All written correspondence between the parties shall be in the English language.

19.4 Further Assurances: Each party agrees to do such acts and execute such further documents as may be necessary or desirable to enable the performance of and to fulfill the provisions and intent of this Agreement.

19.5 Assignments: This Agreement is entered into by Ligand in reliance upon the facilities, personnel and technical expertise of Distributor, and Distributor may only transfer or delegate the performance of the Agreement or any part thereof to a Dealer pursuant to the terms and conditions of Clause 2.1. Nothing herein contained, however, shall prevent Ligand or Distributor from assigning this Agreement in whole or in part to, or causing any order or orders to be filled in whole or in part by, any Affiliate of Ligand or the Distributor, respectively. Ligand shall also have the right to assign this agreement in amerger or

acquisition in which Ligand is not the surviving entity, or as part of a transfer of all or substantially all of the assets of its business to which this Agreement pertains.

19.6 Force Majeure: Neither party shall be liable to the other party for any delay or omission in the performance of any obligation under this Agreement, other than the obligation to pay monies, where the delay or omission is due to any cause or condition beyond the reasonable control of the party obliged to perform, including, but not limited to, strikes or other labor difficulties, acts of God, acts of government (in particular with respect to the refusal to issue necessary import or export licenses), war, riots, embargoes, or inability to obtain supplies ("Force Majeure"). If Force Majeure prevents or delays the performance by a party of any obligation under this Agreement, then the party claiming Force Majeure shall promptly notify the other party thereof in writing.

19.7 Notices: Unless otherwise specifically provided, all notices required or permitted by this Agreement shall be in writing and in English, effective upon receipt, and may be delivered personally, or may be sent by facsimile, commercial express courier, or first class air mail, postage prepaid, addressed as follows:

If to Ligand: Ligand Pharmaceuticals Incorporated

10275 Science Center Drive
San Diego, California 92121

Attention: General Counsel

Facsimile: (+) (1) (619) 550-1825

If to Distributor: Ferrer Internacional, S.A.
Gran Via Carlos III, 94,
08028 Barcelona, Spain

Attention: Licensing Department (cc. Legal Department)
Facsimile: (+) (34) (3) 330 80 57

20. CHOICE OF LAW AND DISPUTE RESOLUTION

20.1 Choice of Law: This Agreement is governed by, and shall be construed in accordance with, the laws of the State of California, United States of America, excluding (a) conflicts of laws rules, and (b) the United Nations' Convention on Contracts for the International Sale of Goods. The parties shall endeavor to resolve amicably any and all disputes arising under or in connection with this Agreement, including but not limited to the interpretation of this Agreement, its validity and the performance hereunder.

20.2 Disputes: Any dispute between the parties relating to the validity, performance, interpretation or construction of this Agreement that cannot be resolved amicably between the parties shall be submitted to the exclusive jurisdiction of the courts, including the United States District Courts, in the State of California. Each party hereto irrevocably submits to the personal jurisdiction of the courts in California, for the resolution of all disputes hereunder.

20.3 Right to Judicial Remedies: Nothing in this Clause 20 shall be construed to impair or restrict either Party's right to judicial remedies, including preliminary and permanent injunctions from any court of competent jurisdiction to prevent any infringement of the Intellectual Property Rights, representation of competitive products, and/or disclosure of the Confidential Information.

IN WITNESS WHEREOF, each party has caused its duly authorized representative to execute and deliver this Agreement in reliance on the due authority of the representative of the other party, to be effective as of March 26, 1999.

DISTRIBUTOR: LIGAND PHARMACEUTICALS, INC:

By: /s/ R. FOGUET By: /s/ David E. Robinson
---------- ----------
Title: CEO Title: Chairman, President and OEO
---------- ----------

SERAGEN, INC.:

By: /s/ Paul V. Maier

Title: CEO

APPENDIX A

PRODUCTS

<TABLE>
<CAPTION>
PRODUCT COVERED INDICATIONS
<S> <C>
Panretin(TM) Gel (alitretinoin) All indicatioNS

Panretin(TM) Capsules (alitretinoin) All indicatioNS

Ontak(TM) (denileukin diftitox) All indicatioNS

Targretin(TM) Gel (bexarotene) The treatment, palliation, prevention and/or remission of cancer and dermatological diseases

Targretin(TM) Capsules (bexarotene) The treatment, palliation, prevention and/or remission of cancer and dermatological diseases
</TABLE>

APPENDIX B

BASE PRICE SCHEDULE

<TABLE>
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1. Targretin(TM) products: ***% of Resale PricE.

2. Ontak(TM) products: ***% of Resale PricE.

3. Panretin(TM) products: ***% of Resale PricE.
</TABLE>

- ----------
*** Portions of this page have been omitted pursuant to a request for Confidential Treatment and filed separately with the Commission.

APPENDIX C

LIGAND TRADEMARKS

<TABLE>
<CAPTION>
Trademark Generic Product Name Country Trademark Status
- --------- ---------- ------- ----------
<S> <C> <C> <C>
Panretin(TM) alitretinoin US Registered
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Chile Pending
Colombia Pending
Venezuela Pending

Targretin(TM) bexarotene US Registered
Argentina Pending
Brazil Pending
Chile Pending
Colombia Pending
Venezuela Pending

Ontak(TM) denileukin diftitox US Pending

Onact(TM)	denileukin diftitox	Brazil	Pending

</TABLE>

APPENDIX D

COUNTRIES INCLUDED IN TERRITORY

* Argentina
* Chile
* Uruguay
* Paraguay
* Bolivia
* Brazil
* Peru
* Ecuador
* Colombia
* Venezuela
* Guyana
* Surinam
* French Guyana
* Panama
* Costa Rica
* Nicaragua
* Honduras
* El Salvador
* Guatemala
* Belize
* Dominican Republic

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM SEC FORM 10-Q FOR THE THREE MONTHS ENDED MARCH 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS. (IN THOUSANDS EXCEPT EARNINGS PER SHARE)
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<F2>INCLUDES ADDITIONAL PAID IN CAPITAL, OTHER ADDITIONAL CAPITAL AND RETAINED EARNINGS, APPROPRIATED AND UNAPPROPRIATED.
<F3>PER CHIEF ACCOUNTANT AT THE SEC, THIS AMOUNT EXCLUDES SALES AND G&A EXPENSES, INCLUDES COSTS AND EXPENSES APPLICABLE TO SALES AND REVENUES, AND TANGIBLE COSTS OF GOODS SOLD.
<F4>INCLUDES RESTRICTED CASH.
</FN>

</TABLE>