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 September 30, l996 or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition Period From ___ to ___. Commission File Number: 0-20720

LIGAND PHARMACEUTICALS INCORPORATED
(Exact Name of Registrant as Specified in its Charter)

Delaware	77-0160744
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

9393 Towne Centre Drive San Diego, CA	92121 (Zip Code)

(Address of Principal Executive Offices)

Registrant's Telephone Number, Including Area Code: (619)535-3900

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 September 30, 1996 the registrant had 28,476,394 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.

<TABLE>

PART I. FINANCIAL INFORMATION
ITEM 1 FINANCIAL STATEMENTS

LIGAND PHARMACEUTICALS INCORPORATED
Consolidated Balance Sheets
(in thousands, except share data)

<CAPTION>

	September 30, 1996 (Unaudited)	December 31, 1995
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,014	$ 15,963
Short-term investments	38,775	54,182
Receivable from a related party	2,670	2,286
Other current assets	2,407	577
Total current assets	50,866	73,008
Restricted short-term investments	3,526	6,759
Property and equipment, net	11,804	12,272
Notes receivable from officers and employees	428	485
Other assets	984	1,070
	$ 67,608	$ 93,594
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,734	$ 3,940
Accrued liabilities	4,204	6,705
Deferred revenue	2,486	2,608
Current portion of obligations under capital leases	2,651	2,406

Total current liabilities	11,075	15,659
Long-term obligations under capital leases	8,542	8,585
Convertible subordinated debentures	33,285	31,279
Convertible note	6,250	10,000
Stockholders' equity:		
Convertible preferred stock, $.001 par value; 5,000,000 shares authorized; none issued	--	--
Common stock, $.001 par value; 80,000,000 shares authorized; 28,483,797 shares and 27,800,597 shares issued at September 30, l996 and December 31, 1995, respectively	28	28
Paid-in capital	177,979	173,452
Warrant subscription receivable	(3,104)	(4,524)
Adjustment for unrealized gains (losses) on available-for-sale securities	(167)	217
Accumulated deficit	(165,814)	(140,281)
Deferred compensation and consulting fees	(441)	(819)
	8,481	28,073
Less treasury stock, at cost (7,403 shares)	(25)	(2)
Total stockholders' equity	8,456	28,071
	$ 67,608	$ 93,594

<FN>
SEE ACCOMPANYING NOTES.

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LIGAND PHARMACEUTICALS INCORPORATED
Consolidated Statements of Operations
(Unaudited)
(in thousands, except share data)

<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Revenues:				
Collaborative research and development:				
Related parties	$ 5,522	$ 3,270	$ 12,784	$ 7,725
Unrelated parties	4,529	3,355	14,407	8,832
Other	43	16	161	52
	10,094	6,641	27,352	16,609
Costs and expenses:				
Research and development	15,093	12,075	42,174	28,101
Selling, general and administrative	2,106	2,218	7,278	5,987
Write-off of in-process technology	--	--	--	19,869
ALRT contribution	--	--	--	17,500
Total operating expenses	17,199	14,293	49,452	71,457
Loss from operations	(7,105)	(7,652)	(22,100)	(54,848)
Interest income	730	1,181	2,729	2,373
Interest expense	(2,039)	(2,040)	(6,162)	(3,333)
Net loss	$ (8,414)	$ (8,511)	$ (25,533)	$ (55,808)
Net loss per share	$ (.30)	$ (.32)	$ (.91)	$ (2.49)
Shares used in computing loss per share	28,236,688	26,897,430	28,073,231	22,451,336

<FN>
SEE ACCOMPANYING NOTES.

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LIGAND PHARMACEUTICALS INCORPORATED
Consolidated Statements of Cash Flows
(Unaudited)
(in thousands)

<CAPTION>

	Nine Months Ended September 30,	
	1996	1995
<S>	<C>	<C>
OPERATING ACTIVITIES		
Net loss	$ (25,533)	$ (55,808)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	2,907	1,693
Amortization of notes receivable from officers and employees	174	247
Write-off of in process technology	-- --	19,869
Amortization of deferred compensation and consulting fees	378	547
Amortization of warrant subscription receivable	1,420	854
Accretion of debt discount	2,006	985
Company stock received for milestone revenue	(1,320)	-- --
Change in operating assets and liabilities:		
Other current assets	(1,830)	1,185
Receivable from a related party	(384)	(181)
Accounts payable and accrued liabilities	(4,707)	(2,268)
Deferred revenue	(122)	315
Net cash used in operating activities	(27,011)	(32,562)
INVESTING ACTIVITIES		
Purchase of short-term investments	(37,486)	(1,746)
Proceeds from short-term investments	52,508	16,029
Increase in notes receivable from officers and employees	(180)	(110)
Payment of notes receivable from officers and employees	63	-- --
Increase in deposits and other assets	(2)	(211)
Decrease in deposits and other assets	88	168
Purchase of property and equipment	(511)	(19)
Investment in joint venture	-- --	(822)
Net cash acquired in Glycomed acquisition	-- --	10,225
Net cash provided by investing activities	14,480	23,514
FINANCING ACTIVITIES		
Principal payments on obligations under capital leases	(1,726)	(1,085)

Net change in restricted cash	3,233	(1,904)
Net proceeds from sale of common stock	2,075	16,618
Net cash provided by financing activities	3,582	13,629
Net increase (decrease) in cash and cash equivalents	(8,949)	4,581
Cash and cash equivalents at beginning of period	15,963	7,628
Cash and cash equivalents at end of period	$ 7,014	$ 12,209

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 5,292	$ 2,984
Acquisition of short-term investments from Glycomed merger	-- --	41,983
Acquisition of restricted cash from Glycomed merger	-- --	4,715

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Additions to obligations under capital leases	$ 1,928	$ 7,334
Warrant subscription receivable issued with ALRT offering	$ -- --	$ 5,850
Stock issued from Glycomed merger	$ -- --	$ 41,959
Conversion of note to common stock	$ 3,750	$ -- --
Retirement of treasury stock	$ 1,320	$ -- --

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LIGAND PHARMACEUTICALS INCORPORATED
Notes to Consolidated Financial Statements
(Unaudited)

September 30, 1996

1. BASIS OF PRESENTATION

The consolidated financial statements of Ligand Pharmaceuticals Incorporated (the "Company") for the nine months ended September 30, 1996 and 1995 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 September 30, 1996 and the consolidated results of operations for the three and nine months ended September 30, 1996 and 1995. The results of operations for the periods ended September 30, 1996 are not necessarily indicative of the results to be expected for the year ending December 31, 1996. 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, 1995 included in the Ligand Pharmaceuticals Incorporated Form 10-K filed with the Securities and Exchange Commission.

In October 1995, the Financial Accounting Standards Board ("FASB") issued SFAS 123, "Accounting for Stock-Based Compensation", effective for fiscal years beginning after December 15, 1995. SFAS 123 establishes and encourages the use of the fair value based method of accounting for stock-based compensation arrangements, under which compensation cost is determined using the fair value of stock-based compensation, determined as of the grant date, and is recognized over the periods in which the related services are rendered. The statement also permits companies to elect to continue using the current implicit value accounting method specified in Accounting Principles Board (ABP) Opinion No. 25 to account for stock-based compensation. The Company has decided to

retain its current implicit value based method, and will be required to disclose the pro forma effect of using the fair value based method to account for its employee stock-based compensation. Pro forma disclosures reflecting the effects of the fair value method are not required for interim reporting purposes.

In March 1995, the FASB issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. Statement 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company adopted Statement 121 in the first quarter of 1996 and such adoption has had no effect on the Company's financial position and results of operations.

2. ALLERGAN LIGAND RETINOID THERAPEUTICS, INC.

On June 30, 1992, the Company entered into agreements with Allergan, Inc. ("Allergan") whereby the Allergan-Ligand Joint Venture (the "Joint Venture") was established to research, develop, license and commercialize products related to the use of intracellular receptors in the treatment of certain diseases and disorders.

In December 1994, the Company and Allergan formed Allergan Ligand Retinoid Therapeutics, Inc. ("ALRT") to continue the research and development activities previously conducted by the Joint Venture. In June 1995, the Company and ALRT completed a public offering of 3,250,000 units (the "Units") with aggregate proceeds of $32.5 million (the "ALRT Offering") and cash contributions by Allergan and the Company of $50.0 million and $17.5 million, respectively, providing net proceeds of $94.3 million for retinoid product research and development. Each Unit consisted of one share of ALRT's callable common stock and two warrants, each warrant entitling the holder to purchase one share of the common stock of the Company. Immediately prior to the consummation of the ALRT Offering on June 3, 1995, Allergan Pharmaceuticals (Ireland) Ltd., Inc. made a $6.0 million investment in the Company's common stock. The Company's $17.5 million cash contribution resulted in a one-time charge to operations. The Company also recorded a warrant subscription receivable and corresponding increase in paid-in capital of $5.9 million pursuant to the ALRT Offering. After June 3, 1995, cash received from ALRT pursuant to the agreement was prorated between contract revenue and the warrant subscription receivable based on their respective values. For the year ended 1995 and for the first nine months of 1996, $1.3 million and $1.4 million, respectively, of the revenue proceeds received from ALRT were applied to the warrant subscription receivable. In conjunction with the consummation of the ALRT Offering, all rights held by the Joint Venture were licensed to ALRT. The Company, Allergan and ALRT entered into various agreements in connection with the funding of ALRT.

3. MERGER WITH GLYCOMED

In May 1995, Glycomed Incorporated ("Glycomed") was merged into a wholly-owned subsidiary of the Company ("the Merger"). Glycomed is a biopharmaceutical company conducting research and development of pharmaceuticals based on biological activities of complex carbohydrates.

Each outstanding share of Glycomed common stock was converted into 0.5301 shares of the Company's common stock, resulting in the issuance of 6,942,911 shares of the common stock to Glycomed shareholders. The Merger was accounted for using the purchase method of accounting. The excess of the purchase price over the fair value of the net assets acquired was allocated to in-process technology and was written off, resulting in a one time non-cash charge to results of operations of approximately $20.0 million. The results of operations of Glycomed are included in the Company's consolidated results of operations from the date of the Merger.

4. PFIZER INC. LITIGATION

In December 1994, the Company filed suit against Pfizer Inc. ("Pfizer") in the Superior Court of California in San Diego County for breach of contract and for a declaration of future rights as they relate to droloxifene, a compound upon which the Company performed work at Pfizer's request during a collaboration between Pfizer and the Company to develop drugs in the field of osteoporosis. Droloxifene is an estrogen antagonist/partial agonist with potential indications in the treatment of osteoporosis and breast cancer as well as other applications. The Company and Pfizer entered into a settlement agreement with respect to the lawsuit in April 1996. Under the terms of the settlement agreement, the Company is entitled to receive milestone payments if Pfizer continues development and royalties if Pfizer commercializes droloxifene. At the option of either party, milestone and royalty payments owed to the Company can be satisfied by Pfizer transferring to the Company shares of the Company's common stock previously purchased by Pfizer, at an exchange rate of $12.375 per share. To date, Ligand has received approximately $1.3 million in milestone payments from Pfizer as a result of the continued development of droloxifene. These milestones were paid in the form of an aggregate of 101,011 shares of common stock which were subsequently retired from treasury stock in September 1996. According to recent announcements by Pfizer, droloxifene has entered Phase II clinical trials for osteoporosis and Phase III clinical trials for breast cancer.

5. CONVERSION OF CONVERTIBLE NOTE

In August 1996, the Company elected to convert an aggregate of $3.8 million of the $10.0 million convertible note with Wyeth-Ayerst Laboratories, the pharmaceutical division of American Home Products Corporation, into 374,626 shares of common stock at a conversion price of $10.01 per share.

6. SHAREHOLDER'S RIGHTS PLAN

In September 1996, the Company's Board of Directors adopted a preferred shares rights plan (the "Shareholder Rights Plan") which provides for a dividend distribution of one preferred share purchase right (a "Right") on each outstanding share of the common stock. Each Right entitles stockholders to buy 1/1000th of a share of Ligand Series A Participating Preferred Stock at an exercise price of $100, subject to adjustment. The Rights will become exercisable following the tenth day after a person or group announces an acquisition of 20% or more of the common stock, or announces commencement of a tender offer, the consummation of which would result in ownership by the person or group of 20% or more of the common stock. The Company will be entitled to redeem the Rights at $0.01 per Right at any time on or before the earlier of the tenth day following acquisition by a person or group of 20% or more of the common stock and

September 13, 2006.

7. SUBSEQUENT EVENT

In October 1996, the Company completed a public offering of 3,162,500 shares of common stock at a price of $12.00 per share, for net proceeds of approximately $35.3 million. The following pro forma condensed consolidated balance sheet reflects the net proceeds of approximately $35.3 million from the public offering completed on October 24, 1996 as if it was completed as of September 30, 1996.

<TABLE>

Condensed Consolidated Balance Sheet

<CAPTION>

	As Reported	Pro Forma
<S>	<C>	<C>
ASSETS		
Cash, short-term investments and restricted cash	$ 49,315	$ 84,613
Other assets	18,293	18,293
	$ 67,608	$ 102,906
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities	25,867	25,867
Convertible subordinated debentures	33,285	33,285
Stockholder equity	8,456	43,754
	$ 67,608	$ 102,906

</TABLE>

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

This quarterly report contains predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, including those discussed below at "Risks and Uncertainties." While this outlook represents management's current judgment on the future direction of the business, such risks and uncertainties could cause actual results to differ materially from any future performance suggested below. The Company undertakes no obligation to release publicly the results of any revisions to these forward-looking statements to reflect events or circumstances arising after the date hereof.

OVERVIEW

Since January 1989, the Company has devoted substantially all of its resources to its intracellular receptor and Signal Transducers and Activators of Transcription drug discovery and development programs. The Company has been unprofitable since its inception and expects to incur substantial additional operating losses for the next several years, due to continued requirements for research and development, preclinical testing, regulatory activities, establishment of manufacturing processes and sales and marketing capabilities. The Company expects that losses will fluctuate from quarter to quarter as a result of differences in the timing of expenses incurred and the revenues earned from collaborative arrangements. Some of these fluctuations may be significant. As of September 30, 1996, the Company's accumulated deficit was approximately $165.8 million.

In May 1995, Glycomed Incorporated ("Glycomed") was merged into a wholly-owned subsidiary of the Company ("the Merger"). Glycomed is a biopharmaceutical company conducting research and development of pharmaceuticals based on biological activities of complex carbohydrates. Each outstanding share of Glycomed common stock was converted into 0.5301 shares of the Company's common stock, resulting in the issuance of 6,942,911 shares of the Company's common stock to Glycomed shareholders. The Merger was accounted for using the purchase method of accounting. The excess of the purchase price over the fair value of the net assets acquired was allocated to in-process technology and was written off, resulting in a one time non-cash charge to results of operations of approximately $20.0 million. The results of operations of Glycomed are included in the Company's consolidated results of operations from the date of the Merger.

In December 1994, the Company and Allergan, Inc. ("Allergan") formed Allergan Ligand Retinoid Therapeutics, Inc. ("ALRT") to continue the research and development activities previously conducted by the Allergan Ligand Joint Venture (the "Joint Venture"). In June 1995, the Company and ALRT completed a public offering of 3,250,000 units (the "Units") with aggregate proceeds of $32.5 million (the "ALRT Offering") and cash contributions by Allergan and the Company of $50.0 million and $17.5 million, respectively, providing net proceeds of $94.3 million for retinoid product research and development. Each Unit consisted of one share of ALRT's callable common stock and two warrants, each warrant entitling the holder to purchase one share of the common stock of the Company. Immediately prior to the consummation of the ALRT Offering on June 3, 1995, Allergan Pharmaceuticals (Ireland) Ltd., Inc. made a $6.0 million investment in the Company's common stock. The

Company's $17.5 million cash contribution resulted in a one-time charge to operations. The Company also recorded a warrant subscription receivable and corresponding increase in paid-in capital of $5.9 million pursuant to the ALRT Offering. After June 3, 1995, cash received from ALRT pursuant to the agreement was prorated between contract revenue and the warrant subscription receivable based on their respective values. For the year ended 1995 and for the first nine months of 1996, $1.3 million and $1.4 million, respectively, of the revenue proceeds received from ALRT were applied to the warrant subscription receivable. In conjunction with the consummation of the ALRT Offering, all rights held by the Joint Venture were licensed to ALRT. The Company, Allergan and ALRT entered into various agreements in connection with the funding of ALRT.

RESULTS OF OPERATIONS

Three Months Ended September 30, 1996 ("1996"), Compared with Three Months Ended September 30, 1995 ("1995")

The Company had revenues of $10.1 million for 1996 compared to revenues of $6.6 million for 1995. The increase in revenues is primarily due to increased revenues from ALRT, milestone revenues from Pfizer Inc. ("Pfizer"), and increased revenues under an expanded and amended research and development agreement entered into in January 1996 (which began in September 1994) with Wyeth-Ayerst Laboratories, the pharmaceutical division of American Home Products Corporation

("AHP"). Revenues in 1996 were derived from the Company's research and development agreements with (i) ALRT of $5.5 million, (ii) AHP of $1.2 million, (iii) Sankyo Company Ltd. ("Sankyo") of $692,000, (iv) SmithKline Beecham Corporation ("SmithKline Beecham") of $588,000, (v) Abbott Laboratories ("Abbott") of $540,000, (vi) Glaxo-Wellcome plc ("Glaxo") of $518,000, as well as from milestone revenues from Pfizer of $883,000, product sales of Ligand (Canada) in-licensed products of $43,000 and revenues from a National Institute of Health ("NIH") grant of $99,000. Revenues in 1995 were derived from the Company's research and development agreements with (i) ALRT of $3.2 million, (ii) AHP of $958,000, (iii) Abbott of $666,000, (iv) Sankyo of $666,000, (v) SmithKline Beecham of $576,000, (vi) Glaxo $490,000, and from product sales of Ligand (Canada) in-licensed products of $16,000.

For 1996, research and development expenses increased to $15.1 million from $12.1 million in 1995. These expenses increased primarily due to expansion of the Company's clinical and development programs, and related additions of clinical and development personnel. Selling, general and administrative expenses decreased to $2.1 million in 1996 from $2.2 million in 1995. The decrease was primarily due to the reduction of legal expenses in 1996 related to the Pfizer litigation, offset by additions to personnel to support expanded sales and marketing activities and development programs. Interest income decreased to $730,000 in 1996 from $1.2 million in 1995. The decrease in interest income was a result of a reduction in cash available for investment due to the usage of cash to support expanded clinical and development activities offset by increased research revenues. Interest expense was $2.0 million in 1996 and in 1995, and consisted of interest required under Glycomed's Convertible Subordinated Debentures

("Debentures"), accretion of debt discount under the Debentures, and capital lease obligations used to finance equipment.

Nine Months Ended September 30, 1996 ("1996"), Compared with Nine Months Ended September 30, 1995 ("1995")

The Company had revenues of $27.4 million for 1996 compared to revenues of $16.6 million for 1995. The increase in revenues is due to increased revenues from ALRT, milestone revenues from Pfizer, increased revenues under a new expanded and amended collaborative agreement previously discussed and a full nine-month effect of the collaboration with Sankyo (which became effective the date of the Merger). Revenues in 1996 were derived from the Company's research and development agreements with (i) ALRT of $12.8 million, (ii) AHP of $5.6 million, (iii) Sankyo of $2.1 million, (iv) Abbott of $2.0 million, (v) SmithKline Beecham of $1.8 million, (vi) Glaxo of $1.6 million, as well as from milestone revenues from Pfizer of $1.3 million, product sales of Ligand (Canada) in-licensed products, of $161,000, and revenues from an NIH Grant of $99,000. Revenues in 1995 were derived from the Company's research and development agreements with (i) ALRT of $7.7 million, (ii) AHP of $3.0 million, (iii) Abbott of $1.8 million, (iv) Glaxo of $1.6 million, (v) SmithKline Beecham of $1.5 million, (vi) Sankyo of $978,000 and from products sales of Ligand (Canada) in-licensed products of $52,000.

For 1996, research and development expenses increased to $42.2 million from $28.1 million in 1995. These expenses increased due to expansion of the Company's clinical and development programs, additions of research, clinical and development personnel, and inclusion of the cost of Glycomed's operations for a full nine months in 1996. Selling, general and administrative expenses increased to $7.3 million in 1996 from $6.0 million in 1995. The increase was due to expansion of the Company's sales and marketing activities and additions to personnel to support expanded clinical and development programs. Interest income increased to $2.7 million in 1996 from $2.4 million in 1995. The increase in interest income was a result of a full nine month effect of increased cash due to the Merger with Glycomed and increased research revenues offset by net usage of cash to support expansion activities. Interest expense increased to $6.2 million in 1996 from $3.3 million in 1995. The increase was primarily due to interest required under the Debentures, accretion of debt discount of the Debentures and additional capital lease obligations used to finance equipment.

One time charges of $19.9 million and $17.5 million were incurred in 1995 due to the Merger and the ALRT Offering respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations through private and public offerings of its equity securities, collaborative research revenues, capital and operating lease transactions, issuance of convertible notes, product sales and investment income. From inception through September 1996, the Company has raised $121.6 million from sales of equity securities: $43.0 million from the Company's initial public offering in November 1992 (of which $7.5 million was provided by the Company's collaborators) and an aggregate of $78.6 million from private placements (of which $64 million was provided

by

the Company's collaborators, $11.4 million was provided through venture capital financing and $3.2 million was provided by other investors and the exercise of options and warrants).

In October 1996, the Company completed a public offering of 3,162,500 shares of common stock at a price of $12.00 per share for net proceeds of approximately $35.3 million.

As of September 30, 1996, the Company had acquired an aggregate of $18.0 million in laboratory and office equipment, and $3.8 million in tenant improvements, substantially all of which has been funded through capital lease and equipment note obligations and which also includes laboratory and office equipment acquired in the Merger. In addition, the Company leases its office and laboratory facilities under operating leases. In July 1994, the Company entered into a twenty-year lease related to the construction of a new laboratory facility, which was completed and occupied in August 1995. In May 1996, the Company signed a master lease agreement to finance future capital equipment up to $2.5 million.

Working capital decreased to $39.8 million as of September 30, 1996, from $57.3 million at the end of 1995. The decrease in working capital resulted from an increase in cash from collaborative research agreements, offset by an increase in research and development program expenses, the inclusion of the cost of Glycomed's operations for the full nine months of 1996, the related increase in selling, general and administrative expenses as described above, semi-annual interest payments due on the Debentures and interest paid on the convertible note. For the same reasons, cash and cash equivalents, short-term investments, and restricted cash decreased to $49.3 million at September 30, 1996 from $76.9 million at December 31, 1995. The Company primarily invests its cash in United States government and investment grade corporate debt securities.

The Company believes that its available cash, cash equivalents, marketable securities and existing sources of funding, in addition to the net proceeds of the offering completed in October 1996, will be adequate to satisfy its anticipated capital requirements through 1999, assuming the Company does not exercise either an option to acquire certain assets related to Panretin (ALRT1057) Oral and Panretin (ALRT1057) Topical or an option to acquire all of the outstanding shares of ALRT callable common stock (the "ALRT Stock Purchase Option"). The Company has made no determination concerning the exercise of either the ALRT1057 Option or the ALRT Stock Purchase Option. The Company's future capital requirements will depend on many factors, including the pace of scientific progress in 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, changes in the existing collaborations, the cost of manufacturing scale-up and the effectiveness of the Company's commercialization activities.

RISKS AND UNCERTAINTIES

The Company's potential products are in various stages of

development. Substantially all of the Company's revenues to date have been derived from its research and development agreements with major pharmaceutical collaborators. Prior to generating product revenues from these potential products, the Company must complete the development of its products, including several years of human clinical testing, and receive regulatory approvals prior to selling these products in the human health care market. No assurance can be given that the Company's products will be successfully developed, regulatory approvals will be granted, or patient and physician acceptance of these products will be achieved. There can be no assurance that Ligand will successfully commercialize, manufacture or market its products or ever achieve or sustain product revenues or profitability.

To market any of its products directly, the Company will need to develop a marketing and sales force with technical expertise and distribution capability or contract with other pharmaceutical and/or health care companies with distribution systems and direct sales forces. There can be no assurance that the Company will be able to establish direct or indirect sales and distribution capabilities or be successful in gaining market acceptance for proprietary products or for other products. To the extent the Company enters into co-promotion or other licensing arrangements, any revenues received by the Company will be dependent on the efforts of third parties, and there can be no assurance that any such efforts will be successful.

The Company faces those risks associated with companies whose products are in various stages of development. These risks include, among others, the Company's need for additional financing to complete its research and development programs and commercialize its technologies. The Company expects to incur substantial additional research and development expenses, including continued increases in personnel and costs related to preclinical testing, clinical trials and sales and marketing expenses related to product sales in Canada. The Company intends to seek additional funding sources of capital and liquidity through collaborative arrangements, collaborative research or through public or private financing. There is no assurance such financing will be available to the Company when required or that such financing would be available under favorable terms.

The Company believes that patents and other proprietary rights are important to its business. The Company's policy is to file patent applications to protect technology, inventions and improvements to its inventions that are considered important to the development of its business. The patent positions of pharmaceutical and biotechnology firms, including the Company, are uncertain and involve complex legal and technical questions for which important legal principles are largely unresolved.

While the Company believes that its current collaborators have sufficient economic motivation to continue their funding and development efforts under these collaborations, there can be no assurance that these collaborations will continue or be performed by the parties or that they will be successful.

PART II. OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

For more complete information regarding legal proceedings, see June 30, 1996 Form 10Q filed with the Securities and Exchange Commission.

ITEM 6 (A) EXHIBITS

Exhibit 3.1(1) Certificate of Designation of Rights, Preferences and Privileges of Series A Participating Preferred Stock of Ligand Pharmaceuticals Incorporated.

Exhibit 10.1(1) Preferred Shares Rights Agreement, dated as of September 13, 1996 by and between Ligand Pharmaceuticals Incorporated and Wells Fargo Bank, N.A.

Exhibit 10.153 Letter Agreement, dated August 8, 1996 between the Company and Dr. Andres Negro-Vilar.

ITEM 6 (B) REPORTS ON FORMS 8-K

None.

(1)These exhibits were previously filed as part of, and are hereby incorporated by reference to, the same numbered exhibit filed with the Registration Statement on Form S-3 (No. 333-12603) filed on September 25, 1996 as amended.

LIGAND PHARMACEUTICALS INCORPORATED

September 30, 1996

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: November 13, 1996 By /s/Paul V. Maier

Paul V. Maier
Vice President and
Chief Financial Officer

EXHIBIT 10.153

[LIGAND PHARMACEUTICALS LETTERHEAD]

David E.Robinson
Chairman, President
and Chief Executive Officer

8 August 1996

Dr. Andres Negro-Vilar
955 Lafayette Street
Bryn Mawr, PA 19010

Dear Andres:

I am pleased to extend to you an offer to become Senior Vice President, Research and Chief Scientific Officer and a corporate officer of Ligand Pharmaceuticals, Inc. reporting to me, commencing September 1, 1996 or sooner. The particulars of our offer are as follows:

COMPENSATION

1. You initial base salary will be $270,000 per year.

2. You will participate in the 1997 Impact Goal Incentive Plan of corporate officers based upon achievement of pre-agreed goals (a target maximum currently of $30,000.)

3. You will be granted an option to purchase, at your election 100,000 shares of the Company's common stock at its "fair market price" under our current Employee Stock Option Plan.

The grant will be subject to your execution of the Company's Incentive Stock Option Agreement and to final approval by the Compensation Committee of the Board of Directors and any regulatory authority.

RELOCATION PACKAGE

1. The costs associated with relocating your family and household goods to the San Diego area will be paid by the Company as outlined in Ligand's Employee Relocation Policy. We hereby agree to waive the $25,000 cap on expenses on sale of former house and to extend temporary lodging period for up to 120 days. (Relocation Policy copy enclosed.)

2. The Company will also loan you $150,000 towards the purchase of a primary residence in the San Diego area. The loan will be secured by a five year promissory note secured by a Deed of Trust and will bear interest at the market rate

then prevailing. The loan and accrued interest will be forgiven in five (5) annual increments if you continue to be employed by the Company. You will be responsible for all taxes related to this loan forgiveness.

3. The Company will provide further housing assistance to you as follows: During the first two years of employment, the Company will pay you $15,000 per year in twelve (12) equal monthly installments.

SPECIAL CONSIDERATIONS

1. In order to facilitate your transition from your current employer and to offset part of your 1996 bonus potential, the Company will pay you a one-time up-front bonus of $40,000 upon commencement of employment. You will be responsible for all taxes related to that bonus.

2. In order to cover any miscellaneous relocation expenses not covered under current Ligand policy, we will pay you $20,000 up front allowance. You will be responsible for all taxes related to that bonus.

SEVERANCE

1. If you are terminated without cause by the Company during your employment, you will be paid an amount equal to one (1) year of your base salary.

As used in this letter, "termination for cause" means termination for malfeasance, misfeasance, or negligence. Termination because of adverse financial circumstances affecting the Company not due to your performance is not termination for cause. If you voluntarily leave the Company's employment, this specifically does not constitute termination without cause.

As a regular employee and officer of Ligand, you will become eligible to participate in Company sponsored benefits which are described in the Company's Employee Handbook, a copy of which will be sent under separate cover. If you have any questions related to these, please feel free to contact me, or, for more detailed discussion, Cindy Thomas, our Executive Director of Human Resources.

Employment at Ligand is not for a specific term and can

be terminated by you or
by the Company at any time for any reason, with or
without cause. If you are
terminated for cause, any loan made to you by the
Company will become due and
payable immediately.

[LIGAND PHARMACEUTICALS
LETTERHEAD]

If you accept this offer, the terms and conditions in this
letter shall be the
terms of your employment. Any modifications or additions
to these terms would
have to be in writing and signed by you and me.

Your employment pursuant to this offer is contingent on
your
executing the
Consent Form, Proprietary Information and Inventions
Agreement and upon your
providing the Company with the legally required proof of
your identity and
authorization to work in the United States. (To follow.)

Andres, all of us at Ligand are excited about having you
join the growing team
at Ligand and are very much looking forward to working
with you in building an
exciting new pharmaceutical company. We believe the
professional association
will be mutually rewarding for all parties.

Sincerely,

/s/ David E. Robinson

David E. Robinson
Chairman, President and CEO

DER/jdb

Attachments

Agreed and Accepted

/s/ Andres Negro-Vilar 8/14/96
- ---------- ----------
NAME DATE

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This schedule contains summary financial information extracted from the Condensed Consolidated Statement of Financial Condition at September 30, 1996 (Unaudited) and the Condensed Consolidated Statement of Income for the Nine Months ended September 30, 1996 (Unaudited) and is qualified in its entirety by reference to such financial statements (in thousands except earnings per share).
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