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, 2001 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
(State or Other Jurisdiciton of Incorporation or Organization)

77-0160744
(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: (858) 550-7500

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, 2001, the registrant had 59,253,019 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)

ASSETS

	March 31, 2001	December 31, 2000
	(Unaudited)	(As restated - see note 1)
Current assets:		
Cash and cash equivalents	$ 20,972	$ 9,224
Short-term investments	19,913	14,439
Funds receivable from Elan	--	10,000
Accounts receivable, net	4,911	2,824
Inventories	5,022	5,651
Other current assets	6,793	2,511
Total current assets	57,611	44,649
Restricted investments	2,733	1,434
Property and equipment, net	10,899	10,972
Acquired technology, net	40,163	40,924
Other assets	14,814	15,443
	$ 126,220	$ 113,422

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities:		
Accounts payable	$ 3,890	$ 3,827
Accrued liabilities	7,428	12,675
Current portion of deferred revenue	8,541	8,435
Current portion of equipment financing obligations	2,988	3,478
Total current liabilities	22,847	28,415
Long-term portion of deferred revenue	5,557	5,727
Long-term portion of equipment financing obligations	4,174	4,788
Convertible subordinated debentures	45,320	44,651
Accrued acquisition obligation	2,700	2,700
Convertible note	2,500	2,500
Zero coupon convertible senior notes	81,350	79,766
Total liabilities	164,448	168,547
Commitments (Note 5)		
Stockholders' deficit:		
Convertible preferred stock, $0.001 par value; 5,000,000 shares authorized; none issued	--	--
Common stock, $0.001 par value; 130,000,000 shares authorized at March 31, 2001 and December 31, 2000; 59,305,888 shares and		

56,823,716 shares issued at March 31, 2001 and December 31, 2000, respectively.....	59	57
Additional paid-in capital.....	518,579	490,484
Deferred warrant expense	(1,730)	(2,076)
Accumulated other comprehensive income	81	46
Accumulated deficit.....	(554,306)	(542,725)
	(37,317)	(54,214)
Treasury stock, at cost; 73,842 shares at March 31, 2001 and December 31, 2000, respectively.....	(911)	(911)
Total stockholders' deficit	(38,228)	(55,125)
	$ 126,220	$ 113,422

See accompaning notes.

LIGAND PHARMACEUTICALS INCORPORATED
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per share data)

	Three Months Ended March 31,	
	2001	2000
		(As restated - see note 1)
Revenues:		
Product sales	$ 8,607	$ 4,863
Collaborative research and development and other revenues	8,428	5,953
Total revenues	17,035	10,816
Operating costs and expenses:		
Cost of products sold	2,839	2,080
Research and development	12,405	12,498
Selling, general and administrative	10,157	7,792
Total operating costs and expenses	25,401	22,370
Loss from operations	(8,366)	(11,554)
Other income (expense):		
Interest income	731	741
Interest expense	(3,445)	(3,461)
Debt conversion expense	--	(2,025)
Other, net	(501)	491
Total other income (expense)	(3,215)	(4,254)
Loss before cumulative effect of a change in accounting principle	(11,581)	(15,808)
Cumulative effect on prior years (to December 31, 1999) of changing method of revenue recognition	--	(13,099)
Net loss	$ (11,581)	$ (28,907)
Basic and diluted per share amounts:		
Loss before cumulative effect of a change in accounting principle	$ (.20)	$ (.30)
Cumulative effect on prior years (to December 31, 1999) of changing method of revenue recognition	--	(.24)
Net loss	$ (.20)	$ (.54)
Weighted average number of common shares	58,854,394	53,803,749

See accompaning notes.

LIGAND PHARMACEUTICALS INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2001	2000
		(As restated - see note 1)
OPERATING ACTIVITIES		
Net loss	$ (11,581)	$ (28,907)
Adjustments to reconcile net loss to net cash used in operating activities:		
Accretion of debt discount and interest	2,253	2,218
Depreciation and amortization of property and equipment	936	1,097
Amortization of acquired technology	761	762
Debt conversion expense	--	2,025
Other	477	(513)
Changes in operating assets and liabilities net of effects from sale of manufacturing assets:		
Accounts receivable	(2,087)	(1,026)
Inventories	629	(176)
Other current assets	(4,282)	(22)
Accounts payable and accrued liabilities	(184)	(2,626)
Deferred revenue	(64)	13,305
Net cash used in operating activities	(13,142)	(13,863)
INVESTING ACTIVITIES		
Purchases of short-term investments	(6,082)	(6,586)
Proceeds from sale of short-term investments	687	42
Purchases of property and equipment	(863)	(327)
Payments on accrued acquisition obligation	--	(200)
Increases in other assets	(304)	(382)
Decreases in other assets	933	861
Net proceeds from sale of manufacturing assets	--	9,676
Proceeds from sale of investment security	--	1,119
Net cash provided by (used in) investing activities	(5,629)	4,203
FINANCING ACTIVITIES		
Principal payments on equipment financing obligations	(1,104)	(1,007)
Proceeds from equipment financing arrangements	--	403
(Increase)/decrease in restricted investments	(1,299)	287
Net proceeds from issuance of zero coupon convertible senior notes	10,000	--
Net proceeds from issuance of common stock	22,922	3,951
Net cash provided by financing activities	30,519	3,634
Net increase/(decrease) in cash and cash equivalents	11,748	(6,026)
Cash and cash equivalents at beginning of period	9,224	29,903
Cash and cash equivalents at end of period	$ 20,972	$ 23,877

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 2,181	$ 2,198
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Conversion of zero coupon convertible senior notes to common stock	$ --	$ 21,022
Issuance of common stock for acquired technology	5,000	--
Issuance of common stock for debt conversion incentive	--	2,025
Accrual of ONTAK obligation for acquired technology	--	5,000

See accompaning notes.

LIGAND PHARMACEUTICALS INCORPORATED

Notes to Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements of Ligand Pharmaceuticals Incorporated ("Ligand" or the "Company") for the three months ended March 31, 2001 and 2000 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, 2001 and the consolidated results of operations for the three months ended March 31, 2001 and 2000. The results of operations for the period ended March 31, 2001 are not necessarily indicative of the results to be expected for the year ending December 31, 2001. 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, 2000 included in the Company's Annual Report on Form 10-K.

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Certain reclassifications have been made to amounts included in the prior period financial statements to conform to the presentation for the period ended March 31, 2001.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the consolidated financial statements. Actual results could differ from those estimates.

New Accounting Pronouncements. In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, *Revenue Recognition in Financial Statements*. SAB No. 101 provides guidance in applying accounting principles generally accepted in the United States to revenue recognition in financial statements, including the recognition of non-refundable up-front fees and milestone payments received in conjunction with contractual arrangements that have multiple performance elements and require continuing involvement. SAB No. 101 requires that such fees be recognized as products are delivered or services are performed that represent the culmination of a separate earnings process.

The Company received non-refundable up-front fees of $18.8 million in 1997, $2.3 million in 1999, and $4.3 million in 2000. The Company initially recognized those payments as revenue upon receipt, as the fees were non-refundable and the Company had transferred technology or product rights at contract inception or incurred costs in excess of the up-front fees prior to initiation of each arrangement. However, under the provisions of SAB No. 101, non-refundable up-front fees must be deferred upon receipt and recognized as products are delivered or services are performed during the term of the arrangement. The Company implemented SAB No. 101 in the fourth quarter of 2000 as a change in accounting principle, retroactive to January 1, 2000, by deferring and recognizing these up-front payments over the term designated in the arrangement. The cumulative effect of this change to December 31, 1999, which was recorded in 2000, was $13.1 million or $0.24 per share. However, the effect on the quarter ended March 31, 2000 reduced revenue and increased loss before cumulative effect of change in accounting principle by $853,000 or $0.02 per share compared to the results previously reported for the quarter ended March 31, 2000, which have been restated accordingly.

Net Loss Per Share. Net loss per share is computed using the weighted average number of common shares outstanding. Basic and diluted net loss per share amounts are equivalent for the periods presented as the inclusion of common stock equivalents in the number of shares used for the diluted computation would be anti-dilutive.

Inventories. Inventories are stated at the lower of cost or market. Cost is determined using the first-in-first-out method. Inventories comprise the following ($,000):

	March 31, 2001	December 31, 2000
Raw materials	$ 492	$ 498
Work-in-process	3,357	4,276
Finished goods	1,173	877
	$ 5,022	$ 5,651

Other Assets. Other assets comprise the following ($,000):

	March 31, 2001	December 31, 2000
Technology license	$ 4,000	$ 4,000
Prepaid royalty buyout, net	3,604	3,672
Deferred rent	3,360	3,373
Investment in X-Ceptor	2,845	3,378
Other	1,005	1,020
	$ 14,814	$ 15,443

Accrued Liabilities. Accrued liabilities comprise the following ($,000):

	March 31, 2001	December 31, 2000
ONTAK obligation (Note 4)	$ -- --	$ 5,000
Compensation	2,830	2,412
Interest	980	1,985
Royalties	1,560	1,122
Other	2,058	2,156
	$ 7,428	$ 12,675

Comprehensive Income (Loss). Comprehensive income (loss) represents net income (loss) adjusted for the change during the periods presented in unrealized gains and losses on available-for-sale securities less reclassification adjustments for realized gains or losses included in net income (loss), as well as foreign currency translation adjustments. The accumulated unrealized gains or losses are reported as accumulated other comprehensive income (loss) as a separate component of stockholders' deficit. Comprehensive loss for the three month periods ended March 31, 2001 and 2000 is as follows ($,000):

	Three Months Ended March 31,	
	2001	2000
		(As restated - see note 1)
Comprehensive loss	$(11,546)	$(28,898)

2. Zero Coupon Convertible Senior Notes

On December 29, 2000, the Company issued the final $10 million of notes to an entity affiliated with Elan Corporation, plc ("Elan") provided for under the September 1998 agreement. These notes are convertible into common stock at $14.16 per share. The proceeds were received on January 2, 2001.

3. Distribution Agreement

In February 2001, the Company and Elan entered into a distribution agreement providing for the distribution of certain of the Company's products in various European and other international territories for a term of 10 years. The Company received a payment at contract inception and additional payments related to subsequent product marketing authorization submission and approval. Additional payments may be received as other product registrations are submitted and approved in the specified territories.

4. Arrangement with Lilly

In connection with the agreement between Seragen and Eli Lilly and Company ("Lilly") under which Lilly assigned to Seragen its sales and marketing rights to ONTAK, Lilly received a $5 million milestone payment from the Company in March 2001 following the achievement of cumulative net sales of ONTAK reaching $20 million in October 2000. The Company issued 412,504 shares of its common stock to Lilly as payment for this $5 million milestone.

5. Commitments

In November 1998, the Company and Elan Corporation, plc ("Elan") entered into a Development, Licence and Supply Agreement related to Elan's product Morphelan™. For the rights to Morphelan™ the Company paid Elan certain license fees in 1998 and milestone payments due upon the occurrence of certain events in 1999 and 2000. Elan could receive up to $5 million in cash, or subject to certain conditions, in the Company's common stock or notes upon approval of Morphelan by the FDA. Elan submitted a NDA for Morphelan to the FDA in May 2000. The Company is also committed to spend not less than $7 million through May 2003 to undertake additional clinical activities related to the commercialization of Morphelan™. In the event the Company does not spend this amount, any short fall would be paid to Elan.

6. Stockholders' Equity

In January 2001, the Company raised net proceeds of approximately $22.4 million in a private placement of 2 million shares of its common stock.

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 at "Risks and Uncertainties" below. 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.

Panretin® and Targretin® are registered trademarks of Ligand Pharmaceuticals Incorporated, and ONTAK® is a registered trademark of Seragen, Inc., our wholly owned subsidiary.

Overview

We develop and market drugs that address critical unmet medical needs of patients in the areas of cancer, men's and women's health and skin diseases, as well as osteoporosis, metabolic, cardiovascular and inflammatory diseases. Our drug discovery and development programs are based on our proprietary gene transcription technology, primarily related to Intracellular Receptors, also known as IRs, and Signal Transducers and Activators of Transcription, also known as STATs.

In 1999, we received marketing approval in the United States for Panretin gel, for the treatment of Kaposi's sarcoma in AIDS patients, ONTAK, for the treatment of patients with persistent or recurrent cutaneous T-cell lymphoma or CTCL, and Targretin capsules, for the treatment of CTCL in patients who are refractory to at least one prior systemic therapy. In June 2000, Targretin gel was granted marketing approval in the United States for the treatment of patients with early stage CTCL. In addition, in May 2000, our strategic partner Elan submitted a new drug application for its product Morphelan for pain management in cancer and HIV patients. We have the exclusive marketing rights to Morphelan in the United States and Canada. In Europe, we were granted a marketing authorization for Panretin gel in October 2000 and for Targretin capsules in March 2001, and have a marketing authorization application under review for Targretin gel. We expect to launch Panretin gel and Targretin capsules in Europe in 2001 after pricing has been approved.

We are also currently involved in the research phase of research and development collaborations with Eli Lilly and Company, SmithKline Beecham Corporation, Organon Company and Bristol-Myers Squibb Company. Collaborations in the development phase are being pursued by American Home Products, Abbott Laboratories, Glaxo-Wellcome plc, and Allergan, Inc. We receive funding during the research phase of the arrangements and milestone and royalty payments as products are developed and marketed by our corporate partners. In addition, in connection with some of these collaborations, we received non-refundable up-front payments.

We have been unprofitable since our inception. We expect to incur substantial additional operating losses until the commercialization of our products 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 product sales and collaborative research and development arrangements. Some of these fluctuations may be significant.

Results of Operations

Three Months Ended March 31, 2001 ("2001"), as compared with Three Months Ended March 31, 2000 ("2000")

Total revenues for 2001 were $17.0 million, an increase of $6.2 million, as compared to 2000 revenues of $10.8 million. Net loss for 2001 was $11.6 million or $.20 per share, a decrease of $17.3 million as compared to the 2000 net loss of $28.9 million or $.54 per share including the cumulative effect of the change in accounting principle of $13.1 million related to the 2000 implementation of SAB No. 101. For additional details, please see note 1 of the notes to consolidated financial statements. Excluding the impact of this change in accounting principle, net loss for 2001 decreased by $4.2 million as compared to 2000 net loss of $15.8 million or $.30 per share. The principal factors causing these changes are discussed below.

Product sales for 2001 were $8.6 million as compared to $4.9 million in 2000 as a result of a 28% increase in sales of ONTAK from $3.7 million in 2000 to $4.8 million in 2001, a 192% increase in sales of Targretin capsules from $800,000 in 2000 to $2.3 million in 2001, and $1.4 million in sales of Targretin gel and Panretin gel in 2001 compared to $200,000 in 2000. Targretin capsules and Targretin gel were approved for marketing in the U.S. in December 1999 and June 2000, respectively.

ONTAK sales again increased in the first quarter ended March 31, 2001 from increased penetration of private oncology practices and increased focus of the oncology sales force on ONTAK and Targretin capsules. Products sold for use in post-marketing clinical trials as well as price increases contributed to the quarter-to-quarter sales increase. Targretin capsules and gel continued to improve market penetration with the support of a new dermatology sales force put in place during the first quarter 2001.

Collaborative research and development and other revenues for 2001 were $8.4 million, an increase of $2.5 million as compared to 2000. The increase was due to higher 2001 milestones of $3.5 million as compared to $1 million in 2000.

Cost of products sold increased from $2.1 million in 2000 to $2.8 million in 2001 reflecting higher unit sales.

Research and development expenses of $12.4 million in 2001 were virtually flat with 2000, reflecting reduced initial registration activities offset by increased spending in studies related to the use of our products in potential new indications.

Selling, general and administrative expenses were $10.2 million in 2001, up from $7.8 million in 2000. The increase was due primarily to increased selling and marketing costs associated with the division of our U.S.-based sales force between oncology and dermatology audiences and the consequent total increase of 10 representatives, post-marketing clinical trials, and other expenses to support increased sales efforts, offset in part, by decreases in general and administrative spending.

Total other income (expense) of $(3.2) million in 2001 compared favorably to $(4.3) million in 2000. In 2000, the debt conversion expense of $2 million related to the incentive provided to Elan for their conversion of $20 million issue price of outstanding convertible notes in March 2000, was partially offset by a gain of $437,000 on the sale of the Marathon assets and a gain of $426,000 on the sale of an investment security.

We have federal, state, and foreign income tax net operating loss carryforwards and federal and state research tax credit carryforwards which are available within the limitation set forth in Internal Revenue Code 382 and 383.

Liquidity and Capital Resources

We have financed our operations through private and public offerings of our equity securities, collaborative research and development and other revenues, issuance of convertible notes, capital and operating lease transactions, equipment financing arrangements, product sales and investment income.

Working capital was $34.8 million at March 31, 2001, as compared to $16.2 million at December 31, 2000. Cash, cash equivalents, short-term investments, restricted investments and the funds receivable from Elan totaled $43.6 million at March 31, 2001, as compared to $35.1 million at December 31, 2000. We primarily invest our cash in United States government and investment grade corporate debt securities.

Significant cash inflows in 2001 included proceeds of $22.4 million of net cash received in a private placement of 2 million shares of our common stock and $10 million from the proceeds on the final note issued to Elan. Significant cash outflows included $13.1 million of net cash used to finance operating activities in 2001, as compared to $13.9 million in 2000.

Our subsidiary, Glycomed, is obligated to make payments under convertible subordinated debentures in the total principal amount of $50 million. The debentures pay interest semi-annually at a rate of 7 ½% per annum, are due in 2003 and convertible into our common stock at $26.52 per share. In addition, at March 31, 2001, we also had outstanding a $2.5 million convertible note to GlaxoSmithKline due in 2002 with interest at prime and convertible into our common stock at $13.56 per share as well as $81.4 million in zero coupon convertible senior notes to Elan, due 2008 with an 8% per annum yield to maturity and convertible into our common stock at approximately $14 per share.

Certain of our property and equipment is pledged as collateral under various equipment financing arrangements. As of March 31, 2001, $7.2 million was outstanding under such arrangements with $3.0 million classified as current. Our equipment financing arrangements have terms of four to seven years with interest ranging from 6.75% to 11.02%. We lease our office and research facilities under operating lease arrangements with varying terms through August 2015.

We may be required to make a milestone payment of $5 million to Elan and are required to spend $7 million through May 2003 for clinical expenditures under the Morphelan license agreement. For additional details, please see note 5 of the notes to consolidated financial statements.

We believe our available cash, cash equivalents, short-term investments and existing sources of funding will be adequate to satisfy our anticipated operating and capital requirements through at least the next 12 months. Our future operating and capital requirements will depend on many factors, including: the effectiveness of our commercialization activities; the pace of scientific progress in our research and development programs; the magnitude of these programs; the scope and results of preclinical testing and clinical trials; the time and costs involved in obtaining regulatory approvals; the costs involved in preparing, filing, prosecuting, maintaining and enforcing patent claims; competing technological and market developments; the ability to establish additional collaborations or changes in existing collaborations; and the cost of manufacturing.

Financial Condition

March 31, 2001, as compared with December 31, 2000

Funds receivable from Elan decreased by $10 million reflecting the receipt of cash proceeds in January 2001 on the final note issued by Elan.

Restricted investments increased by $1.3 million primarily due to a guarantee collateralization on a long-term contract to purchase electric power at rates substantially lower than those presently paid.

Accrued liabilities decreased by $5.2 million reflecting the issuance of our common stock in satisfaction of the Lilly milestone obligation for ONTAK discussed in note 4 of the notes to consolidated financial statements.

Stockholders' deficit decreased by $16.9 million due primarily to the proceeds of the private placement described in note 6 of the notes to consolidated financial statements and the issuance of common stock to Lilly described in note 4 of the notes to consolidated financial statements, offset in part by the 2001 net loss of $11.6 million.

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, including 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 sufficient revenues from the sale of products to become profitable.

We were founded in 1987. We have incurred significant losses since our inception. At March 31, 2001, our accumulated deficit was $554.3 million. To date, we have received the majority of our revenues from our collaborative arrangements and only began receiving revenues from the sale of pharmaceutical products in 1999. 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 product sales, collaborative arrangements and other sources. Some of these fluctuations may be significant.

Most of our products in development 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 resulting from our product development efforts or the efforts of our collaborative partners, other than those for which marketing approval has already been received, will be available for sale until the second half of the 2001 calendar year at the earliest, if at all. There are many reasons that we or our collaborative partners may fail in our efforts to develop our other potential products, including the possibility that:

- preclinical testing or human studies may show that our potential products are ineffective or cause harmful side effects,
- the products may fail to receive necessary regulatory approvals from the FDA or foreign authorities in a timely manner or at all,
- the products, if approved, may not be produced in commercial quantities or at reasonable costs,
- the products once approved, may not achieve commercial acceptance, or
- the proprietary rights of other parties may prevent us or our partners from marketing the products.

We are building marketing and sales capabilities in the united states and europe which is an expensive and time-consuming process.

Developing the sales force to market and sell products is a difficult, expensive and time-consuming process. We have developed an U.S. sales force of approximately 50 people, some of which are contracted from a third party, and we rely on third parties to distribute our products. The distributor is responsible for providing many marketing support services, including customer service, order entry, shipping and billing, and customer reimbursement assistance. In Europe, we will rely initially on other companies to distribute and market our products. We have entered into agreements for the marketing and distribution of our products in territories such as the United Kingdom, Germany, France, Spain, Portugal, Greece, Italy, and Central and South America. We may not be able to continue to expand our sales and marketing capabilities sufficiently to successfully commercialize our products in the territories where they receive marketing approval. 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.

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 there are marketed drugs that 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, we will not be successful in developing new products.

Our drug development programs will require substantial additional future capital.

Our drug development programs require substantial additional capital to successfully complete them, 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 to support these programs.

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.

For example, we are required under the terms of our agreement with Elan, to spend not less than $7 million through May 2003 to undertake additional clinical activities related to the commercialization of Morphelan. In the event we do not spend this amount, any shortfall would have to be paid to Elan. If additional funds are required to support our operations and we are unable to obtain them on terms favorable to us, we may be required to cease or reduce further commercialization of our products, to sell some or all of our technology or assets or to merge with another entity.

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 human testing 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 after regulatory approvals are received, 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 supplies of the products to be tested 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, 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 when due which would cause defaults under these arrangements.

We and our subsidiaries may not have sufficient funds to make required payments due under existing debt. If we or our subsidiaries do not have adequate funds, we will be forced to refinance the existing debt and may not be successful in doing so. Our subsidiary, Glycomed, is obligated to make payments under convertible subordinated debentures in the total principal amount of $50 million. The debentures incur interest semi-annually at a rate of 7 ½% per annum, are due in 2003 and convertible into our common stock at $26.52 per share. In addition, at March 31, 2001, we had outstanding a $2.5 million convertible note to GlaxoSmithKline due in 2002 with interest at prime and convertible into our common stock at $13.56 per share. We also had outstanding $81.4 million in zero coupon convertible senior notes to Elan, due 2008 with an 8% per annum yield to maturity and convertible into our common stock at approximately $14 per share. Glycomed's failure to make payments when due under its debentures would cause us to default under the outstanding notes to Elan.

We may require additional money to run our business and may be required to raise this money on terms which are not favorable to our existing stockholders.

We have incurred losses since our inception and do not expect to generate positive cash flow to fund our operations for one or more years. As a result, we may need to complete additional equity or debt financings to fund our operations. Our inability to obtain additional financing could adversely affect our business. 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 zero coupon convertible senior notes outstanding to Elan are convertible into common stock at the option of Elan, subject to some limitations, and in January 2001 we issued 2 million shares of our common stock in a private placement. 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 technologies or drug candidates that we would not otherwise relinquish.

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.

Our success will depend on third-party reimbursement and may be impacted by health care reform.

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.

In addition, 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 such as us. 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.

We rely heavily on collaborative relationships and termination of any of these programs could reduce the financial resources available to us.

Our strategy for developing and commercializing many of our potential products, including products aimed at larger markets, includes entering into collaborations with corporate partners, licensors, licensees and others. 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. Our collaborations may not 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 specified 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.

We may have disputes in the future with our collaborators, including disputes concerning which of us 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, disputes with licensors under our license agreements may arise which could result in additional financial liability or loss of 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 may be kept 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.

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 Hoffmann-La Roche Inc. has received a United States patent and has made patent filings in foreign countries that relate to our Panretin® capsules and gel products. We filed a patent application with an earlier filing date than Hoffmann-La Roche's patent, which we believe is broader than, but overlaps in part with, Hoffmann-La Roche's patent. We currently are investigating the scope and validity of Hoffmann-La Roche'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 Hoffmann-La Roche 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. If we do not prevail, the Hoffmann-La Roche patent might block our use of Panretin®capsules and gel in specified 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.

We rely on third-party manufacturers to supply our products and thus have little control over our manufacturing resources.

We currently have no manufacturing facilities and we rely on others for clinical or commercial production of our marketed and 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. Any extended and unplanned manufacturing shutdowns could be expensive and could result in inventory and product shortages. If we are unable to develop our own facilities or contract with others for manufacturing services, our revenues could be adversely affected. In addition, if we are unable to supply products in development, our ability to conduct preclinical testing and human clinical trials will be adversely affected. This in turn could also 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.

The 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 in filling our customers' orders.

Our business exposes us to product liability risks or our products may need to be recalled and we may not have sufficient insurance to cover any claims.

Our business exposes us to potential product liability risks. Our products also may need to be recalled to address regulatory issues. A successful product liability claim or series of claims brought against us could result in payment of significant amounts of money and divert management's attention from running the 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 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. 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 may need to hire new scientific, management and operational personnel. Recruiting and retaining qualified management, operations and scientific personnel is also critical to our success. 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. To properly dispose of these hazardous materials in compliance with environmental regulations, we are required to contract with third parties at substantial cost to us. We cannot completely eliminate the risk of accidental contamination or injury from the handling and disposing of hazardous materials, whether by us or by our third-party contractors. In the event of any accident, we could be held liable for any damages that result, which could be significant.

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 or development testing of ours or our competitors' products,
- technological innovations related to diseases we are studying,
- new commercial products introduced by our competitors,
- government regulation of our industry,
- receipt of regulatory approvals by competitors,
- our failure to receive regulatory approvals for products under development,
- developments concerning proprietary rights, or
- litigation or public concern about the safety of our products.

Future sales of our common stock may depress our stock price.

Sales of substantial amounts of our common stock in the public market could seriously harm prevailing market prices for our common stock. These sales might make it difficult or impossible for us to sell additional securities when we need to raise capital.

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. We intend to retain any earnings to support the expansion of our business and we do not anticipate paying cash dividends in the foreseeable future. Accordingly, other than through a sale of your shares, you will not receive a return on your investment in our common stock.

Our shareholder rights plan and charter documents 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 issuances may have the effect of delaying or preventing a change in our ownership.

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

At March 31, 2001 our investment portfolio includes fixed-income securities of $17.8 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 not have a material impact on our financial condition, results of operations or cash flows. Declines in interest rates over time will, however, reduce our interest income while increases in interest rates over time will increase our interest expense.

We generally conduct business, including sales to foreign customers, in U.S. dollars. 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, results of operations or cash flows.

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

During the three-month period ended March 31, 2001, we issued the following securities:

On December 29, 2000, we issued $10 million issue price of zero coupon convertible notes to an affiliate of Elan Corporation, plc, for which we received payment on January 2, 2001. The notes are convertible at any time prior to November 9, 2008 into our common stock at a conversion price of $14.16, as such price may be adjusted under the terms of the notes. The notes were issued to a single entity under a claim of exemption under Regulation S promulgated by the SEC or, alternatively, under Section 4(2) of the Securities Act.

On January 10, 2001, we issued 2 million shares of our common stock in an unregistered transaction to selected institutional and accredited investors, including several current Ligand investors, for aggregate consideration of $24 million. In connection with the placement of the shares, we paid $1.5 million in cash compensation to the placement agent. We subsequently registered the resale of all of these shares on a Form S-3 registration statement (No. 333-53992), filed on January 19, 2001 and declared effective on January 26, 2001. The shares were issued under a claim of exemption under Regulation D promulgated by the SEC or, alternatively, under Section 4(2) of the Securities Act.

Neither transaction involved a public offering. Appropriate legends were affixed to the notes and stock certificates, as applicable, issued in such transactions. We believe each transferee had adequate access to information about us to make an informed investment decision and each transferee is an accredited investor within the meaning of Rule 501 of Regulation D.

ITEM 6 (A) EXHIBITS

Exhibit 3.2 (1)	Bylaws of the Company, as amended (Exhibit 3.3)
Exhibit 3.3 (2)	Amended Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock of Ligand Pharmaceuticals Incorporated.
Exhibit 3.5 (6)	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Company dated June 14, 2000.
Exhibit 4.1 (8)	Specimen stock certificate for shares of Common Stock of the Company.
Exhibit 4.2 (3)	Preferred Shares Rights Agreement, dated as of September 13, 1996, by and between Ligand Pharmaceuticals Incorporated and Wells Fargo Bank, N.A. (Exhibit 10.1)
Exhibit 4.3 (4)	Amendment to Preferred Shares Rights Agreement, dated as of November 9, 1998, between the Company and ChaseMellon Shareholder Services, L.L.C., as Rights Agent (Exhibit 99.1).
Exhibit 4.5 (7)	Indenture, dated as of December 23, 1992 by and between Glycomed Incorporated and Chemical Trust Company of California. (Filed as Exhibit 4.3).
Exhibit 4.6 (5)	First Supplement Indenture, dated as of May 18, 1995 by and among the Company, Glycomed Incorporated and Chemical Trust Company of California. (Filed as Exhibit 10.133).
Exhibit 10.233	Second Amendment to the Research, Development and License Agreement, dated as of September 2, 1994, between the Company and American Home Products Corporation (with certain confidential portions omitted).
Exhibit 10.234	Fourth Amendment to the Research, Development and License Agreement, dated as of September 2, 1994, between the Company and American Home Products Corporation (with certain confidential portions omitted).
Exhibit 10.235	Distributorship Agreement, dated February 29, 2001, between the Company and Elan Pharma International Limited (with certain confidential portions omitted).
Exhibit 10.236	Second Amendment to the Development, Licence and Supply Agreement dated November 9, 1998, between the Company and Elan Corporation, plc.
Exhibit 10.237	Form of Stock Purchase Agreement dated as of January 5, 2001, between the investors listed on Exhibit A and the Company.

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(1) This exhibit was previously filed as part of, and is hereby incorporated by reference to the numbered exhibit filed with the Company's 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 same numbered exhibit filed with the Company's Quarterly Report on Form 10-Q for the period ended March 31, 1999.

(3) This exhibit was previously filed as part of, and is hereby incorporated by reference to the numbered exhibit filed with the Company's Registration Statement on Form S-3 (No. 333-12603) filed on September 25, 1996, as amended.

(4) 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.

(5) 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. 33-90160) filed on March 9, 1995, as amended.

(6) This exhibit was previously filed as part of, and is hereby incorporated by reference to the same numbered exhibit filed with the Company's Annual Report on Form 10-K for the period ended December 31, 2000.

(7) 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-3 of Glycomed Incorporated (Reg. No. 33-55042) filed on November 25, 1992, as amended.

(8) This exhibit was previously filed as part of, and is hereby incorporated by reference to the same numbered exhibit filed with the Company's Registration Statement on Form S-1 (No. 33-47257) filed on April 16, 1992 as amended.

ITEM 6 (B) REPORTS ON FORM 8-K

The following reports on Form 8-K were filed by the Company during the first quarter of 2001:

Date of Filing	Description
January 4, 2001	Item 5 and 7, Other Events - Ligand Completes $10 Million Takedown of Elan Funding.
January 8,2001	Item 5 and 7, Other Events - Ligand Raises $24 Million in Private Placement of Common Stock.

LIGAND PHARMACEUTICALS INCORPORATED

March 31, 2001

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 7, 2001

By: /S/ PAUL V.MAIER
Paul V. Maier
Senior Vice President, Chief Financial Officer

EXHIBIT 10.233

SECOND AMENDMENT TO AGREEMENT

This Second Amendment to Agreement, effective May 24, 1996, is by and between AMERICAN HOME PRODUCTS CORPORATION ("AHP"), a Delaware corporation, as represented by its Wyeth-Ayerst Research Division, having its principal place of business at 533 East Lancaster Pike, St. Davids, Pennsylvania and LIGAND PHARMACEUTICALS INCORPORATED ("Ligand"), a Delaware corporation having its principal place of business at 9393 Towne Center Drive, San Diego, California.

WHEREAS, AHP and Ligand have previously entered into a Research, Development and License Agreement effective September 2, 1994 (the "Agreement") under which AHP sponsors research at Ligand with the goal of discovering and/or designing small molecule compounds which act through the estrogen and progesterone receptors and to develop pharmaceutical products from such compounds;

WHEREAS, AHP and Ligand have previously amended the Agreement by a first Amendment (the "First Amendment") effective January 16, 1996, in order to give effect to mutually agreed upon modifications to the definition of Exhibit Compounds and to the nature, terms and conditions of the provisions of Article 7 of the Agreement;

WHEREAS, concurrently with the execution of the Agreement, on even date the parties executed an Option Agreement by which Ligand granted AHP the irrevocable option (the "Option"), exercisable on or after January 1, 1996, to extend research at Ligand to include within the Field (as defined in the Agreement) the discovery, development and commercialization of drugs for the treatment of osteoporosis which are ligands of the estrogen receptor, which Option

AHP exercised by a writing on February 12, 1996, accompanied by the payment to Ligand of the sum of $*** as per Article 3 of the Option Agreement;

WHEREAS, prior to AHP's exercise of the aforementioned Option, AHP discovered within its own internal research programs series of chemical compounds (the "AHP Compounds") active at the *** and having potential utility in the treatment of *** , which compounds have never been subject to screening by Ligand within the framework of the Research Program of the Agreement and all of which series undergoing active development at AHP are described in Schedule B hereto;

WHEREAS, in order to create a broad chemical base of Research Compounds (as defined in the Agreement) from which can be selected those compounds most suitable for further evaluation and development, whether such Research Compounds are *** *** AHP and Ligand have mutually agreed to integrate the AHP Compounds into the Research Program, whereby the AHP Compounds are deemed to be Research Compounds suitable for further evaluation and selection for preclinical testing;

WHEREAS, AHP and Ligand wish to make a second amendment of the Agreement to give effect to the mutually agreed upon integration of the AHP Compounds into the Research Program;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, it is agreed by AHP and Ligand as follows:

1. Terms not otherwise defined herein shall have the meanings given them in the Agreement.

2. Present Article 1 of the Agreement is hereby modified by the inclusion of a new definition for "AHP Compounds":

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

1.27. "AHP Compounds" shall mean those compounds which AHP has identified to be *** possessing potential utility in the treatment of *** and other uses within the Field, and which are specifically defined in Schedule B, which is attached to this Second Amendment and is deemed to be an integral part of the Agreement. This definition shall also mean the analogues, whether or not patented and whether or not within the scope of the definition of Schedule B, related to the compounds defined in Schedule B synthesized by Ligand and/or AHP subsequent to the effective date of this Second Agreement, provided, however, that the analogues synthesized by Ligand i) before the effective date of this Second Amendment or ii) after the effective date by Ligand, provided that such synthesis be demonstrably (by Ligand) done by persons not having knowledge of the Schedule B compounds or related analogues shall not be AHP Compounds under the Agreement.

3. Present Section 1.20 is hereby modified to read as follows:

1.20. "Research Compound" shall mean an AHP Compound, or a compound, including an Existing Compound for which AHP acquires rights under Article 7 of this Agreement, which is identified and confirmed as acting through or mediating the activity of a Designated Receptor (a) during the terms of the Research Program, or (b), except in the case of termination by AHP under 16.3 below, by AHP, within *** after expiration or earlier termination of the Research Program.

4. The parties agree that AHP Compounds shall be deemed to be Research Compounds in the Research Program which are suitable for further evaluation and preclinical testing, and subject to the Development Program as defined in Article 5 of the Agreement.

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

5. The parties further agree that AHP Compounds which AHP elects to develop shall be subject to the payment of milestones and royalties specifically provided therefor in Article 9, as hereinafter modified.

6. AHP retains all rights to applications of AHP Compounds within and outside the Field, and Ligand shall have no right to develop AHP Compounds outside the Field. Accordingly, AHP Compounds are not subject to Ligand rights as defined in Article 6 of the Agreement, nor to Ligand rights as defined in Article 8 of the Agreement.

7. In recognition of the expansion of the chemical base of Research Compounds by the integrating of AHP Compounds into the Research and Development Programs, the parties have agreed to provide for a separate category of milestone and royalty payments in Article 9 of the Agreement to specifically relate to Research Compounds or Products which are AHP Compounds. Accordingly, Section 9.1 is modified by the inclusion therein of a third milestone category, denominated AHP Compounds, with the following payment schedule:

***	***
***	***
***	***
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***	***

Likewise, Section 9.2 is modified by the inclusion therein of a third royalty category, denominated AHP Compounds, with the following royalty schedule:

***

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***

8. Except as expressly amended or supplemental by this Second Amendment to the Agreement, all of the terms and conditions of the Agreement and the First Amendment shall remain in full force and effect in accordance with their terms. No agreement or understanding bearing on this Second Amendment to Agreement shall be binding on either party hereto unless it shall be in writing and signed by the duly authorized officer or representative or each of AHP and Ligand and shall expressly refer to this Second Amendment to Agreement.

IN WITNESS WHEREOF, the parties have caused the Amendment to be executed by their duly authorized representatives.

AMERICAN HOME PRODUCTS CORPORATION	LIGAND PHARMACEUTICALS INCORPORATED
By: /s/ illegible	By: /s/ David E. Robinson
(Signature)	(Signature)
Title: Vice President	Title: President/CEO

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

SCHEDULE B

AHP Compounds are compounds defined by the following structural formulae:

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

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

EXHIBIT 10.234

FOURTH AMENDMENT TO AGREEMENT

This Fourth Amendment to Agreement, effective September 9, 1999 is by and between AMERICAN HOME PRODUCTS CORPORATION ("AHP"), a Delaware corporation, as represented by its Wyeth-Ayerst Research Division, having its principal place of business at 555 East Lancaster Avenue, St. Davids, Pennsylvania and LIGAND PHARMACEUTICALS INCORPORATED ("Ligand"), a Delaware Corporation having its principal place of business at 10275 Science Center Drive, San Diego, California.

WHEREAS, AHP and Ligand have previously entered into a Research, Development and License Agreement effective September 2, 1994 (the "Agreement") under which AHP sponsored research at Ligand with the goal of discovering and/or designing small molecule compounds which act through the *** and to develop pharmaceutical products from such compounds;

WHEREAS, AHP and Ligand have previously amended the Agreement by a first amendment (the "First Amendment") effective January 16, 1996 in order to give effect to mutually agreed upon modifications to the definition of Existing Compounds and to the nature, terms and conditions of Article 7 of the Agreement;

WHEREAS, AHP and Ligand have previously amended the Agreement by a second amendment (the "Second Amendment") effective May 24, 1996, in order to give effect to mutually agreed integration of AHP Compounds into the Research Program and to add a third milestone category denominated AHP Compounds to Section 9.1 of the Agreement;

WHEREAS, AHP and Ligand have previously amended the Agreement by a third amendment (the "Third Amendment") effective September 2, 1997 to INTER ALIA, extend the Research Program Term to September 2, 1998;

WHEREAS, AHP and Ligand wish to make a fourth amendment to the Agreement to clarify the milestone payments payable under Section 9.1 of the Agreement;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, it is agreed by AHP and Ligand as follows:

1. Terms not otherwise defined herein shall have the meanings given them in the Agreement.

2. Present Article I of the Agreement is hereby modified by the inclusion of new definitions for "Discovery Board Recommendation" and "Development Track Approval":

   1.28 "Discovery Board Recommendation" shall mean a recommendation by the Wyeth-Ayerst Research division of AHP Discovery Board, or any successor body, for advancement of a late stage discovery candidate Research Compound to pre-development stage.

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

   1.29 "Development Track Approval" shall mean an approval by the Wyeth-Ayerst Research division of AHP Development Operations Committee, or any successor body, for advancement of a pre-development Research Compound to development track.

3. Present Section 9.1 is modified by the deletion of the Development Candidate Selection milestone and inclusion of Discovery Board Recommendation and Development Track Approval milestones with the following payment schedule (total milestone payments remain unchanged):

MILESTONE	EXISTING COMPOUND	OTHER COMPOUNDS	AHP COMPOUNDS
***	***	***	***
***	***	***	***

4. Except as expressly amended or supplemented by this Fourth Amendment to the Agreement, all of the terms and conditions of the Agreement, the First Amendment, the Second Amendment, and the Third Amendment shall remain in full force and effect in accordance with their terms. No agreement or understanding bearing on this Fourth Amendment to the Agreement shall be binding on either party hereto unless it shall be in writing and signed by the duly authorized officer or representative of each of AHP and Ligand and shall expressly refer to this Fourth Amendment.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their duly authorized representatives.

AMERICAN HOME PRODUCTS CORPORATION

By: /S/ ILLEGIBLE

(Signature)

Title: VICE PRESIDENT & ASSOCIATE GENERAL COUNSEL

LIGAND PHARMACEUTICALS INCORPORATED

By: /S/ DAVID E. ROBINSON

(Signature)

Title: CHAIRMAN, PRESIDENT & CEO

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

EXHIBIT 10.235

DISTRIBUTORSHIP AGREEMENT

THIS DISTRIBUTORSHIP AGREEMENT ("Agreement"), is entered into as of February 28, 2001 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 corporation organized and existing under the laws of the State of Delaware, U.S.A. and a wholly owned subsidiary of Ligand Pharmaceuticals Incorporated, with its principal place of business at 10275 Science Center Drive, San Diego, California, U.S.A. (collectively referred to herein as "Ligand")

and

ELAN PHARMA INTERNATIONAL LIMITED, a corporation organized and existing under the laws of the Republic of Ireland, with its principal place of business at WIL House, Shannon Business Park, Shannon, County Clare, Ireland ("Elan").

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. Elan 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 Elan 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 Elan, as applicable. For purposes of this Agreement, "control" means the direct or indirect ownership or control of more than ***% of the issued voting shares or other voting rights of the subject entity to elect directors, or if not meeting the preceding criteria, any entity owned or controlled by or owning or controlling at the maximum control or ownership right permitted in the country where such entity exists.

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1.2 "CIP" means carriage and insurance paid in accordance with the ICC Incoterms 2000, International Rules for the Interpretation of Trade Terms, ICC Publication No. 560.

1.3 "CONFIDENTIAL INFORMATION" means any and all preclinical and clinical 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.

1.4 "DEALER" means Affiliates of Elan or Third Parties, which Affiliates or Third Parties have been appointed by Elan and, in the case of Third Parties, approved by Ligand pursuant to Clause 2.1 to promote, market and distribute Products in the Territory. For the avoidance of doubt, Dealer does not include any entity engaged by Elan for the purposes of providing logistical support of such promotion, marketing or distribution, including storage, transportation, packaging and invoicing.

1.5 "EFFECTIVE DATE" means the date of this Agreement as designated in preamble to this Agreement on the first page.

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1.7 "EUROPEAN STRATEGIC MARKETING PLAN" means a plan which summarizes the competitive environment for each Product and the key elements of the strategy for the marketing of such Product in (a) each country of the Territory and (b) Spain, Portugal, Greece, Italy, San Marino and the Vatican City, as such plan may be updated pursuant to Clause 7.2 of this Agreement.

1.8 "EXTENDED INDICATIONS"means ***

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1.9 "FDA"means the United States Food and Drug Administration or successor agency whose approval is necessary to market the Products in the United States.

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1.10 "FLOOR PRICE"means, with respect to each Product in each country of the Territory, the price set forth below:

<TABLE>
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Product Description	Floor Price
<S>	<C>
100 count 75 mg Targretin(R)capsules	***
60 gram tube of Targretin(R)gel	***
60 gram tube of Panretin(R)gel	***
Single 2 ml vial of Denileukin Diftitox (Ontak)	***

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1.11 "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.

1.12 "INTELLECTUAL PROPERTY RIGHTS" means and includes all copyrights, designs, databases, mask works, patents, trademarks, trade names, trade secrets 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.

1.13 "NET SALE PRICE" means, with respect to each Product, the actual price (***) at which Elan or its Dealer sells such Product to their respective

customers, in each country of the Territory, deducting, or as the case may be excluding:

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in each of the above cases only if charged against Elan or its Dealers and evidenced in Elan's or its Dealers' books and records of account.

1.14 "NON-EMEA TERRITORIES" means all countries within the Territory not included in the EMEA Territories.

1.15 "PARTIES" means Ligand and Elan, and "PARTY" means either of Ligand or Elan, as the context requires..

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

1.17 "PRICING APPROVAL(S)" means any approval or authorization of any Governmental Authority establishing a pricing scheme and/or health insurance reimbursement scheme for the Products or any of them in any country of the Territory, but excluding Regulatory Approval(s).

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1.18 "REGULATORY APPROVAL(S)" 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 Elan to lawfully market, promote, offer for sale and sell the Products in the Territory, including, without limitation, authorizations required from the European Medicines Evaluation Agency ("EMEA"), but excluding Pricing Approvals.

1.19 "PRODUCTS" means the biopharmaceutical products manufactured by or on behalf of Ligand, for the indications and applications specified, which are listed in APPENDIX A, including for the avoidance of doubt, any and all additional formulations, indications and applications which may be approved from time to time, including any approved Extended Indication; and "Product" shall have a corresponding meaning.

1.20 "SUMMARY OF PRODUCT CHARACTERISTICS" means the summary of the Products (or, as the context may require, any of them) in a Regulatory Approval in the EMEA Territories, or an application therefor.

1.21 "TECHNICAL ASSISTANCE" means and includes advice, training, information and other support regarding the manufacture, specifications, clinical trials and marketing specifically related to the Products.

1.22 "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.

1.23 "TERRITORY" ***

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1.24 "THIRD PARTY(IES)" means any person or entity other than Ligand, Elan or their respective Affiliates.

1.25 "TRADEMARKS" means the trademarks owned or licensed to Ligand (with the right to sublicense) pertaining to Products which are listed in APPENDIX C. Trademarks and trade names that are owned and used by Elan to identify itself as the distributor of Products are specifically excluded from

this definition.

In this Agreement, unless a contrary intention appears, the singular shall include the plural, each gender shall include each other gender and the terms "include" and "including" shall be construed without limitation.

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2. GRANT OF RIGHTS.

2.1 DISTRIBUTION RIGHTS. Subject to the terms and conditions of this Agreement, Ligand grants to Elan, and Elan accepts, the exclusive right to market the Products in the Territory. Right to market under this Agreement shall mean Elan's right (1) to hold itself out as Ligand's exclusive authorized distributor in the Territory; and (2) to acquire the Products from Ligand for resale to customers on its own account in the Territory. In addition, Elan shall have the right to appoint its Affiliates and Third Parties as a Dealer to market, promote and distribute Products in the countries of the Territory on terms substantially similar to those set forth herein, where applicable; provided that Ligand gives its prior written approval for any such Third Parties. Ligand shall not unreasonably withhold such approval and shall either grant or deny such approval in writing within *** calendar days from receipt of a written request from Elan which shall include, at Ligand's request, background information on such Third Party Dealer. Elan shall remain primarily responsible and liable to Ligand for the performance of this Agreement by its Dealers.

2.2 ADDITIONAL RIGHTS. Ligand further grants Elan the royalty-free and (except to the extent that Ligand reasonably requires the same for the performance of its rights and obligations under this Agreement) exclusive right to use the Confidential Information and the assistance and information related thereto pursuant to Clause 4.7 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 Elan 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 Elan. Except as specifically provided in this Agreement, Elan 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, on a Product-by-Product basis, for distribution in the Territory at its discretion at any time, following due consultation with Elan, due to legal or regulatory requirements, administrative or court orders, or safety risks; provided, however, that Elan shall be entitled to market any modified versions of Products pursuant to the terms of this Agreement. To the extent permissible by law, Ligand is prohibited from advertising, circulating price lists or otherwise soliciting orders for the Products, and from establishing or maintaining branches, sales offices or distribution depots, in the Territory for the distribution of the Products (other than any of such activities in furtherance of its obligations hereunder); and Ligand shall impose upon its other distributors restrictions on their active marketing in the Territory similar to that imposed on Elan in respect of its marketing of Products outside the Territory under Clause 11.1(a), to the extent that such restrictions are legally permissible. For the avoidance of doubt,

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subject to the foregoing, nothing in this Agreement shall be deemed to restrict Ligand from appointing distributors in countries outside the Territory who may be permitted, by operation of law, to sell the Products in the Territory, and neither party shall receive any compensation for such sales by Ligand or any other distributor.

2.5 LIGAND EXCLUSIVE SUPPLIER. During the Term, Elan shall purchase all of its requirements of the Products from Ligand or any party designated by Ligand for this purpose.

2.6 TERMINATION OF LIGAND'S EUROPEAN CO-PROMOTION OPTION FOR MORPHELAN(TM). The Parties have agreed to amend the Development, Licence and Supply Agreement with Elan Corporation, plc, dated as of November 9, 1998 (as amended August 20, 1999) to terminate the option granted to Ligand under article 2.2.2 to co-promote the Product (as defined therein) in the European Union (as defined therein). The form of amendment is attached hereto as APPENDIX E.

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 on a country-by-country basis, until the greater of *** from the date of the Agreement or the expiration date set forth in APPENDIX D of the last to expire patent set forth in APPENDIX D owned or licensed by Ligand in the Territory that covers the Product, unless the Agreement is earlier terminated in accordance with Clause 16.

3.2 EXTENSIONS. Elan shall, at its option, be entitled in respect of each Product in a particular country, but not obliged, by giving notice no later than *** before the end of the initial Term in respect of the same, to extend the initial Term of this Agreement by a period of *** Not less than *** before the end of such extended Term in respect of each Product in a particular country, the Parties shall enter into good-faith discussions for a period not to exceed *** concerning the further extension of the Term. Such further extended Term shall: (a) not be conditional upon Elan making any further payment in the nature of an upfront fee, fee for distribution rights, license fee or milestone payment; and (b) be on such other terms as the Parties shall mutually agree. ***
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4. AUTHORIZATIONS.

4.1 *** Ligand shall be responsible at its cost and in its name for the preparation and filing of regulatory submissions for the Products in ***
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*** After receipt of any such Regulatory Approval, Ligand shall be responsible at its cost and in its name thereafter for the pursuit and maintenance of such Regulatory Approval.

4.2 *** Elan shall thereafter be responsible at its cost and in its name for the preparation and filing of regulatory submissions for the Products in *** and thereafter for

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the pursuit and maintenance of any Regulatory Approval relating thereto. Neither Party shall be required to conduct any clinical studies required to receive Regulatory Approval in ***

4.3 CONSULTATION; APPROVAL OF SUMMARY OF PRODUCT CHARACTERISTICS. The Parties shall consult on an ongoing basis as to the preparation, filing, pursuit and maintenance of regulatory submissions for which they are responsible under this Clause 4. *** *** *** ***

4.4 EFFORTS TO COMPLY WITH RESPONSIBILITIES. Each Party shall use its reasonable efforts to carry out its responsibilities as set out in this Clause 4 with the object of satisfying the requirements of the Governmental Authorities in each market as effectively and expeditiously as possible. The Parties shall co-operate with one another at all stages to facilitate the timely achievement of the given objective and to enhance the prospects of its overall success. Each Party shall keep the other Party informed, in writing, of the status of its applications for Regulatory Approvals (including approvals sought for any Extended Indications) on a regular basis, and in any event no less frequently than once every *** and shall immediately notify the other Party in writing of any substantial change in the status of any Regulatory Approval or any substantive questions received from any Governmental Authority in respect of such Regulatory Approval. Each Party shall provide copies of all Regulatory Approvals for which it is responsible to the other Party at such other Party's request. In any given case when Elan seeks Regulatory Approval, Ligand shall provide Elan with all reasonably necessary and available clinical data, documentation and assistance to such effect.

4.5 MANUFACTURING APPROVALS. It shall be Ligand's responsibility, without any additional cost to Elan, to maintain all necessary governmental approvals and permissions which may be required for Ligand to manufacture (or have manufactured) the Products for distribution in the Territory.

4.6 PRICING APPROVALS. Elan shall be solely responsible for pricing, including agreeing pricing with any Governmental Authority, within the Territory. ***
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4.7 LIGAND TO PROVIDE ASSISTANCE. Ligand shall provide to Elan such assistance as is reasonably necessary in respect of Elan's Regulatory Approval obligations under this Clause 4, 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 Elan's use in obtaining Regulatory Approvals in respect of each of the Products; and

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(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 reasonably deem to be relevant and useful to Elan in obtaining Regulatory Approvals in respect of each Product; and

(c) access to such safety information in respect of the Products generated by other distributors of the Products; provided, however, that such access will only be provided to the extent that Ligand has the right to disclose such information and provided further that to the extent such information is confidential, Elan shall ensure the confidentiality of such information.

4.8 ELAN TO PROVIDE ASSISTANCE. Elan shall provide to Ligand such assistance as is reasonably necessary in respect of Ligand's Regulatory Approval obligations under this Clause 4, and in particular shall provide:

(a) written materials and information concerning the Products, including copies, or summaries, of materials prepared for submission to the Governmental Authorities in the Non-EMEA Territories concerning the Products or their labeling, to the extent that Elan is legally and contractually permitted or required to do so, for Ligand's use in maintaining Regulatory Approvals outside the Non-EMEA Territories 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 Elan or to which Elan

may have access with the right to disclose, as Elan may reasonably deem to be relevant and useful to Ligand in obtaining Regulatory Approvals in respect of each Product; and

(c) access to such safety information in respect of the Products generated by Dealers of the Products; provided, however, that such access will only be provided to the extent that Elan has the right to disclose such information and provided further that to the extent such information is confidential, Ligand shall ensure the confidentiality of such information.

4.9 EXTENDED INDICATIONS - DEVELOPMENT PROGRAMS. Ligand has ongoing programs to develop Products for the Extended Indications. In the event that Elan expresses interest in participating in any development programs for any Product, the Parties shall discuss mutually satisfactory terms for Elan's participation in such programs.

4.10 EXTENDED INDICATIONS - LIGAND'S EFFORTS TO DEVELOP. Ligand shall use its commercially reasonable efforts to apply its technical skill and expertise, including the Intellectual Property Rights and the Confidential Information, in the development of the Products for Extended Indications and to obtain Regulatory Approval for the same. Elan acknowledges that pharmaceutical research and development incorporates inherent risk in terms of outcomes. Ligand shall have no liability to Elan as a result of any failure or delay of the Products to obtain Regulatory Approvals in respect of Extended Indications in one or more of the countries in the Territory. For the avoidance of doubt, the provisions of this Clause 4 shall apply to Extended Indications MUTATIS MUTANDIS.

4.11 NO MARKETING OF PRODUCTS WITHOUT REGULATORY APPROVAL. Except to the extent permitted by law and as may be agreed in writing between the Parties, Elan shall not market, promote, offer for sale or sell any one of the Products unless and until Elan or, as the case may be, Ligand obtains the appropriate Regulatory Approvals in respect of such Product. In the event that Elan is legally permitted, due to an individual pre-approval in respect of any Product, to market any Product prior to obtaining the relevant Regulatory Approvals, Elan shall not do so without obtaining the prior written consent of Ligand, which will not be unreasonably withheld. This clause shall not prevent Elan from offering for sale or selling a Product which has Regulatory Approval for some use in circumstances where it may properly and lawfully be used for some other clinical use without the need for further Regulatory Approval.

5. ORDERS AND FORECASTS.

5.1 FORECASTS.(a) In order to permit Ligand and its suppliers to allocate their manufacturing capacity, Elan shall provide Ligand monthly with written *** rolling bona fide forecasts of its Product requirements. Such forecasts shall be broken down on a country-by-country basis by Product, quantities, and shipping dates.

(b) In addition, Elan shall provide Ligand with a non-binding preliminary forecast of its Product requirements within *** of the Effective Date for Ligand planning purposes only.

(c) A forecast shall be binding to the extent that, unless otherwise agreed:

(i) Elan shall be bound to *** of the forecast required quantities of each Product in each respective month of the period of *** immediately following the forecast; and

(ii) Elan shall be bound to order not less than *** and not more than *** of the forecast required quantities of each Product in each respective month of the period beginning *** from the date of the forecast and ending *** later.

(d) Elan shall place with Ligand a written purchase order not less than *** in advance of the time for shipment from Ligand's place of

manufacture. Such order shall, unless otherwise agreed, be for the quantities of each Product specified in Clause 5.1(c).

(e) Ligand shall supply the Products in accordance with such purchase orders, free from any liens or encumbrances.

(f) Subject to Clause 5.1(c), Elan shall be entitled to increase or decrease the quantities of Products required, and to amend any forecast accordingly, to the extent

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necessary to take into account (i) any delay in the launch of, (ii) any shortfall in supply of, or (iii) any defect, in the Products, or any of them, whether or not such delay, shortfall or defect is due to the default of Ligand.

(g) For the avoidance of doubt, a forecast shall not be binding on either Party and shall be indicative only insofar as it concerns Elan's projected requirements more than *** from the date of the forecast.

5.2 NOTIFY OF PROBLEMS. Ligand shall, as soon as practicable and in any event not later than *** after receipt of each such *** rolling forecast, notify Elan of any prospective problems it might have with respect to meeting Elan's forecasted order quantities or estimated shipment dates.

5.3 ORDERS. Purchase of Products by Elan hereunder shall be made only pursuant to written orders executed by Elan, and shall be for a minimum of Elan's quarterly requirements for the Territory. The orders of each Product shall separately specify the labeling requirements by country 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 19.8. No order shall be binding upon Ligand until accepted by Ligand in writing and Ligand reserves the right to accept or reject any order, offer or request for Products in its sole discretion to the extent that such order, offer or request is outside the limitations set forth in Clause 5.1. The terms and conditions of this Agreement shall apply to all orders placed by Elan and shall override and supersede any different or additional terms on orders from or any general conditions maintained by Elan. If any order exceeds the forecasts for that month provided by Elan under Clause 5.1, and which pursuant to that Clause has become binding, by more than *** Ligand shall use its reasonable efforts, but shall not be obligated, to ship the requested quantities of Products over and above that level, with the normal lead time stated above. If the order cannot be fully shipped, Ligand will notify Elan within *** of receipt of the order, and the Parties will jointly determine an appropriate shipment schedule.

5.4 SHIPMENT FREQUENCY. The Products shall be shipped at such frequency as Elan shall specify, no greater than once per month with a minimum purchase price to Elan of *** per shipment for shipments made during the first *** following the Effective Date and thereafter *** per shipment; provided, however, that Elan may request shipments at a frequency greater than *** at the same minimum purchase price during the *** of the Agreement .

5.5 PACKAGING. The Products shall be delivered to Elan in suitable packaging, in particular as required pursuant to any Regulatory Approval and so as to permit safe storage and transport. Ligand shall be responsible for damages to the Products resulting from inadequacies of the packaging in accordance with Clause 14.6.

5.6 CERTIFICATE OF ANALYSIS. Each Product shall be delivered with a certificate of analysis, as reasonably agreed by the Parties. Elan shall be entitled to rely upon such certificate of analysis without the necessity of performing additional testing.

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5.7 INSPECTION. Upon receipt of each Product, Elan shall promptly inspect each shipment visually. If the product supplied does not meet the product specifications therefor, Elan shall within *** from receipt of the Product notify Ligand (to the attention of its Quality Assurance Director) of such non-compliance, including a description thereof. Failure to give such notice within the aforesaid *** period shall constitute acceptance of the Product by Elan as to defects reasonably discoverable upon visual inspection (and in particular without prejudice to Clause 5.6). Such period shall not, for the avoidance of doubt, apply in the event that there are hidden defects, but Elan shall promptly notify Ligand after discovery of the hidden defect.

5.8 REMEDY PROBLEMS. Where Elan notifies Ligand that any shipment of Product or any portion thereof is not accepted, Ligand shall use its commercially reasonable efforts promptly to remedy the problem.

5.9 NON-CONFORMING PRODUCT. Where Elan alleges that any delivered Product does not meet the Product specifications contained in the applicable Regulatory Approval, it shall, on request, provide Ligand (or Ligand's designee) with a sample of such allegedly non-conforming Product which will be examined by Ligand (or such designee) as soon as reasonably practicable but in any event within *** If Ligand agrees that the Product fails to meet the product specifications therefor:

(a) Elan shall be entitled to cancel its order in respect of that Product and Ligand shall thereupon give credit in respect of that Product;

(b) if Elan does not notify Ligand of its intention to cancel the order pursuant to Clause 5.9(a), Ligand shall use its commercially reasonable efforts to dispatch to Elan replacement Products as soon as is reasonably practicable but in any event within *** following Elan's notification of non-conformity, all costs in respect of which shall be borne by Ligand; and

(c) Elan agrees, if so requested by Ligand, to return to Ligand at Ligand's expense, such Product as does not meet the Product specifications therefor, or otherwise to dispose of such Product, at Ligand's expense and in compliance with all applicable rules and regulations, as Ligand may direct. If Ligand does not so direct, within *** following Elan's notification of non-conformity, Elan may dispose of such Product at Ligand's expense as Elan may deem reasonably appropriate.

Elan shall be under no obligation to accept and/or purchase any non-conforming Product.

5.10 INDEPENDENT TESTING. If the Parties disagree as to whether any delivered Product meets the applicable Product specifications, or Ligand alleges that the defects are not attributable to the manufacture of the Product, the Parties will then submit representative samples of the shipment to a mutually acceptable independent testing laboratory or in default of agreement to an independent testing laboratory designated by the *** *** and the results of said laboratory shall be binding on the Parties and the costs associated with submission shall be borne by the Party against which the

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laboratory decided. Furthermore, if the laboratory confirms Elan's position, Ligand shall forthwith comply with Clauses 5.9 (a) through (c).

5.11 NOTIFICATION OF PROPOSED CHANGES IN MANUFACTURING FACILITIES. Ligand and Elan shall consult on any planned change of manufacturing facility used to manufacture any of the Products for distribution in the Territory which would require a change in the Regulatory Approvals for any of the Products in the Territory; and no such change in manufacturing facility shall be made unless

all requisite Regulatory Approvals for the same have been obtained.

5.12 MODIFICATION OF PROCESS. Ligand shall not be entitled to modify any process described in a Regulatory Approval for a Non-EMEA Territory without first having consulted with Elan and then only with Elan's express written consent.

5.13 PRODUCT DATA. Ligand shall, upon receiving a written request from Elan, supply technical information on the Product and methods of manufacture to the extent that such information is necessary both to enable Elan to fulfill its obligations under this Agreement, including compliance with any statutory or regulatory requirements of or a request by any Governmental Authority.

5.14 INSPECTION. Ligand will ensure that upon receiving *** advance notice in writing from Elan, it shall permit Elan, Dealers and any Governmental Authority to inspect its facilities and records and the facilities and records of any Third Party manufacturer of the Products (in each case in the company of a representative of Ligand) to the extent reasonably necessary to enable Elan, Dealers and any Governmental Authority to verify compliance with any relevant statutory or regulatory requirements which are applicable to the manufacture of the Products.

5.15 INVENTORY REQUIREMENTS. Elan shall use all reasonable efforts to maintain at all times a supply of Products in each country of the Territory equivalent to at least *** forecasted requirements.

5.16 CANCELLATION AND RESCHEDULING. Ligand will use its reasonable best efforts to honor any request of Elan 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 Elan, provided that Elan cancels the order at least *** 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.

5.17 TERMS OF SHIPMENT AND TRANSFER OF TITLE. All shipments of Products shall be made in Ligand's standard shipping packages CIP to Elan to a single 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 Elan shall be responsible for all actions and documents necessary to obtain clearance to import the Products into the Territory.

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5.18 PRODUCT AVAILABILITY; ALLOCATION OF PRODUCT. Ligand will use its reasonable efforts to deliver to Elan the Products in the quantities and at the dates specified on the orders submitted by Elan. In the event of a shortage of any Product (whether or not such shortage is due to any breach of this Agreement by Ligand), Ligand shall notify Elan as soon as practicable. Elan shall be entitled as a minimum to receive that quantity of the Product in question which bears the same proportion to the total quantity of that Product available as the quantity of that Product sold to Elan in the *** preceding the supply shortage (or, for those countries where that Product has not yet been launched, the most recent forecasts for the next ***) bears to all orders for that Product received by Ligand or for Ligand itself during that same *** period. Nothing in this Clause 5.18 shall prejudice Elan's other rights in respect of shortage of a Product.

5.19 COMPENSATION FOR SHORTFALL. In the event that Ligand fails to supply Elan with all of its requirements (subject to the limitations set forth in Clauses 5.1 and 5.3) of one or more Products for a continuous period of time *** which results in a failure by Elan to supply the market (whether or not such failure to supply is due to any breach of this Agreement by Ligand, but not in circumstances where such failure is due to any breach of this Agreement by Elan), Ligand shall pay to Elan on a monthly basis an amount equal to the Compensation (as defined below) for each Product in question for the relevant Undersupply Period (as defined below); provided that

(a) Elan shall have a duty to mitigate its losses arising therefrom (but for the avoidance of doubt, not including taking up by itself or a Third Party the manufacture of the Product(s) under Clause 5.20 in circumstances where the same would be uncommercial or impractical or before Ligand has itself used commercially reasonable efforts to qualify an alternative source of supply as required by Clause 5.20(b)); and

(b) ***
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For purposes of this Clause 5.19, ***
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5.20 ELAN'S RIGHTS TO MANUFACTURE PRODUCT(S). If Ligand determines that it will not be able to fulfil at least *** of Elan's aggregate forecasted requirements for one or more Product(s) for *** or more:

(a) it shall promptly notify Elan; and

(b) thereafter Ligand shall use commercially reasonable efforts to qualify, or to have a Third Party (which Ligand may appoint with Elan's consent, not to be unreasonably withheld or delayed) manufacture the Product(s) in question in place of Ligand or its then-Third Party manufacturer. *** *** ***

(c) in the event that Ligand does not meet its obligations under Clause 5.20(b) or reasonably determines that it cannot meet such obligations and notifies Elan thereof, or in any event, is unable within *** of notifying Elan under Clause 5.20(a) to commence the process of obtaining any necessary Regulatory Approvals, then Elan may, after due consultation with Ligand and at its expense, take such steps as are appropriate to enable manufacture of the Products in question through itself or a Third Party reasonably acceptable to Ligand. Ligand shall reasonably cooperate in and assist with such steps, including:

(i) ***
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***

(ii) providing Elan with access to the Intellectual Property Rights which are related to such Product(s) and which are necessary to give effect to the provisions of this Clause 5.20(c), all to the extent Ligand has the right to provide access, including providing practical performance advice, shop practice, specifications as to materials to be used and control methods, and reasonably assisting Elan with the working up and use of such Intellectual Property Rights related to such Product(s) and with the training of Elan's or the nominated Third Party's personnel to the extent which may reasonably be necessary; or

(iii) at its cost, taking such steps as are required for obtaining any necessary Regulatory Approval of Elan's or such nominated Third Party's manufacture of the

Product(s) in question in the EMEA Territories and providing such assistance to Elan as may be reasonably necessary to enable Elan to obtain any necessary Regulatory Approval of Elan's or such nominated Third Party's manufacture of the Product(s) in question in the Non-EMEA Territories.

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6. REGISTRATION SERVICES AND PAYMENTS.

6.1 INITIAL PAYMENT. On execution of this Agreement Elan shall make a non-refundable initial payment to Ligand in the sum of *** in consideration of the grant of rights under this Agreement for the Products discovered and developed by Ligand and listed in APPENDIX A.

6.2 ADDITIONAL PAYMENTS. In consideration of the grant of rights under this Agreement, Elan shall make the following additional non-refundable payments to Ligand, if and when the indicated milestones are achieved:

(a) *** upon submission of an application for Marketing Authorization Approval to the EMEA for Targretin(R)gel;

(b) *** upon the grant of Marketing Authorization Approval for the European Union for Targretin(R)gel;

(c) *** upon the grant of Marketing Authorization Approval for the European Union for Targretin(R)capsules;

(d) *** upon submission of an application for Marketing Authorization Approval to the EMEA for Ontak;

(e) *** upon the grant of Marketing Authorization Approval for the European Union for Ontak; and

(f) *** upon the grant of Marketing Authorization Approval for the European Union for Targretin capsules for a breast cancer indication or a non-small cell lung cancer indication.

6.3 INITIAL SUPPLY PAYMENT. Due to the difficulty of estimating future Net Sale Prices, Ligand shall invoice Elan for all Products supplied at the US dollar denominated Floor Price and payment of such invoice shall be due within *** of the date of the invoice.

6.4 ADJUSTING PAYMENT. Within *** of the end of each calendar quarter (commencing after Elan has made the first commercial sale of any Product), Elan shall calculate the amount of an additional payment from Elan to Ligand (if any) as follows: in respect of each Product and for the quantities supplied in each country of the Territory, Elan shall pay to Ligand the amount (if any) by which the product of the Net Sale Price and the relevant proportion for that Product set out in APPENDIX B exceeds the Floor Price in respect of the Product in each country of the Territory. Such adjusting payment shall be made within *** from the end of each calendar quarter (commencing after Elan has made the first commercial sale of any Product). For purposes of this calculation, the Net Sale Price shall be converted into US dollars at the mid-price exchange rate between the local currencies and the US dollar as published in THE FINANCIAL TIMES on the day on which such additional payment is calculated. For the

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avoidance of doubt, in no instance shall the result of these calculations cause a negative adjustment to the Floor Price.

6.5 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 *** *** until paid in full.

6.6 TAXES. All sums payable hereunder are expressed to be exclusive of VAT or other similar tax. Notwithstanding the foregoing, any income or other taxes on any monies payable to Ligand which Elan is required by law to pay or withhold on behalf of Ligand, shall be deducted by Elan from such monies due. Elan shall furnish Ligand with proof of such payments. Any such tax required to be paid or withheld shall be an expense borne solely by Ligand. Elan shall promptly provide Ligand with a certificate or other documentary evidence to enable Ligand to support a claim for a refund or a foreign tax credit with respect to any such tax so withheld or deducted by Elan. At Ligand's request, Elan shall reasonably cooperate to support any claim by Ligand for such a refund or credit. The Parties will reasonably cooperate in completing and filing documents under the provisions of any applicable tax treaty or under any other applicable law, in order to enable Elan to make such payments to Ligand without any deduction for withholding.

7. MARKETING AND PROMOTION.

7.1 ***

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7.2 ***

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7.3 MARKETING MATERIALS. In the promotion and marketing of each Product, Elan shall, at its sole discretion and in accordance with each European Strategic Marketing Plan, develop sales literature and promotional materials from materials provided by Ligand pursuant to Clause 7.4. Elan shall have the right to prepare other product descriptions and other promotional and marketing materials relating to the Products; provided however, that (a) all costs and expenses incurred by Elan in the preparation and distribution of such product descriptions and other promotional and marketing materials shall be borne solely by Elan; (b) Elan shall provide to Ligand all such product descriptions and promotional and marketing materials on a timely basis to allow Ligand to fulfill its obligations with the relevant European Union Marketing Authorization Approval(s) and/or all other applicable rules and regulations in the EMEA Territories; and (c) Elan shall ensure that all such product descriptions and promotional and

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marketing materials comply with the relevant European Union Marketing Authorization Approval(s) and/or all other applicable rules and regulations in the Non-EMEA Territories.

7.4 PRODUCT LITERATURE. To the extent that it is legally and contractually permitted to do so, Ligand will share with Elan 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. Elan shall bear all costs of reproducing and/or adapting such Promotional Materials for use within the Territory, and Ligand hereby grants to Elan a royalty free,

non-exclusive license during the Term to reproduce and/or adapt the Promotional Materials only for the purpose of promoting the Products in the Territory. Elan shall retain the copyright in any such adaptation of the Promotional Materials (the "Elan Promotional Materials"). Elan agrees to provide to Ligand on request samples of the Elan Promotional Materials, and Elan hereby grants to Ligand a royalty free, non-exclusive license during the Term to reproduce and/or adapt the Elan Promotional Materials only for the purpose of promoting the Products or assisting other distributors of the Products in their own promotional campaigns.

8. OBLIGATIONS OF ELAN.

8.1 DILIGENT EFFORTS. Elan 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. Elan shall conduct its marketing activities in a lawful manner with appropriate or applicable standards of pharmaceutical product promotional practices, fair trade, fair competition, and business ethics, and shall cause its employees and Dealers to do the same. Elan shall also comply with the following diligence obligations:

(a) following the Effective Date, Elan shall submit an application for marketing authorization approval in each country of the Territory for each Product within the time after the Effective Date set forth in the corresponding second column of the table below (subject to the receipt by Elan of the complete EMEA dossier for such Product no less than *** prior to the time set forth in the corresponding second column of the table below and subject to the timely provision by Ligand of such information as Elan may reasonably request for the purposed of obtaining such approval in the Non-EMEA Territories); and

(b) after receipt of Pricing Approval for a Product in a country of the Territory and subject to an appropriate level of supply being available to Elan, Elan shall launch such Product in such country within the time after such receipt of Pricing Approval set forth in the corresponding third column of the table below.

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Failure to meet either diligence obligation for a Product in a country shall give Ligand the right, in its sole discretion, with *** prior written notice (if Elan has failed to cure either such diligence obligation within such *** period), to either (i) *** in which case *** *** or (ii) *** In the event that Ligand determines to *** as set forth in the immediately preceding sentence, any *** *** in that country shall be on *** *** *** The right of Ligand so to *** in respect of any failure of Elan to comply with its obligations under this Clause 8.1.

8.2 OFFICES AND PERSONNEL. Elan shall maintain offices adequate to market and support the Products within 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. Elan may appoint only Dealers pursuant to the terms and conditions set forth in Clause 2.1. Any such appointment shall be made in writing, and shall terminate upon the expiration, non-renewal, or termination of this Agreement for any reason; provided, however, that:

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

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

(c) Elan 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, other than a claim arising from any alleged design or manufacturing defect in any Product.

8.4 ALTERATIONS. Elan 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. Elan 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. Elan may formulate and conduct clinical evaluations of the Products which are approved by Ligand, such approval not to be unreasonably withheld. Results from any such clinical evaluation shall be shared with Ligand and 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.

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8.6 INSURANCE. Both Parties shall obtain and at all times during the term of this Agreement maintain, and bear the cost of, adequate and appropriate insurance including comprehensive general liability insurance which is adequate to cover their respective activities under this Agreement, subject to the use by either Party of such self-insured excess as it shall from time to time reasonably implement. A certificate of insurance and any other documentation necessary to prove compliance with this provision will be provided to the other Party upon request. Each Party shall notify the other not less than *** prior to the termination or reduction of such coverage.

9. REPORTING OBLIGATIONS AND PRODUCT RECALL.

9.1 RECORD KEEPING. At all times during the term of this Agreement, Elan 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, Elan shall grant Ligand or its representatives access during normal business hours to any premises of Elan in order that Ligand, at its expense, may inspect Elan's books and premises related to the Products for the sole purpose of verifying and enforcing compliance by Elan with its obligations under this Agreement; provided, however, that Elan shall reimburse Ligand for the full amount of the inspection costs if any inspection under this Clause 9.1 reveals an underpayment by Elan of not less than *** of the total amount payable by Elan to Ligand hereunder with respect to the period in question; provided that Ligand shall have the burden of establishing the same.

9.2 REPORTS. Elan shall provide Ligand with quarterly operation reports of Elan's activities to register, develop and market the Products in the Territory. Elan shall cause its Dealers to prepare and submit to Elan on a timely basis similar reports and shall include information from such reports in the quarterly operation reports provided by Elan hereunder. Each such report shall be due within *** after the end of the quarter to which it relates. Each report shall include:

(a) a monthly compilation of all Products distributed by Elan and

its Dealers, if any, including the revenues derived therefrom and a breakdown of the prices charged in respect of each Product; and

(b) a list of the amount of inventory by country on hand as of the end of each quarter; and

(c) monthly gross and net sales on a per Product, per country basis in local currency only.

9.3 ANNUAL STATEMENTS. Elan shall provide Ligand with annual statements within *** 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. Elan shall cause its Dealers to prepare and submit to Elan on a timely basis similar reports and shall include information from such reports

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in the annual statements provided by Elan hereunder. Such annual statements shall also contain a summary of all promotional activities undertaken by Elan with respect to the Product during the preceding calendar year, and current credit references.

9.4 ADVERSE EVENT REPORTING. Each Party shall give the other Party immediate notice, which shall be promptly confirmed in writing, of any occurrence that involves any material complaint about the safety or effectiveness of any Product, including a claim for death or injury following administration of the Product (that is plausibly related to the administration of the Product). Further, during the term of this Agreement, each Party shall give the other Party prompt written notice of any occurrence that involves any other matter arising out of this Agreement that must be reported to a Governmental Authority. The Parties agree that within *** following the Effective Date representatives of each Party with responsibility for the safety surveillance and pharmacovigilance of the Products shall meet to develop detailed procedures regarding the format, timing and content of the safety information to be exchanged between the Parties, and shall meet periodically thereafter to update the procedures.

9.5 PRODUCT RECALL.(a) Voluntary Recall. If either Party establishes a need to recall a Product for non-conformities with the Product specifications therefor (other than such non-conformities that would require recall pursuant to the requirements of applicable laws or regulations), it shall so notify the other Party. If the other Party does not agree that the relevant Product does not comply with such specifications, the dispute shall be settled as set forth in Clause 5.10. If the Parties agree as to such non-conformity or such non-conformity is determined pursuant to Clause 5.10, then a decision shall be made mutually as to the appropriate Party that will lead/coordinate the recall in a commercially reasonable manner with the other Party's full cooperation. The lead/coordination role shall typically be taken by the holder of the Regulatory Approval in the country in which the recall is to take place with full consultation by the other Party. A joint recall administration team shall be established with an equal number of nominated individuals from both Parties participating. A final report must be completed by the recall administration team and delivered promptly to the other Party.

(b) Required/Requested Recall. In the event that the relevant regulatory authority requests or otherwise advises of the probable need for a recall of a Product for any reason whatsoever, then an individual from one of the Parties shall be nominated to lead/coordinate the recall. The lead/coordination role shall typically be taken by the holder of the Regulatory Approval in the country in which the recall is to take place with full consultation by the other Party. A joint recall administration team shall be established with an equal number of nominated individuals from both Parties participating. If the Parties are unable to agree as to whether or not the underlying reason for the recall is a non-conformity of the Product in question with its specification, and/or whether or not Ligand or Elan is responsible for such non-conformity, the Parties shall submit a sample of the recalled Product for analysis pursuant to Clause 5.10. If a Party is notified by a regulatory

authority that a recall is required or requested, it shall promptly give to the other Party written notice and full details of the request to recall.

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(c) Cost of Recall.

(i) In the event that the principal reason for the recall under this Clause 9.5 of the Product in question is Ligand's negligence or willful misconduct, its failure to supply Products conforming to the specifications therefor, or Ligand's failure to comply with applicable laws or regulations, then *** *** In the event that the principal reason for the recall under this Clause 9.5 is Elan's negligence or willful misconduct, its failure to handle or store Products in conformity with the specifications therefor, or Elan's failure to comply with applicable laws or regulations, *** *** ***

(ii) In the event that the reason that the recall of the Products under this Clause 9.5 was legally required is not one of those set forth in Clause 9.5(c)(i), *** *** *** ***

10. NON-DISCLOSURE OF AGREEMENT AND PUBLICITY. Neither Party shall disclose any information about this Agreement without the prior written consent of the other. Consent shall not be required, however, for (a) disclosures to tax authorities or to bona fide potential Dealers, to the extent required or contemplated by this Agreement, provided, that in connection with such disclosure, each Party agrees to use its commercially reasonable efforts to secure confidential treatment of such information; (b) disclosures of information for which written consent has previously been obtained, or (c) information which had previously been publicly disclosed. Each Party shall have the further right to disclose the terms of this Agreement as required by applicable law, including the rules and regulations promulgated by the Securities and Exchange Commission and/or the regulatory bodies/authorities governing securities issues in foreign jurisdictions and to disclose such information to stockholders or potential investors as is customary for publicly-held companies (as the case may be at the time of disclosure), provided the disclosing Party provides to the other Party, to the extent practicable, a copy of the information to be disclosed and an opportunity to comment thereon prior to such disclosure, and, to the extent practicable, consults within a reasonable time in advance of the proposed disclosure with the other on the necessity for the disclosure and the text of the proposed release. Any copy of this Agreement to be filed with the Securities and Exchange Commission shall be redacted to the reasonable satisfaction of both Parties; provided, however, in the event that the Securities and Exchange Commission objects to the redaction of any portion of the Agreement after the initial submission, the filing Party shall inform the other Party of the objections and shall in good faith respond to the objections in an effort to limit the disclosure required by the Securities and

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Exchange Agreement, but in any event the filing Party shall be free to include any portions of the Agreement it deems necessary to respond to the objections in any future filings.

11. COVENANTS OF ELAN.

11.1 RESTRICTIONS. To the extent permissible by law, Elan 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, in any territory reserved by Ligand or allocated by Ligand to another distributor for the distribution of the Products;

(b) ***
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***

12. INTELLECTUAL PROPERTY RIGHTS.

12.1 ACKNOWLEDGMENT. Elan acknowledges that, prior to entering into this Agreement, it has no right, title or interest in and to any and all Intellectual Property Rights pertaining to the Products. Elan 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 legal proceedings or oppositions shall not be deemed to be such an act or step.

12.2 TRADEMARKS AND TRADE NAMES.(a) Subject to the terms and conditions of this Agreement, Ligand hereby grants to Elan an exclusive license within the Territory to use the Trademarks solely for the purposes of marketing, promoting, selling and distributing the Products under this Agreement.

(b) Elan shall use and have used the Trademarks, as indicated on APPENDIX C, and no other trademarks or trade names other than a brand name in connection with Elan's oncology franchise, in connection with its marketing, promotion, sale and distribution of the Products in each country of the Territory, unless otherwise agreed by the Parties; provided, however, that Elan may use its own trademarks and trade names on product packaging, brochures and other promotion materials to identify itself as the distributor of the Products.

(c) Elan's use of the Trademarks shall be consistent with standards for trademark use that are generally accepted within the pharmaceutical industry. Ligand shall have the right to audit Elan's trademark use. Elan shall remedy any non-compliant use identified by Ligand as soon as is possible using commercially reasonable efforts after notification by Ligand. Elan further agrees to provide copies of all such materials to Ligand for review and approval prior to publication and distribution. Ligand agrees that its approval of such materials will not be unreasonably withheld. The Parties agree that Ligand will have been deemed to approve any such materials if it does not respond to Elan within *** after having received said materials.

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(d) Elan hereby agrees to and recognizes Ligand's exclusive ownership of the Trademarks. Elan agrees not to take any action inconsistent with such ownership and further agrees to take any action, at Ligand's expense, which Ligand reasonably deems necessary to establish and preserve Ligand's exclusive rights in and to the Trademarks including but not limited to cooperating in the registration of the Trademarks on the trademark registry or other appropriate registration procedure within the Territory.

(e) The Parties agree that all use of the Trademarks by Elan shall be for the sole and exclusive benefit of Ligand and the goodwill and reputation accrued in connection with Elan's use of the Trademarks shall accrue to Ligand. In the event Elan acquires any right, title or interest in or to or relating to the Trademarks for any reason, effective immediately upon the expiration or termination of this Agreement Elan hereby assigns, at no cost, all such right, title and interest, together with any related goodwill or reputation, to Ligand. Elan agrees to promptly execute all documents reasonably requested by Ligand in connection with such assignment.

(f) Elan shall not adopt, use, or register any acronym, trademark, trade names, service mark or other marketing name that is confusingly

similar to the Trademarks or the Ligand name, and shall not use the Trademarks or the Ligand name other than in connection with distribution of Products pursuant to this Agreement.

(g) Ligand shall have the right to select additional Trademarks and register them at its expense, and such Trademarks shall be owned by Ligand and added to APPENDIX C, initially as secondary Trademarks. If (i) a regulatory agency does not approve the then-current primary Trademark indicated on APPENDIX C, (ii) a Third Party asserts that such Trademark infringes its trademarks, (iii) such Trademark is successfully opposed by a Third Party, (iv) a petition to cancel such Trademark is filed by a Third Party, (v) there is an infringement of such Trademark by any Third Party against which Ligand does not enforce its rights pursuant to Clause 12.3 or (vi) there is a bona fide issue with such Trademark which is supported by an opinion of Elan's outside trademark attorneys, then Ligand shall designate one of the secondary Trademarks (as indicated on APPENDIX C) as a replacement primary Trademark. If there are no remaining secondary Trademarks, Elan shall have the right to select another trademark of its choosing with the consent of Ligand, which consent shall not be unreasonably withheld. Any such trademark selected by Elan shall be registered in the name of Ligand, at Ligand's expense, shall be added as a Trademark to APPENDIX C and shall be owned by Ligand.

12.3 THIRD PARTY CLAIMS.(a) Elan 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 ("Ligand Third Party Claim"). If Elan is served with a legal action or otherwise forced to respond in a legal proceeding due to a Ligand Third Party Claim, Ligand shall conduct the defense of such Ligand Third Party Claim at its own cost. For that purpose, Elan shall (1) without delay, tender the defense of such Ligand Third Party Claim to Ligand; and (2) render Ligand all reasonable assistance, at Ligand's expense, in connection with the defense of any such Ligand Third Party Claim or objection, whether in the courts, before administrative agencies, or otherwise. Elan shall not, except as required by law,

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knowingly make any admission to jeopardize, compromise or otherwise limit the validity of Intellectual Property Rights.

(b) Ligand shall promptly notify Elan of any claims or objections that Elan's use of the Elan Promotional Materials 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 ("Elan Third Party Claim"). If Ligand is served with a legal action or otherwise forced to respond in a legal proceeding due to an Elan Third Party Claim, Elan shall conduct the defense of such Elan Third Party Claim at its own cost. For that purpose, Ligand shall (1) without delay, tender the defense of such Elan Third Party Claim to Elan ; and (2) render Elan all reasonable assistance, at Elan's expense, in connection with the defense of any such Elan Third Party Claim or objection, whether in the courts, before administrative agencies, or otherwise. Ligand shall not, except as required by law, knowingly make any admission to jeopardize, compromise or otherwise limit the validity of intellectual property rights related to the Elan Promotional Materials.

12.4 INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS. Elan 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. Unless: (a) otherwise agreed in writing by Elan; or (b) Ligand has a bona fide belief to the effect that proceedings in respect of such infringement or suspected infringement of the Intellectual Property rights would not have a reasonable prospect of success, which belief is supported by an opinion of Ligand's outside intellectual property attorneys ("Counsel"), or to the effect that such proceedings would otherwise not be commercially reasonable, Ligand shall institute enforcement proceedings ("Enforcement Proceedings") in

respect of such infringement or unauthorized use of Intellectual Property Rights in the Territory and shall use reasonable efforts to pursue such proceedings. Ligand shall not make any admission, settle or compromise such proceedings save with the consent of Elan or upon written advice of Counsel. Elan 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 Elan 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 Elan) from any recovery and any remaining amount shall be distributed pro rata among the Parties in which Elan shall receive *** of any remaining recovery and Ligand shall receive *** 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

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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 ensure that each of their directors, officers and employees and the directors, officers and employees of, respectively, Dealers and agents, and Ligand's assignees, who will receive Confidential Information pursuant to Clause 13.1 shall at all material times be bound by appropriate undertakings as to the confidentiality of such information. Elan and Ligand, respectively, shall at their own expense undertake the enforcement of any such obligations of confidentiality in the event of any breach thereof.

13.3 OWNERSHIP OF OTHER PARTY'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 a Party's Confidential Information shall remain the sole property of that Party. Such materials shall be promptly returned (a) upon that Party's reasonable request, or (b) 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 (a) was already known to Elan (the burden of establishing which shall be Elan's); (b) came into the public domain without breach of confidence by Elan or any other Person; (c) was received by Elan from a Third Party without restrictions on their use in favor of Ligand; or (d) is required to be disclosed pursuant to any statutory or regulatory provision or court order.

14. LIGAND REPRESENTATIONS, WARRANTIES, INDEMNITIES AND LIMITATIONS OF LIABILITY.

14.1 PRODUCTS AND THIRD-PARTY AGREEMENTS. Ligand represents and warrants to Elan that as of the Effective Date:

(a) the patents set forth in APPENDIX D owned or licensed by Ligand in the Territory that covers the Products are, to the best of Ligand's knowledge, not invalid or unenforceable, in whole or in part;

(b) Ligand is not in any material breach (including any such breach which would or might prejudice the rights of Elan) of any agreement with Third Parties relating to the Products or the Intellectual Property Rights (the "Third Party Agreements");

(c) each Third Party Agreement is in full force and effect and has not been terminated;

(d) there are no existing or claimed defaults under any Third Party Agreement by Ligand and, to the best of Ligand's knowledge, by the other party to such Third Party Agreement and no event, act or omission has occurred which (with or without notice, lapse of time or the happening or occurrence of any other event) would result in a default under a Third Party Agreement by Ligand, or, to the best of Ligand's knowledge, by any other party,

other than a default, act or omission which would not have a material adverse effect on the rights granted to Elan hereunder ("Material Adverse Effect");

(e) there are no existing or, to the best of Ligand's knowledge, threatened actions, suits or claims pending against Ligand with respect to the Products or the Intellectual Property Rights in the Territory; and

(f) to the best of Ligand's knowledge, the sale and use of the Products in the Territory does not infringe the proprietary rights of any Third Party in the Territory.

14.2 PRODUCT SUPPLY WARRANTIES. Ligand represents and warrants that each Product supplied hereunder shall:

(a) conform in all material respects to the Product specifications therefor, as published by Ligand from time to time consistent with the data contained in the Regulatory Approvals;

(b) be manufactured in accordance with current Good Manufacturing Process ("cGMP") as set forth in the US Food, Drug, and Cosmetic Act, as amended from time to time, and applicable regulations and guidelines thereunder and other applicable FDA and other rules and regulations of the United States or applicable non-United States regulatory authorities in the Territory;

(c) not be adulterated or misbranded; and

(d) 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 Elan. The aforementioned shelf life terms shall be proportionally increased from time to time in accordance with improved stability data.

The representations and warranties set forth in this Clause 14.2 shall be deemed to be repeated upon each occasion when Ligand supplies Product to Elan under this Agreement.

14.3 MANUFACTURING FACILITIES. Without prejudice to Clause 14.2, Elan acknowledges that Ligand uses Third Party manufacturers to manufacture the Products. Ligand shall notify Elan promptly following notification itself of any failure of such Third Party manufacturer to manufacture any of the Products in accordance with applicable laws and regulations.

14.4 MATERIAL MATTERS. Ligand represents and warrants that, as of the Effective Date, it has made to Elan appropriate disclosure of, and has not misrepresented, any material matters relating to the Intellectual Property Rights, marketing, adverse events, supply, clinical and regulatory information pertaining to the Products in the Territory.

14.5 GENERAL WARRANTIES AND COVENANTS. Ligand represents, warrants and covenants that:

(a) it is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware U.S.A. 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 Ligand have been duly authorized to do so by all requisite corporate or other actions of Ligand;

(c) this Agreement is the legal, valid and binding obligation of Ligand, enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency or other laws of general application affecting the enforcement of creditor rights and judicial principles affecting the availability of specific performance and general principles of equity whether enforceability is considered a proceeding at law or equity;

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

(e) Ligand will maintain at all times during this Agreement all necessary Regulatory Approvals which are, according to Clause 4, the responsibility of Ligand;

(f) Ligand shall throughout the Term keep Elan adequately informed of the following, insofar as they reasonably could be expected to have a material adverse effect on the rights granted to Elan hereunder ("Material Adverse Effect"):

(i) any matter which comes to Ligand's knowledge which does or might affect the validity or enforceability in the Territory, in whole or in part, of the patents set forth in APPENDIX D;

(ii) any matter which comes to Ligand's knowledge whereby the sale of the Products by Elan does or may infringe the proprietary rights of a Third Party in the Territory;

(iii)the termination of any Third Party Agreement or any other matter which materially affects the continuance of such Third Party Agreement in force;

(iv) Ligand's transactions, arrangements and business under the Third Party Agreements that relate to the transaction contemplated hereunder, and Ligand shall provide Elan with any written notices delivered by any other party thereunder that relate to the transactions contemplated hereunder;

(v) any existing or claimed defaults under any Third Party Agreement by Ligand or any other party thereto; and any event, act or omission has occurred which (with or without notice, lapse of time or the happening or occurrence of any

other event) would result in a default under a Third Party Agreement by Ligand, or, to Ligand's knowledge, by any other party; and

(vi) any actions, suits or claims threatened in writing or pending against Ligand with respect to the Products or the Intellectual Property Rights; and

(g) during the Term, Ligand (i) shall comply with all of the

material terms and conditions of the Third Party Agreements and (ii) shall not assign its rights under any Third Party Agreement, other than a failure to comply or an assignment which would not have a Material Adverse Effect.

14.6 INDEMNITY. Ligand shall defend, indemnify and hold Elan 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 from (a) the personal injury to or death of any person caused by the defective design and/or manufacture of the Products when supplied to Elan by Ligand or by Ligand's appointee, including the failure of any Products to meet their Product specification; (b) Ligand's transportation, storage, use and handling of the Products and the disposal of hazardous materials in connection with the manufacture thereof; (c) any claim that may be made by reason of any damage caused by an act or omission of Ligand 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 by the Parties; or (d) any breach by Ligand of any of Ligand's representations and warranties set forth in this Agreement or of any other material term of this Agreement, so declared by a court of competent jurisdiction or as agreed by the Parties, provided that Elan promptly notifies Ligand in writing of any claim, action or suit potentially giving rise to an 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 Elan shall fully cooperate with Ligand in the defense and settlement of all such claims, actions or suits, provided, however, that Elan 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 Elan, fails to acknowledge its obligation to indemnify Elan under this clause.

14.7 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.

14.8 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, EXCEPT THAT THIS LIMITATION SHALL NOT APPLY TO DAMAGES DIRECTLY OR INDIRECTLY ARISING FROM PERSONAL INJURY OR DEATH CAUSED BY THE DEFECTIVE DESIGN AND/OR MANUFACTURE OF THE PRODUCTS.

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

15.1 GENERAL WARRANTIES AND COVENANTS. Elan represents, warrants and covenants to Ligand that:

(a) it is a corporation duly organized, validly existing and in good standing under the laws of the Republic of Ireland 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 Elan have been duly authorized to do so by all requisite corporate or other actions of Elan;

(c) this Agreement is the legal, valid and binding obligation of Elan, enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency or other laws of general application affecting the enforcement of creditor rights and judicial principles affecting the availability of specific performance and general principles of equity whether enforceability is considered a proceeding at law or equity;

(d) the execution, delivery and performance of this Agreement by

Elan does not and will not conflict with or result in a breach of any material agreement, instrument or understanding, oral or written, to which Elan is a party or by which Elan may be bound, nor violate any law or regulation of any court or Governmental Authority having jurisdiction over Elan;

(e) Elan will maintain at all times during this Agreement all necessary Regulatory Approvals and Pricing Approvals which are, according to Clause 4, the responsibility of Elan;

(f) all Affiliates of Elan 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 Elan;

(g) it has made to Ligand appropriate disclosure of, and has not misrepresented, any material matters relating to Elan's promotion, marketing and distribution capabilities in the Territory; and

(h) it shall at all times during the Term (including any extension thereof) comply with all rules and regulations applicable to the promotion, marketing and distribution of the Products in the Territory, including complying with storage requirements for any such Products as set forth in the applicable Regulatory Approvals, other than a failure to so

comply which would not have a material adverse effect on the promotion, marketing or distribution of the Products in the Territory.

15.2 INDEMNITY. Elan shall indemnify and hold Ligand and its shareholders, managers, officers, directors, agents and employees (the "Ligand Indemnitees") harmless against any and all losses, damages, claims, liabilities, costs and expenses (including reasonable attorneys' fees) resulting from (a) Elan's transportation, storage, use and handling of the Products; (b) any claim that may be made by reason of any damage caused by an act or omission of Elan 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 by the Parties; or (c) any breach by Elan of any of Elan's representations and warranties set forth in this Agreement or of any other material term of this Agreement, so declared by a court of competent jurisdiction or as agreed by the Parties, provided that a Ligand Indemnitee promptly notifies Elan in writing of any claim, action or suit potentially giving rise to an indemnification obligation hereunder. Elan 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 the Ligand Indemnitees shall fully cooperate with Elan in the defense and settlement of all such claims, actions or suits, provided, however, that a Ligand Indemnitee may take any appropriate action necessary to preserve or avoid prejudice to its interests, or the interests of Elan as indemnitor, in the event that (1) notice to Elan cannot be given in sufficient time for Elan to take action, or (2) Elan, after prompt notice and inquiry from a Ligand Indemnitee, fails to acknowledge its obligation to indemnify such Ligand Indemnitee under this clause.

15.3 LIMITATION. IN NO EVENT WILL ELAN BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL OR SPECIAL DAMAGES, INCLUDING ANY LOSS OF PROFITS, EVEN IF ELAN HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, EXCEPT THAT THIS LIMITATION SHALL NOT APPLY TO DAMAGES DIRECTLY OR INDIRECTLY ARISING FROM PERSONAL INJURY OR DEATH CAUSED BY THE DEFECTIVE DESIGN AND/OR MANUFACTURE OF THE PRODUCTS.

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 Elan *** written notice of termination, effective on the date such notice is received, in the event that:

(a) Elan breaches any of its material obligations under this Agreement, and fails to cure such breach within *** of receiving a written

notice from Ligand specifying such breach and requiring it to be cured; provided that such termination shall not be effective where such breach is incapable of cure within such *** period and where Elan has commenced good faith and commercially reasonable efforts to cure such breach within such *** period and cures such breach within *** after the receipt of notice of material breach;

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

(b) Elan 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 Elan, or proceedings are instituted against Elan in the Territory relating to dissolution, liquidation, winding up (other than on a reconstruction), bankruptcy, insolvency or the relief of creditors, if such proceedings are not terminated or discharged within ***

(c) *** following a change of control of Elan, beyond its corporate structure and owners on the Effective Date, or a sale or disposition by Elan to a Third Party other than its owners and companies in its corporate structure on the Effective Date of substantially all of its assets, if within such *** period following such change of control Ligand has suffered demonstrable and material harm to Ligand's commercial interests in the Products and Elan fails to cure such harm within *** of receiving a written notice from Ligand specifying such harm and requiring it to be cured. For the purposes of this Clause 16.1(c), the transfer (whether direct or indirect) of all or a majority of the capital stock of Elan or the merger, consolidation or reorganization of Elan beyond its corporate structure and owners on the Effective Date shall be considered a "change of control" of Elan;

(d) any event of Force Majeure, as defined in Clause 19.7 hereof, occurs and prevents Elan from performing its obligations under this Agreement for a period of *** or more, provided there is no commercially reasonable alternative;

(e) Elan ceases to carry on business in the marketing of pharmaceutical products in the Territory; or

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

16.2 TERMINATION BY ELAN. Elan 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 *** 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 *** of receiving a written notice from Elan specifying such breach and requiring it to be cured; provided that such termination shall not be effective where such breach is incapable of cure within such *** period and where Ligand has commenced good faith and commercially reasonable efforts to cure such breach within such *** period and cures such breach within *** after the receipt of notice of material breach;

(b) any event of Force Majeure, as defined in Clause 19.7 hereof, occurs and prevents Ligand from performing its obligations under this Agreement for a period of *** or more, provided there is no commercially reasonable alternative; or

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

(c) an adverse event occurs which has substantially impaired Ligand's ability to continue to perform its obligations hereunder and Ligand is unable to provide Elan 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. Elan, following notice of Termination by Ligand, shall be entitled to purchase under the terms and conditions of this Agreement, any Products the orders 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. Upon Termination by Ligand pursuant to Clauses 16.1, Elan 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 Elan is a distributor of the Products or otherwise connected with Ligand. Upon Termination howsoever arising, Elan shall cease using the Promotional Materials and Ligand shall cease using the Elan Promotional Materials, and shall ensure that all other distributors of the Products cease to use the same.

17.2 RETURN OF CONFIDENTIAL INFORMATION. Upon Termination, each Party shall promptly return to the other Party, or deliver to a Third Party designated by that other Party, and shall cause employees and Dealers, in the case of Elan, to return or deliver, all of the other's Confidential Information in written, recorded or other tangible form and other items in Elan's possession, which Ligand has furnished or supplied to Elan, or which Elan has furnished to its Dealers and employees, and all customer lists for the Products. If Elan purchased any such materials or other items, Elan shall be reimbursed in an amount equal to the net price paid by Elan for the same. For the avoidance of doubt, Ligand shall not be entitled to Elan's sales materials or customer lists for the Products.

17.3 REPURCHASE OF INVENTORY. Ligand shall have the option, exercisable at its sole discretion by written notice to Elan within *** after Termination but subject to Elan's non-cancelable contractual obligations existing as of the Termination, to repurchase all or part of Elan's remaining inventory of Products. The price payable by Ligand upon the exercise of the option shall be the net price paid by Elan to Ligand for the Products, plus the costs of re-shipment to San Diego, California, or to such other destination as Ligand may designate. Upon receipt of Ligand's notice of exercise of its option pursuant to this clause, Elan 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, Elan shall have the right to sell its existing inventory for a period of *** following the date of Termination.

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

17.4 REGULATORY APPROVALS, PRICING APPROVALS, TRADEMARKS AND OTHER PRODUCT RIGHTS. Upon Termination of this Agreement as provided herein for any reason whatsoever, Elan shall immediately take all steps necessary to transfer to Ligand, or to Ligand's designee, any and all rights Elan may have to Regulatory Approvals, Pricing Approvals, Trademarks (including any related documents) and any other rights associated with the Products including Product-specific Approvals necessary for Ligand or its designee to commercialize the Products in the Territory, to the extent permitted by applicable law and at Elan's cost. Elan shall, at the time for application for Regulatory Approvals and Pricing Approvals, take all reasonable steps to ensure that such transfers may later be completed. If such transfer is not possible, Elan shall use its best efforts to arrange for Ligand or its designee to rely upon such Regulatory Approvals and Pricing Approvals and shall permit Ligand or its designee to use and reference such Regulatory Approvals or Pricing Approvals 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.

18. [RESERVED].

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 THIRD PARTY RIGHTS. Nothing in this Agreement shall be deemed to confer on any person who is not a Party any right arising under the Contracts (Rights of Third Parties) Act 1999 Section 1(1) or otherwise.

19.4 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.

19.5 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.

19.6 ASSIGNMENTS. This Agreement is entered into by Ligand in reliance upon the facilities, personnel and technical expertise of Elan, and Elan 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 Elan 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 Elan, respectively; provided that such Affiliate is duly organized, validly existing and in good standing under the laws of the country in which it operates and has the power to perform all of the obligations of that Party under this Agreement which are assigned to such Affiliate; and provided, further, that such assignment does not result in adverse tax consequences for any other Party. Each Party shall also have the right to assign this agreement in a merger or acquisition in which such Party 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; provided that such assignment does not result in adverse tax consequences for any other Party.

19.7 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 acts of God, acts of government (in particular with respect to the refusal to issue necessary import or export licenses), fire, flood, earthquake, war, riots or embargoes, but excluding strikes or other labor difficulties affecting Ligand or Ligand's inability to obtain supplies howsoever arising ("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.

19.8 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) (858) 550-1825

If to Elan:

Elan Pharma International Ltd.
WIL House
Shannon Business Park
Shannon, County Clare
Ireland
Attention: President
Facsimile: (+) 011-353-61-362-097

19.9 SEVERABILITY. If any term or provision of this Agreement is held to be invalid, illegal or unenforceable by a court or other governmental authority of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term

or provision of this Agreement, which shall remain in full force and effect. The holding of a term or provision to be invalid, illegal or unenforceable in a jurisdiction shall not have any effect on the application of the term or provision in any other jurisdiction.

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 England, excluding conflicts of laws rules. 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 of England. Each Party hereto irrevocably submits to the personal jurisdiction of the courts in England, 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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 February __, 2001.

ELAN PHARMA INTERNATIONAL LIMITED

By: /S/DAVID HURLEY

Name: DAVID HURLEY

Title: DIRECTOR

LIGAND PHARMACEUTICALS INCORPORATED

By: /S/PAUL MAIER

Name: PAUL MAIER

Title: SENIOR VP & CFO

SERAGEN, INC.

By: /S/PAUL MAIER

Name: PAUL MAIER

Title: CEO

[SIGNATURE PAGE TO DISTRIBUTORSHIP AGREEMENT]

APPENDIX A

PRODUCTS

<TABLE>
<CAPTION>

PRODUCT	COVERED INDICATIONS
<S>	<C>
Panretin(R)Gel (alitretinoin)	All human indications
Panretin(R)Capsules (alitretinoin)	All human indications
Ontak(R)(denileukin diftitox)	All human indications
Targretin(R)Gel (bexarotene)	All human indications
Targretin(R)Capsules (bexarotene)	All human indications

</TABLE>

APPENDIX B

PRICE SCHEDULE FOR ADJUSTING PAYMENT

<TABLE>
<CAPTION>

PRODUCT	
<S>	<C>
Targretin(R)capsule and gel	***
Ontak(R)products	***
Panretin(R)capsules and gel	***

</TABLE>

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

APPENDIX C

TRADEMARKS

<TABLE>
<CAPTION>

TRADEMARK	GENERIC PRODUCT NAME	COUNTRY	TRADEMARK STATUS
<S>	<C>	<C>	<C>
Panretin(R)	alitretinoin	***	Registered
		***	Registered
		***	Registered
		***	Registered
		***	Unfiled
Targretin(R)	bexarotene	***	Registered
		***	Registered
		***	Registered
		***	Registered
		***	Registered
		***	Pending
		***	Pending
		***	Pending
		***	Pending
		***	Pending
		***	Unfiled
Ontak(R)	denileukin diftitox	***	Registered
		***	Abandoned
		***	Unfiled
Onzar(TM)	denileukin diftitox	***	Pending
		***	Pending
		***	Unfiled

</TABLE>

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

APPENDIX D

LIGAND PRODUCT PATENT RIGHTS IN THE TERRITORY

***
***
***

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

APPENDIX E

SECOND AMENDMENT AGREEMENT

THIS SECOND AMENDMENT AGREEMENT ("SECOND AMENDMENT") is made on February __, 2001.

BETWEEN:

(1) ELAN CORPORATION, PLC, a company incorporated in Ireland having its registered office at Lincoln House, Lincoln Place, Dublin 2, Ireland ("ELAN") and

(2) LIGAND PHARMACEUTICALS INCORPORATED, a company organized under the laws of Delaware, with offices at 10275 Science Center Drive, San Diego, California 92121, United States of America ("LIGAND").

RECITALS:

A. ELAN and LIGAND entered into a Development, Licence and Supply Agreement dated 9 November, 1998 (the "Agreement") that was amended 20 August, 1999 (the "FIRST AMENDMENT");

B. Elan Pharma International Limited, an affiliate of ELAN, has entered into a Distributorship Agreement with LIGAND dated as of the date hereof (the "DISTRIBUTORSHIP AGREEMENT"); and

C. Under the terms of the Distributorship Agreement, LIGAND has agreed to amend this Agreement to terminate the option granted to Ligand under Clause 2.2.2 of the Agreement, as amended by the First Amendment, to co-promote the Product in the Member States of the EU;

All capitalized terms used in this Second Amendment shall have the same meanings as are assigned thereto in the Agreement, as amended by the First Amendment,

except where expressly provided to the contrary in this Second Amendment.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1 AMENDMENT TO THE AGREEMENT:

20.4 ELAN AND LIGAND HEREBY AGREE THAT THE AGREEMENT, AS AMENDED BY THE FIRST AMENDMENT, SHALL BE FURTHER AMENDED AS FOLLOWS:

By the deletion of Clause 2.2.2 and 2.3.2 of the Agreement and removal of the reference to Clause 2.2.2 in Clause 2.3.3 of the Agreement.

20.5 EXCEPT AS SET FORTH IN THIS SECOND AMENDMENT, THE AGREEMENT AS AMENDED BY THE FIRST AMENDMENT SHALL REMAIN IN FULL FORCE AND EFFECT.

2 GOVERNING LAW AND JURISDICTION:

This Second Amendment is construed under and ruled by the laws of New York. For the purposes of this Second Amendment the parties submit to the non-exclusive jurisdiction of the courts of New York.

IN WITNESS of which the parties have executed this Second Amendment.

Executed by LIGAND on February __, 2001

By:

Name:

Title:

Executed by ELAN on February __, 2001

By:

Name:

Title:

EXHIBIT 10.236

THIS SECOND AMENDMENT AGREEMENT ("SECOND AMENDMENT") is made on February 28, 2001.

BETWEEN:

(1) ELAN CORPORATION, PLC, a company incorporated in Ireland having its registered office at Lincoln House, Lincoln Place, Dublin 2, Ireland ("ELAN") and

(2) LIGAND PHARMACEUTICALS INCORPORATED, a company organized under the laws of Delaware, with offices at 10275 Science Center Drive, San Diego, California 92121, United States of America ("LIGAND").

RECITALS:

A. ELAN and LIGAND entered into a Development, Licence and Supply Agreement dated 9 November, 1998 (the "Agreement") that was amended 20 August, 1999 (the "FIRST AMENDMENT");

B. Elan Pharma International Limited, an affiliate of ELAN, has entered into a Distributorship Agreement with LIGAND dated as of the date hereof (the "DISTRIBUTORSHIP AGREEMENT"); and

C. Under the terms of the Distributorship Agreement, LIGAND has agreed to amend this Agreement to terminate the option granted to Ligand under Clause 2.2.2 of the Agreement, as amended by the First Amendment, to co-promote the Product in the Member States of the EU;

All capitalized terms used in this Second Amendment shall have the same meanings as are assigned thereto in the Agreement, as amended by the First Amendment, except where expressly provided to the contrary in this Second Amendment.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1 AMENDMENT TO THE AGREEMENT:

A. ELAN and LIGAND hereby agree that the Agreement, as amended by the First Amendment, shall be further amended as follows:

By the deletion of Clause 2.2.2 and 2.3.2 of the Agreement and removal of the reference to Clause 2.2.2 in Clause 2.3.3 of the Agreement.

B. Except as set forth in this Second Amendment, the Agreement as amended by the First Amendment shall remain in full force and effect.

2 GOVERNING LAW AND JURISDICTION:

This Second Amendment is construed under and ruled by the laws of New York. For the purposes of this Second Amendment the parties submit to the non-exclusive jurisdiction of the courts of New York.

IN WITNESS of which the parties have executed this Second Amendment.

Executed by LIGAND on February 28, 2001

By: /S/PAUL MAIER

Name: PAUL MAIER

Title: SENIOR VP AND CFO

Executed by ELAN on February 28, 2001

By: /S/DANIEL WELCH

Name: DANIEL WELCH

Title: PRESIDENT

EXHIBIT 10.237

LIGAND PHARMACEUTICALS INCORPORATED
STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the 5th day of January, 2001, by and between Ligand Pharmaceuticals Incorporated (the "Company"), a corporation organized under the laws of the State of Delaware, with its principal offices at 10275 Science Center Drive, San Diego, California 92121, and the purchaser whose name and address is set forth on the signature page hereof (the "Purchaser").

IN CONSIDERATION of the mutual covenants contained in this Agreement, the Company and the Purchaser agree as follows:

SECTION 1. AUTHORIZATION OF SALE OF THE SHARES. Subject to the terms and conditions of this Agreement, the Company has authorized the sale of up to 2,000,000 shares (the "Shares") of the common stock, par value $0.001 per share (the "Common Stock"), of the Company.

SECTION 2. AGREEMENT TO SELL AND PURCHASE THE SHARES. At the Closing (as defined in Section 3), the Company will, subject to the terms of this Agreement, sell to the Purchaser, and the Purchaser will buy from the Company, upon the terms and conditions hereinafter set forth, the number of Shares (at the purchase price) set forth on the signature page hereof.

The Company proposes to enter into this same form of purchase agreement with certain other investors (the "Other Purchasers") and to complete sales of the Shares to them. The Purchaser and the Other Purchasers are hereinafter sometimes collectively referred to as the "Purchasers," and this Agreement and the agreements executed by the Other Purchasers are hereinafter sometimes collectively referred to as the "Agreements." The term "Placement Agent" shall mean Salomon Smith Barney Inc.

SECTION 3. DELIVERY OF THE SHARES AT THE CLOSING. The "Subscription Date" shall be the date when the Company has notified the Placement Agent in writing that it is no longer accepting Agreements from investors. The completion of the purchase and sale of the Shares (the "Closing") shall occur at a place and time (the "Closing Date") to be determined by the Company and the Placement Agent, which date shall not be less than three nor more than ten business days after the Subscription Date. The Purchasers will be notified by facsimile transmission or otherwise of the Closing Date.

At the Closing, the Company shall issue to the Purchaser one or more stock certificates registered in the name of the Purchaser, or in such nominee name(s) as designated by the Purchaser in writing, representing the number of Shares set forth in Section 2 above. The name(s) in which the stock certificates are to be registered are set forth in the Stock Certificate Questionnaire attached hereto as part of Appendix I. The Company's obligation to complete the purchase and sale of the Shares and deliver such stock certificate(s) to the Purchaser at the Closing shall be subject to the following conditions, any one or more of which may be waived by the Company: (a) receipt by the Company of same-day funds in the full amount of the purchase price for the Shares being purchased hereunder; (b) completion of the purchases and sales under the Agreements with all of the Other Purchasers; and (c) the accuracy of the representations and warranties made by the Purchasers and the fulfillment of those undertakings of the Purchasers to

be fulfilled prior to the Closing. The Purchaser's obligation to accept delivery of such stock certificate(s) and to pay for the Shares evidenced thereby shall be subject to the accuracy in all material respects of the representations and warranties made by the Company herein and the fulfillment in all material respects of those undertakings of the Company to be fulfilled prior to Closing. The Purchaser's obligations hereunder are expressly not conditioned on the purchase by any or all of the Other Purchasers of the Shares that they have agreed to purchase from the Company.

SECTION 4. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE COMPANY. The Company hereby represents and warrants to, and covenants with, the Purchaser as follows:

4.1 ORGANIZATION AND QUALIFICATION. The Company is a corporation duly

organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and is qualified to do business as a foreign corporation in each jurisdiction in which qualification is required, except where failure to so qualify would not have a Material Adverse Effect (as defined herein) on the Company.

4.2 ISSUANCE, SALE AND DELIVERY OF THE SHARES. The Shares have been duly authorized and, when issued, delivered and paid for in the manner set forth in this Agreement, will be duly authorized, validly issued, fully paid and nonassessable. No further approval or authority of the stockholders or the Board of Directors of the Company will be required for the issuance and sale of the Shares to be sold by the Company as contemplated herein. The Company's issuance of the Shares shall be in compliance with all applicable federal and state securities laws.

4.3 DUE EXECUTION, DELIVERY AND PERFORMANCE OF THE AGREEMENTS. The Company has full legal right, corporate power and authority to enter into the Agreements and perform the transactions contemplated hereby. The Agreements have been duly authorized, executed and delivered by the Company. The making and performance of the Agreements by the Company and the consummation of the transactions herein contemplated will not violate any provision of the organizational documents of the Company. The making and performance of the Agreements by the Company and the consummation of the transactions herein contemplated will not result in the creation of any lien, charge, security interest or encumbrance upon any assets of the Company pursuant to the terms or provisions of, or conflict with, result in the breach or violation of, or constitute, either by itself or upon notice or the passage of time or both, a default under any material agreement, mortgage, deed of trust, lease, franchise, license, indenture, permit or other instrument to which the Company is a party or by which the Company or any of its respective properties may be bound and in each case which individually or in the aggregate would have a material adverse effect on the condition (financial or otherwise), properties, business, prospects as of the date hereof or results of operations of the Company, taken as a whole (a "Material Adverse Effect"), or, to the Company's knowledge, any statute or any authorization, judgment, decree, order, rule or regulation of any court or any regulatory body, administrative agency or other governmental body applicable to the Company or any of its respective properties. No consent, approval, authorization or other order of any court, regulatory body, administrative agency or other governmental body is required for the execution and delivery of this Agreement or the consummation of the transactions contemplated by this Agreement, except for compliance with the federal and state securities laws applicable to the offering of the Shares. Upon their execution and delivery, and assuming the valid execution thereof by the respective Purchasers,

the Agreements will constitute valid and binding obligations of the Company, enforceable in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' and contracting parties' rights generally and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and except as the indemnification agreements of the Company in Section 7.3 hereof may be legally unenforceable.

4.4 OFFERING MATERIALS. The Company has not distributed and will not distribute prior to the Closing Date any offering material in connection with the offering and sale of the Shares other than the Private Placement Memorandum dated December 8, 2000 (the "Private Placement Memorandum"). The Company has not in the past nor will it hereafter take any action independent of the Placement Agent to sell, offer for sale or solicit offers to buy any securities of the Company which would bring the offer, issuance or sale of the Shares, as contemplated by this Agreement, within the provisions of Section 5 of the Securities Act, unless such offer, issuance or sale was or shall be within the exemptions of Section 4 of the Securities Act.

4.5 REPORTING COMPANY; LISTED SECURITIES. The Company is a reporting company and has filed all reports required to be filed by Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") during the preceding twelve (12) months and has been subject to such filing requirements for the past twelve (12) months. The Common Stock is quoted on the Nasdaq National Market System ("Nasdaq"). To the Company's knowledge, there is

no stop order suspending the trading of the Common Stock on Nasdaq or any information which would result in the Common Stock from being delisted from Nasdaq.

4.6 ADDITIONAL INFORMATION. The Company represents and warrants that the information contained in the following documents, which the Placement Agent has furnished to the Purchaser, or will furnish prior to the Closing, complies in all material respect with the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations promulgated thereunder (the "Rules and Regulations") and is, or will be, true and correct in all material respects as of their respective final dates:

(a) the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999 (without exhibits);

(b) the Company's Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2000, June 30, 2000 and September 30, 2000 (each without exhibits);

(c) the Company's Proxy Statement for the 2000 Annual Meeting of Stockholders;

(d) the Registration Statement;

(e) the Private Placement Memorandum (other than the Purchase Agreement and appendices thereto); and

(f) all other documents, if any, filed by the Company with the Securities and Exchange Commission (the "SEC") since December 31, 1999 pursuant to the reporting requirements of the Exchange Act.

4.7 LEGAL OPINION. Prior to the Closing, Brobeck, Phleger & Harrison LLP, counsel to the Company, will deliver its legal opinion to the Purchasers and the Placement Agent in form and substance reasonably satisfactory to the Purchasers and the Placement Agent.

4.8 CERTIFICATE. At the Closing, the Company will deliver to Purchaser a certificate executed by the chief executive officer and the chief financial or accounting officer of the Company, dated the Closing Date, in form and substance reasonably satisfactory to the Purchasers, to the effect that the representations and warranties of the Company set forth in this Section 4 are true and correct in all material respects as of the date of this Agreement and as of the Closing Date, and the Company has complied with all the agreements and satisfied all the conditions herein on its part to be performed or satisfied on or prior to such Closing Date.

SECTION 5. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE PURCHASER.

(a) The Purchaser represents and warrants to, and covenants with, the Company that: (i) the Purchaser is knowledgeable, sophisticated and experienced in making, and is qualified to make, decisions with respect to investments in shares representing an investment decision like that involved in the purchase of the Shares, and has requested, received, reviewed and considered all information it deems relevant in making an informed decision to purchase the Shares; (ii) the Purchaser is acquiring the number of Shares set forth in the signature page hereto, for its own account for investment only and with no present intention of distributing any of such Shares or any arrangement or understanding with any other persons regarding the distribution of such Shares; (iii) the Purchaser will not, directly or indirectly, offer, sell, pledge, transfer or otherwise dispose of (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of) any of the Shares except in compliance with the Act, the Rules and Regulations and any applicable state securities laws; (iv) the Purchaser has completed or caused to be completed the Registration Statement Questionnaire and the Stock Certificate Questionnaire, both attached hereto as Appendix I, for use in preparation of the Registration Statement, and the answers thereto are true and correct as of the date hereof and will be true and correct as of the effective date of the Registration Statement; (v) the Purchaser has, in connection with its decision to purchase the number of Shares set forth in the signature page hereto, not relied upon any representations or other information (whether oral or written) other than as set forth in the Private Placement Memorandum and the documents included therein and the representations and

warranties of the Company contained herein; (vi) the Purchaser has, with respect to all matters relating to this Agreement, the Private Placement Memorandum and the offer and sale of the Shares, relied solely upon the advice of the Purchaser's own counsel and has not relied upon or consulted the counsel to the Placement Agent or counsel to the Company; (vii) the Purchaser has had an opportunity to discuss this investment with representatives of the Company and ask questions of them; and (viii) the Purchaser is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated under the Securities Act.

(b) The Purchaser hereby covenants with the Company not to make any sale of the Shares without satisfying the prospectus delivery requirement under the Securities Act,

and the Purchaser acknowledges and agrees that such Shares are not transferable on the books of the Company unless the certificate submitted to the transfer agent evidencing the Shares is accompanied by a separate officer's certificate: (i) in the form of Appendix II hereto, (ii) executed by an officer of, or other authorized person designated by, the Purchaser, and (iii) to the effect that (A) the Shares have been sold in accordance with the Registration Statement, the Securities Act and the Rules and Regulations and any applicable state securities laws and (B) the requirement of delivering a current prospectus has been satisfied. Subject to Section 7(e) hereof, the Purchaser acknowledges that there may occasionally be times when the Company must suspend the use of the prospectus forming a part of the Registration Statement until such time as an amendment to the Registration Statement has been filed by the Company and declared effective by the SEC, or until such time as the Company has filed an appropriate report with the SEC pursuant to the Exchange Act. The Purchaser hereby covenants that it will not sell any Shares pursuant to said prospectus during the period commencing at the time at which the Company gives the Purchaser written notice of the suspension of the use of said prospectus and ending at the time the Company gives the Purchaser written notice that the Purchaser may thereafter effect sales pursuant to said prospectus. The Purchaser further covenants to notify the Company promptly of the sale of all of its Shares.

(c) The Purchaser further represents and warrants to, and covenants with, the Company that (i) the Purchaser has full right, power, authority and capacity to enter into this Agreement and to consummate the transactions contemplated hereby and has taken all necessary action to authorize the execution, delivery and performance of this Agreement, (ii) if applicable, the Purchaser is duly organized, validly existing and in good standing under the laws of its jurisdiction, (iii) the making and performance of the Agreement by Purchaser and the consummation of the transactions herein contemplated will not violate any provision of the organizational documents of Purchaser or conflict with, result in the breach or violation of, or constitute, either by itself or upon notice or the passage of time or both, a default under any material agreement, mortgage, deed of trust, lease, franchise, license, indenture, permit or other instrument to which the Purchaser is a party or, any statute or any authorization, judgment, decree, order, rule or regulation of any court or any regulatory body, administrative agency or other governmental body applicable to Purchaser, (iv) no consent, approval, authorization or other order of any court, regulatory body, administrative agency or other governmental body is required on the part of the Purchaser for the execution and delivery of this Agreement or the consummation of the transactions contemplated by this Agreement, and (v) upon the execution and delivery of this Agreement, this Agreement shall constitute a valid and binding obligation of the Purchaser enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' and contracting parties' rights generally and except as enforceability may be subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and except as the indemnification agreements of the Purchaser in Section 7.3 hereof may be legally unenforceable and (vi) there is not in effect any order enjoining or restraining the Purchaser from entering into or engaging in any of the transactions contemplated by this Agreement.

(d) The Purchaser recognizes that an investment in the Shares involves a high degree of risk, including a risk of total loss of Purchaser's investment, and the Purchaser has full cognizance of and understands all of the risk factors

related to Purchaser's purchase of the

Shares, including, but not limited to, those set forth under the caption "Risk Factors" in the Private Placement Memorandum.

(e) All of the information provided to the Company or its agents or representatives concerning the Purchaser's suitability to invest in the Company and the representations and warranties contained herein, are complete, true and correct as of the date hereof. Purchaser understands that the Company is relying on the statements contained herein to establish an exemption from registration under federal and state securities laws.

(f) The address set forth in the signature page hereto is the Purchaser's true and correct residence and the Purchaser has no present intention of becoming a resident of any other state or jurisdiction.

(g) The Purchaser covenants to provide Company at all times as the Company is required to keep the Registration Statement in effect with an updated, accurate and complete plan of distribution.

(h) The Purchaser understands and agrees that each certificate or other document evidencing any of the Shares shall be endorsed with the legend in substantially the form set forth below as well as any other legends required by applicable law and the Purchaser covenants that the Purchaser shall not transfer the shares represented by any such certificate without complying with the restrictions on transfer described in the legends endorsed on such certificate and understands that the Company shall refuse to register any transfer of Shares not complying with the following legend:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT"), OR REGISTERED OR QUALIFIED UNDER ANY APPLICABLE STATE SECURITIES LAWS. THESE SECURITIES MAY NOT BE OFFERED, SOLD, TRANSFERRED, HYPOTHECATED, PLEDGED OR OTHERWISE ASSIGNED UNLESS (A) COVERED BY AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND REGISTERED OR QUALIFIED UNDER APPLICABLE STATE SECURITIES LAWS OR (B) EXEMPTIONS FROM SUCH REGISTRATION OR QUALIFICATION REQUIREMENTS ARE AVAILABLE. AS A CONDITION TO PERMITTING ANY TRANSFER OF THESE SECURITIES, THE COMPANY MAY REQUIRE THAT IT BE FURNISHED WITH AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY TO THE EFFECT THAT NO REGISTRATION OR QUALIFICATION IS LEGALLY REQUIRED FOR SUCH TRANSFER

SECTION 6. SURVIVAL OF REPRESENTATIONS, WARRANTIES AND AGREEMENTS. Notwithstanding any investigation made by any party to this Agreement or by the Placement Agent, all covenants, agreements, representations and warranties made by the Company and the Purchaser herein and in the certificates for the Shares delivered pursuant hereto shall survive for a period of one (1) year following the later of execution of this Agreement, the delivery to the Purchaser of the Shares being purchased and the payment therefor.

SECTION 7. REGISTRATION OF THE SHARES; COMPLIANCE WITH THE SECURITIES ACT.

7.1 REGISTRATION PROCEDURES AND EXPENSES. Except for such times as the Company may be required to suspend the use of a prospectus forming a part of the Registration Statement, as further described in Section 5(b) hereof, the Company shall:

(a) as soon as practicable, but in no event later than thirty (30) days following the Closing Date, use best efforts to prepare and file with the SEC the Registration Statement on Form S-3 relating to the resale of the Shares by the Purchaser from time to time through the automated quotation system of Nasdaq or the facilities of any national securities exchange on which the Common Stock is then traded or in privately-negotiated transactions;

(b) use best efforts to cause the Registration Statement to become effective under the Securities Act of 1933, as amended, no later than ten (10) days after the date of filing with the SEC, if the Registration Statement is not reviewed by the SEC, or no later than 120 days after the Closing Date, if the

Registration Statement is reviewed by the SEC;

(c) use best efforts to prepare and file with the SEC such amendments and supplements to the Registration Statement and the prospectus used in connection therewith as may be necessary to keep the Registration Statement effective until the earlier of (i) the second anniversary of the Closing Date, (ii) the date on which the Purchaser may sell all Shares then held by the Purchaser within a three-month period without restriction by reason of Rule 144 under the Securities Act ("Rule 144") or any other rule of similar effect, or (iii) such time as all Shares purchased by the Purchaser have been sold pursuant to a registration statement;

(d) so long as the Registration Statement is effective covering the resale of Shares owned by the Purchaser, use best efforts to furnish to the Purchaser with respect to the Shares registered under the Registration Statement (and to each underwriter, if any, of such Shares) such reasonable number of copies of prospectuses and such other documents as the Purchaser may reasonably request, in order to facilitate the public sale or other disposition of all or any of the Shares by the Purchaser; provided, however, that the obligation of the Company to deliver copies of prospectuses to the Purchaser shall be subject to the receipt by the Company of reasonable assurances from the Purchaser that the Purchaser will comply with the applicable provisions of the Securities Act and of such other securities laws as may be applicable in connection with any use of such prospectuses;

(e) use commercially reasonable efforts to restrict any suspension referred to in Section 5(b) to no more than ten (10) business days and to restrict suspensions within any 365 day period to no more than twenty-five (25) business days in such period;

(f) use best efforts to file documents required of the Company for normal blue sky clearance in states specified in writing by the Purchaser; provided, however, that the Company shall not be required to qualify to do business or consent to service of process in any jurisdiction in which it is not now so qualified or has not so consented;

(g) bear all expenses in connection with the procedures in paragraphs (a) through (e) of this Section 7.1 and the registration of the Shares pursuant to the Registration Statement, other than fees and expenses, if any, of counsel or other advisers to the Purchaser or

the Other Purchasers or underwriting discounts, brokerage fees and commissions incurred by the Purchaser or the Other Purchasers, if any; and

(h) with a view to making available to Purchaser the benefits of Rule 144 (or its successor rule) and any other rule or regulation of the SEC that may at any time permit Purchaser to sell Shares to the public without registration, the Company covenants and agrees to: (i) make and keep public information available, as those terms are understood and defined in Rule 144, until the earlier of (A) such date as all of Purchaser's Shares may be resold within a given three-month period pursuant to Rule 144 or any other rule of similar effect or (B) such date as all of Purchaser's Shares shall have been resold; (ii) file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and under the Exchange Act; and (iii) furnish to Purchaser upon request, as long as Purchaser owns any Shares, (A) a written statement by the Company that it has complied with the reporting requirements of the Securities Act and the Exchange Act, (B) a copy of the most recent annual report on Form 10-K or quarterly report of the Company on Form 10-Q, and (C) such other information as may be reasonably requested in order to avail Purchaser of any rule or regulation of the SEC that permits the selling of any such Shares without registration.

7.2 TRANSFER OF SHARES AFTER REGISTRATION. The Purchaser agrees that it will not effect any disposition of the Shares or its right to purchase the Shares that would constitute a sale within the meaning of the Securities Act or pursuant to any applicable state securities or blue sky laws, except as contemplated in the Registration Statement referred to in Section 7.1, and that it will promptly notify the Company of any changes in the information set forth in the Registration Statement regarding the Purchaser or its Plan of Distribution.

7.3 INDEMNIFICATION. For the purpose of this Section 7.3:

(i) the term "Purchaser" shall include the Purchaser and any affiliate of such Purchaser; and

(ii) the term "Registration Statement" shall include any final prospectus, exhibit, supplement or amendment included in or relating to the Registration Statement referred to in Section 7.1.

(a) The Company agrees to indemnify and hold harmless each of the Purchasers and each person, if any, who controls any Purchaser within the meaning of the Securities Act, against any losses, claims, damages, liabilities or expenses, joint or several, to which such Purchasers or such controlling person may become subject, under the Securities Act, the Exchange Act, or any other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of the Company), insofar as such losses, claims, damages, liabilities or expenses (or actions in respect thereof as contemplated below) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, including the prospectus, financial statements and schedules, and all other documents filed as a part thereof, as amended at the time of effectiveness of the Registration Statement, including any information deemed to be a part thereof as of the time of effectiveness pursuant to paragraph (b) of Rule 430A, or pursuant to Rule 434, of the Rules and Regulations, or the

prospectus, in the form first filed with the SEC pursuant to Rule 424(b) of the Regulations, or filed as part of the Registration Statement at the time of effectiveness if no Rule 424(b) filing is required (the "Prospectus"), or any amendment or supplement thereto, or (in the case of the Registration Statement or any amendment thereof) arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (in the case of the Prospectus and any amendment thereof or supplement thereto) arise out of or are based upon the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, or arise out of or are based in whole or in part on any inaccuracy in the representations and warranties of the Company contained in this Agreement, or any failure of the Company to perform its obligations hereunder or under law, and will reimburse each Purchaser and each such controlling person for any legal and other expenses reasonably incurred as such expenses are reasonably incurred by such Purchaser or such controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage, liability or expense arises out of or is based upon (i) an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Prospectus or any amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by or on behalf of the Purchaser expressly for use therein, or (ii) the failure of such Purchaser to comply with the covenants and agreements contained in Sections 5(b) or 7.2 hereof respecting sale of the Shares, or (iii) the inaccuracy of any representations made by such Purchaser herein or (iv) any statement or omission in any Prospectus that is corrected in any subsequent Prospectus that was delivered to the Purchaser prior to the pertinent sale or sales by the Purchaser.

(b) Each Purchaser will severally indemnify and hold harmless the Company, each of its directors, each of its officers who signed the Registration Statement and each person, if any, who controls the Company within the meaning of the Securities Act, against any losses, claims, damages, liabilities or expenses to which the Company, each of its directors, each of its officers who signed the Registration Statement or controlling person may become subject, under the Securities Act, the Exchange Act, or any other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Purchaser) insofar as such losses, claims, damages, liabilities or expenses (or actions in respect thereof as contemplated below) arise out of

or are based upon (i) any failure by such Purchaser to comply with the covenants and agreements contained in Sections 5(b) or 7.2 hereof respecting the sale of the Shares or (ii) the inaccuracy of any representation made by such Purchaser herein or (iii) any untrue or alleged untrue statement of any material fact contained in the Registration Statement, the Prospectus, or any amendment or supplement thereto, or (in the case of the Registration Statement or any amendment thereof) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or (in the case of the Prospectus and any amendment thereof or supplement thereto) the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, the Prospectus, or any amendment or

supplement thereto, in reliance upon and in conformity with written information furnished to the Company by or on behalf of such Purchaser expressly for use therein, and will reimburse the Company, each of its directors, each of its officers who signed the Registration Statement or controlling person for any legal and other expense reasonably incurred, as such expenses are reasonably incurred by the Company, each of its directors, each of its officers who signed the Registration Statement or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action.

(c) Promptly after receipt by an indemnified party under this Section 7.3 of notice of the threat or commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 7.3, promptly notify the indemnifying party in writing thereof, but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party for contribution or otherwise to the extent it is not prejudiced as a result of such failure. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from an indemnifying party, the indemnifying party will be entitled to participate in, and, to the extent that it may wish, jointly with all other indemnifying parties similarly notified, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be a conflict between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of its election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 7.3 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed such counsel in connection with the assumption of legal defenses in accordance with the proviso to the preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel, reasonably satisfactory to the indemnifying party, representing the indemnified parties who are parties to such action) or (ii) the indemnified party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of action, in each of which cases the reasonable fees and expenses of counsel shall be at the expense of the indemnifying party.

(d) If the indemnification provided for in this Section 7.3 is required by its terms but is for any reason held to be unavailable to or otherwise insufficient to hold harmless an indemnified party under paragraphs (a), (b) or (c) of this Section 7.3 in respect to any losses, claims, damages, liabilities or expenses referred to herein, then each applicable indemnifying, party shall contribute to the amount paid or payable by such indemnified party

as a result of any losses, claims, damages, liabilities or expenses referred to herein (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Purchaser from the placement of Common Stock or (ii) if the allocation provided by clause (i) above is not permitted

by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but the relative fault of the Company and the Purchaser in connection with the statements or omissions or inaccuracies in the representations and warranties in this Agreement which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The respective relative benefits received by the Company on the one hand and each Purchaser on the other shall be deemed to be in the same proportion as the amount paid by such Purchaser to the Company pursuant to this Agreement for the Shares purchased by such Purchaser that were sold pursuant to the Registration Statement bears to the difference (the "Difference") between the amount such Purchaser paid for the Shares that were sold pursuant to the Registration Statement and the amount received by such Purchaser from such sale. The relative fault of such selling Purchaser and each Purchaser shall be determined by reference to, among other things, whether the untrue or alleged statement of a material fact or the omission or alleged omission to state a material fact or the inaccurate or the alleged inaccurate representation and/or warranty relates to information supplied by the Company or by such Purchaser and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in paragraph (c) of this Section 7.3, any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim. The provisions set forth in paragraph (c) of this Section 7.3 with respect to the notice of the threat or commencement of any threat or action shall apply if a claim for contribution is to be made under this paragraph (d); provided, however that no additional notice shall be required with respect to any threat or action for which notice has been given under paragraph (c) for purposes of indemnification. The Company and each Purchaser agree that it would not be just and equitable if contribution pursuant to this Section 7.3 were determined solely by pro rata allocation (even if the Purchaser were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this paragraph. Notwithstanding the provisions of this Section 7.3, no Purchaser shall be required to contribute any amount in excess of the amount by which the Difference exceeds the amount of any damages that such Purchaser has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Purchasers' obligations to contribute pursuant to this Section 7.3 are several and not joint.

7.4 TERMINATION OF CONDITIONS AND OBLIGATIONS. The conditions precedent imposed by Section 5(b) or Section 7.2 upon the transferability of the Shares shall cease and terminate as to any particular number of the Shares upon the passage of twenty-four months from the effective date of the Registration Statement covering such Shares or at such time as an opinion of counsel satisfactory in form and substance to the Company shall have been rendered to the effect that such conditions are not necessary in order to comply with the Securities Act.

SECTION 8. BROKER'S FEE. Except as otherwise agreed to between the Purchaser and the Placement Agent, the Purchaser acknowledges that the Company intends to pay to the Placement Agent a fee in respect of the sale of the Shares to the Purchaser. Each of the parties hereto hereby

represents that, on the basis of any actions and agreements by it, there are no other brokers or finders entitled to compensation in connection with the sale of the Shares to the Purchaser.

SECTION 9. NOTICES. All notices, requests, consents and other communications

hereunder shall be in writing, shall be mailed by first-class registered or certified airmail, confirmed facsimile or nationally recognized overnight express courier postage prepaid, and shall be deemed given when so mailed and shall be delivered as addressed as follows:

(a) if to the Company, to:

Ligand Pharmaceuticals Incorporated
10275 Science Center Road
San Diego, California 92121
ATTN: Chief Executive Officer

with a copy to:

Brobeck, Phleger & Harrison LLP
12390 El Camino Real
San Diego, California 92130
Attn: Faye H. Russell, Esq.

or to such other person at such other place as the Company shall designate to the Purchaser in writing; and

(b) if to the Purchaser, at its address as set forth at the end of this Agreement, or at such other address or addresses as may have been furnished to the Company in writing.

SECTION 10. CHANGES. This Agreement may not be modified or amended except pursuant to an instrument in writing, signed by the Company and the Purchaser.

SECTION 11. HEADINGS. The headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be part of this Agreement.

SECTION 12. SEVERABILITY. In case any provision contained in this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

SECTION 13. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to any choice of law provisions thereof, and the federal law of the United States of America.

SECTION 14. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument, and shall become effective when one or more counterparts have been signed by each party hereto and delivered to the other parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the day and year first above written.

LIGAND PHARMACEUTICALS INCORPORATED

By:_____

Its:_____

Print or Type: Name of Purchaser
(Individual or Institution):

_____

Name and Title of Individual(s)

representing Purchaser (if an Institution):

Name: _____

Title: _____

Name: _____

Title: _____

Number to Be Purchased	Price Per Share In Dollars	Aggregate Price
- ----------	---------	----------

Signature by: Individual Purchaser or Individual(s) representing Purchaser:

_____

_____

Address: _____

_____

Appendix I
(one of three)

LIGAND PHARMACEUTICALS INCORPORATED

STOCK CERTIFICATE QUESTIONNAIRE

Pursuant to Section 3 of the Agreement, please provide us with the following information:

The exact name that your Shares are to be registered in (this is the name that will appear on your stock certificate(s)). You may use a nominee name if appropriate:

_____

The relationship between the Purchaser of the Shares and the Registered Holder listed in response to item 1 above:

_____

The mailing address of the Registered Holder listed in response to item 1 above:

_____

_____

_____

The Social Security Number or Tax Identification Number of the Registered Holder listed in response to item 1 above:

_____

Appendix I
(two of three)

LIGAND PHARMACEUTICALS INCORPORATED

REGISTRATION STATEMENT QUESTIONNAIRE

In connection with the preparation of the Registration Statement, please provide us with the following information:

Pursuant to the "Selling Shareholder" section of the Registration Statement, please state your or your organization's address and name exactly as it should appear in the Registration Statement:

_____

_____

_____

Please provide the number of shares that you or your organization will own immediately after Closing, including those Shares purchased by you or your organization pursuant to this Purchase Agreement and those shares purchased by you or your organization through other transactions:

_____

Have you or your organization had any position, office or other material relationship within the past three years with the Company or its affiliates?

Yes No

If yes, please indicate the nature of any such relationships below:

_____

_____

Does the plan of distribution in the draft form of Registration Statement provided to you reflect your current plan of distribution?

Yes No

If no, please attach a copy of your current plan of distribution.

Appendix I
(three of three)

You acknowledge that Salomon Smith Barney is acting as sole placement agent and Adams Harkness & Hill, which is referred to in the Private Placement Memorandum dated December 8, 2000 of Ligand Pharmaceuticals Incorporated, is not

acting as a placement agent. In addition, a funding event has occurred as described in Ligand's Form 8-K dated January 3, 2001.

Yes No

Appendix II

Attention:

PURCHASER'S CERTIFICATE OF SUBSEQUENT SALE

The undersigned (an officer of, or other person duly authorized by),

_____
[fill in official name of individual or institution]

hereby certifies that he/she [said institution] is the Purchaser of the shares evidenced by the attached certificate, and as such, sold such shares on _____ in accordance with Registration Statement number _____, and the requirement of delivering a current prospectus by the Company has been complied with in connection with such sale.

Print or Type:

Name of Purchaser (Individual or Institution):

_____

Name of Individual representing Purchaser (if an Institution):

_____

Title of Individual representing Purchaser (if an Institution):

_____

Signature by:

Individual Purchaser or Individual representing Purchaser:

_____

EXHIBIT A

<TABLE>
<CAPTION>

INVESTOR	SHARES	PURCHASE AMOUNT
<S>	<C>	<C>
Narragansett I, LP	85,000	$1,020,000.00
Narragansett Offshore, Ltd.	165,000	$1,980,000.00
S.A.C. Capital Associates, LLC	375,000	$4,500,000.00
United Capital Management, Inc.	83,333	$999,996.00
Domain Public Equity Partners, L.P.	200,000	$2,400,000.00
Merlin BioMed, LP	102,000	$1,224,000.00
Merlin BioMed International Ltd.	156,000	$1,872,000.00
Merlin BioMed II, LP	34,500	$414,000.00

TAIB Funds, Ltd.	7,500	$90,000.00
Royal Bank of Canada	250,000	$3,000,000.00
Baystar Capital LLP	93,750	$1,125,000.00
Baystar International	31,250	$375,000.00
	1,583,333	$18,999,996.00
Elan International Services LTD.	416,667	$5,000,004.00
GRAND TOTAL:	2,000,000	$24,000,000.00

</TABLE>