LIGAND PHARMACEUTICALS INC
Form POS AM
July 18, 2003

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 18, 2003

REGISTRATION STATEMENT NO. 333-102483

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

POST-EFFECTIVE
AMENDMENT NO. 5
TO
FORM S-3
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

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

DELAWARE
(State or Other Jurisdiction of Incorporation or Organization)

77-0160744
(I.R.S. Employer Identification Number)

10275 Science Center Drive, San Diego, California 92121-1117
(858) 550-7500

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

David E. Robinson
President and Chief Executive Officer
LIGAND PHARMACEUTICALS INCORPORATED

10275 Science Center Drive, San Diego,
California 92121-1117 (858) 550-7500
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:
Faye H. Russell, Esq.
CLIFFORD CHANCE US LLP
3811 Valley Centre Drive, 2nd Floor
San Diego, California 92130

(858) 720-3500

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box: [ ]

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box: [x]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: [ ]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SEC, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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PROSPECTUS

LIGAND PHARMACEUTICALS INCORPORATED

$155,250,000 6% CONVERTIBLE SUBORDINATED NOTES DUE 2007 AND 25,149,025 SHARES OF COMMON STOCK ISSUABLE UPON CONVERSION OF THE NOTES

The notes and the common stock issuable upon conversion of the notes may be offered and sold from time to time pursuant to this prospectus by the holders of those securities. The selling security holders will receive all of the net proceeds from the sale of the securities and will pay any applicable discounts, commission or concessions. The selling security holders and any underwriters, broker-dealers or agents that participate in the sale of the securities may be "underwriters" within the meaning of the Securities Act, and any discounts, commissions, concessions or profit they earn on any resale of the securities may be underwriting discounts or commissions under the Securities Act.

In November 2002 we issued and sold $155,250,000 of 6% convertible subordinated notes due 2007 in a private placement in reliance on an exemption from registration under the Securities Act. The initial purchaser of the notes in that offering resold the notes in offerings in reliance on an exemption from registration under Rule 144A of the Securities Act. The notes are convertible into 161.9905 shares of our common stock, par value $0.001 per share, per $1,000 principal amount of notes and subject to adjustment in certain circumstances.

This results in an initial conversion price of $6.17 per share.

We will pay cash interest on the notes semi-annually on May 16 and November 16 of each year, with the first payment made on May 16, 2003 at the rate of 6% per annum. The notes will mature on November 16, 2007.

We have purchased and pledged to a trustee under an indenture, as security for the notes and for the exclusive ratable benefit of the holders of the notes, approximately $18 million of US government securities. These US government securities are sufficient, upon receipt of the scheduled principal and interest payments of such securities, to provide for the payment in full of the first four scheduled interest payments on the notes when due. Except to the extent described above, the notes will be unsecured. The notes are junior to all of our existing and future senior indebtedness and structurally subordinated to all existing and future liabilities of our subsidiaries, including trade payables, lease commitments and monies borrowed. As of March 31, 2003, we and our subsidiaries had approximately $5.8 million of consolidated indebtedness effectively ranking senior to the notes. The indenture under which the notes were issued does not restrict our or our subsidiaries' ability to incur additional senior or other indebtedness.

On or after November 22, 2005, we may at our option redeem the convertible notes, in whole or in part, at the prices stated in this prospectus, plus any accrued and unpaid interest to the redemption date. Holders of the notes may require us to repurchase all or a portion of their convertible notes upon a change in control, as defined in the indenture, at 100% of their principal amount, plus any accrued and unpaid interest to the repurchase date.

Our common stock is traded on the Nasdaq National Market under the symbol "LGND." On July 17, 2003, the average of the high and low sales prices for our common stock was $14.33. The notes trade on the Private Offerings, Resales and Trading Through Linkages or "PORTAL" Market of the National Association of Securities Dealers, Inc. However, notes sold pursuant to this prospectus will no longer be eligible for trading on the PORTAL market. We do not intend to list the notes on any securities exchange or automated quotation system.

You should read this prospectus and any prospectus supplement carefully before you invest.

INVESTING IN THE NOTES AND THE COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" COMMENCING ON PAGE 8 FOR A DISCUSSION OF SOME IMPORTANT RISKS YOU SHOULD CONSIDER BEFORE BUYING ANY OF OUR SECURITIES.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THESE SECURITIES, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is July 18, 2003

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PROSPECTUS SUMMARY

THE FOLLOWING IS A SUMMARY HIGHLIGHTING SELECTED INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS AND MAY NOT CONTAIN ALL OF THE INFORMATION THAT IS IMPORTANT TO YOU. THIS PROSPECTUS INCLUDES INFORMATION ABOUT THE SECURITIES WE ARE OFFERING, AS WELL AS INFORMATION REGARDING OUR BUSINESS AND DETAILED FINANCIAL DATA. WE ENCOURAGE YOU TO READ THIS PROSPECTUS IN ITS ENTIRETY, INCLUDING THE

DOCUMENTS INCORPORATED BY REFERENCE.

OUR COMPANY

We are a biopharmaceutical company involved in the discovery, development and commercialization of new drugs that address critical unmet medical needs in the areas of cancer, pain, men's and women's health or hormone related health issues, skin diseases, osteoporosis and metabolic, cardiovascular and inflammatory diseases. Our marketed products and products in development are designed to be safer, more effective, more convenient (taken orally or topically administered) and more cost efficient than existing therapies.

We currently market five products and are developing, either exclusively or with our collaboration partners, 24 selected additional products in development for multiple therapeutic indications, as summarized in the table below. Our five marketed products are Avinza(R), ONTAK(R), Targretin(R) capsules, Targretin(R) gel and Panretin(R) gel. Our efforts are directed toward building a profitable biopharmaceutical company that generates income from biopharmaceutical products that we develop and market, and from research, milestone and royalty revenues from our collaborations with large pharmaceutical partners.

PRODUCT SUMMARY BY THERAPEUTIC AREA (LIGAND AND COLLABORATIVE PARTNERS)

MARKETED PRODUCTS	CLINICAL PROGRAMS	PRE-CLINICAL
(5 PRODUCTS)	(4 PHASE III/7 PHASE II/5 PHASE I PRODUCTS IN DEVELOPMENT)	(8 PRODUCTS I
Cancer	Cancer	Aging and fra
Moderate/Severe Pain	Hormone replacement therapy	Autoimmune di
	Osteoporosis	Dermatology
	Dermatology	Diabetes
	Diabetes	Hormone repla
	Inflammation	Inflammatory
	Thrombocytopenia	Sexual dysfun
	Dyslipidemia	

OUR MARKETED PRODUCTS

PRODUCT	US APPROVED INDICATION	EUROPEAN STAT
Avinza.....	Once-daily treatment of chronic moderate-to-severe Not applicable pain	
ONTAK.....	Cutaneous T-cell lymphoma	MAA submitted
Targretin capsules.....	Cutaneous T-cell lymphoma	MA issued
Targretin gel.....	Cutaneous T-cell lymphoma	MAA withdrawn
Panretin gel.....	Kaposi's sarcoma	MA issued

AVINZA. Avinza is marketed for the once-daily treatment of chronic moderate-to-severe pain to patients who require continuous, around-the-clock

opioid therapy. We launched US sales and marketing of Avinza with distribution in June 2002 and national promotion in July 2002 following receipt of FDA approval in March 2002. We licensed exclusive rights to Avinza in the United States and Canada from Elan in 1998. Avinza is an oral once-daily morphine product and has a more rapid onset and more stable pharmocokinetic profile with less peak-to-trough fluctuation than other competing sustained release products. The sustained-release opioid market was estimated at $2.3 billion in the United States in 2001.

ONTAK. ONTAK is marketed for the treatment of patients with persistent or recurrent cutaneous T-cell lymphoma, or CTCL. ONTAK was approved by the FDA and launched in the United States in February 1999 as our first product for the treatment of patients with CTCL. ONTAK was the first treatment to be approved for CTCL in nearly 10 years. ONTAK is currently in three Phase II clinical trials for the treatment of patients with B-cell Non-Hodgkin's lymphoma. Clinical trials using ONTAK for the treatment of patients with psoriasis, rheumatoid arthritis and chronic lymphocytic leukemia, or CLL, have also been conducted, and further trials are being considered. There are physician-sponsored Phase II trials ongoing in CLL, peripheral T-cell lymphoma and graft versus host disease. We believe that these indications provide significantly larger market opportunities than CTCL. A European MAA for CTCL was filed in December 2001. In April 2003, we withdrew our MAA in Europe for our first generation product. It was our assessment that the cost of the additional clinical and technical information requested by the European Agency for the Evaluation of Medicinal Products for the first generation product would be better spent on acceleration of the second generation ONTAK development. We expect to resubmit the MAA in Europe with the second generation product in 2004 or early 2005.

TARGRETIN CAPSULES. Targretin capsules are marketed for the treatment of patients with CTCL. We launched US sales and marketing of Targretin capsules in January 2000 following receipt of FDA approval in December 1999. Targretin capsules offer the convenience of a daily oral dose administered by the patient at home. We are developing Targretin capsules for a variety of larger market opportunities, including non-small cell lung cancer and moderate-to-severe plaque psoriasis. In March 2001, the European Commission granted marketing authorization for Targretin capsules in Europe for the treatment of patients with CTCL, and our network of distributors began marketing the drug in Europe in the fourth quarter of 2001.

TARGRETIN GEL. Targretin gel is marketed for the treatment of patients with CTCL. We launched US sales and marketing of Targretin gel in September 2000 following receipt of FDA approval in June 2000. Targretin gel offers patients with refractory, early-stage CTCL a novel, non-invasive, self-administered treatment topically applied only to the affected areas of the skin. Preliminary data presented at the American Academy of Dermatology meeting in March 2001 showed that Targretin gel produced an overall response rate of 75% in patients with untreated, early-stage CTCL. Targretin gel is currently in clinical development for hand dermatitis, and we released interim Phase I/II data from a 55-patient trial in September 2002.

PANRETIN GEL. Panretin gel is marketed for the treatment of patients with AIDS-related Kaposi's sarcoma, or KS. Panretin gel was approved by the FDA and launched in February 1999 as the first FDA-approved patient-applied topical treatment for AIDS-related Kaposi's sarcoma. Panretin gel represents a non-invasive option to the traditional management of this disease. Most approved therapies require the time and expense of periodic visits to a healthcare facility, where treatment is administered by a doctor or nurse. AIDS-related KS adversely affects the quality of life of thousands of people in the United States and Europe. Panretin gel was approved in Europe for the treatment of

patients with KS in October 2000, and was launched through our distributor network in the fourth quarter of 2001 in Europe.

SALES AND MARKETING

As of December 2002, our marketing and selling organization consisted of approximately 120 people. Since 1998, we had assembled a 35-person sales force for the United States focused on specialty cancer sales and selling ONTAK, Targretin capsules, Avinza, Targretin gel and Panretin gel. We have also formed a separate sales force of approximately 70 representatives to market only Avinza by targeting pain specialists and general pain centers not currently served by our specialty cancer representatives. Since a relatively small number of physicians are responsible for writing a majority of prescriptions in our target markets, we believe that the size of our sales force is appropriate to reach our target physicians.

In addition, in February 2003 we entered into an agreement with Organon Pharmaceuticals USA Inc., a business unit of Akzo Nobel N.V., under which we co-promote Avinza with Organon's primary care, hospital (anesthesiology) and specialty (pain centers) sales forces, which together consist of more than 700 sales representatives.

COLLABORATIVE RESEARCH AND DEVELOPMENT PROGRAMS

We are currently involved in the research phase of research and development collaborations with Eli Lilly and TAP Pharmaceuticals. Collaborations in the development phase are being pursued by Abbott Laboratories, Allergan, GlaxoSmithKline, Organon (AKZO-Nobel), Pfizer and Wyeth (formerly American Home Products). Currently, our corporate partners have 10 Ligand products in human development, four products moving toward regulatory filings for human clinical trials and numerous compounds in research and pre-clinical stages. These products are being studied for the treatment of health problems in large markets such as osteoporosis, diabetes, contraception and cardiovascular disease. Three of these partner products are being tested in three separate pivotal Phase III clinical trial programs: lasofoxifene, which is being developed by Pfizer for osteoporosis; and bazedoxifene (formerly TSE-424), which is being developed by Wyeth both as monotherapy for osteoporosis and in combination with Wyeth's Premarin as hormone replacement therapy, or HRT.

PROPRIETARY TECHNOLOGY PLATFORM

Internal and collaborative research and development programs are built around our proprietary science technology, which is based on our leadership position in gene transcription technology, a technology for regulating how genes control cellular activity. Our proprietary technologies involve two natural mechanisms that regulate gene activity: hormone-activated intracellular receptors, or IRs, a type of sensor or switch inside cells that turns genes on and off and alters the production of proteins in response to hormones, and Signal Transducers and Activators of Transcription, or STATs, another type of protein production switch. Targretin capsules, Targretin gel, Panretin gel and all but one of our corporate partner products currently on human development track were discovered using our IR technology.

PRODUCT PIPELINE SUMMARY

We are developing several proprietary products for which we have worldwide rights for a variety of cancers, skin diseases and other indications, as summarized in the table below. Many of the indications being pursued may present larger market opportunities for our currently marketed products. Our clinical development programs are primarily based on products discovered through our IR technology, with the exception of ONTAK, which was developed using Seragen's fusion protein technology, and Avinza, which was developed by Elan. Five of the products in our proprietary product development programs are retinoids, discovered and developed using our proprietary IR technology. Our research is based on both our IR and STAT technologies. In addition to our proprietary product pipeline, our collaborative partners have multiple products in human development, as well as numerous compounds in research and pre-clinical stages.

PRODUCT PIPELINE SUMMARY (CONTINUED)

PRODUCT	CLINICAL INDICATION	DEVELOPMENT STATUS	COMMERCIA
OUR MARKETED PRODUCTS AND DEVELOPMENT PROGRAMS			
Avinza.....	Chronic pain (moderate-to-severe)	Marketed	United
ONTAK.....	Cutaneous T-cell lymphoma	Marketed	Worldw
	Peripheral T-cell lymphoma	Phase II	
	Chronic lymphocytic leukemia	Phase II	
	B-cell Non-Hodgkin's lymphoma	Phase II	
	Psoriasis (severe)	Phase II	
Targretin capsules.....	Cutaneous T-cell lymphoma	Marketed	Worldw
	Non-small cell lung cancer (combination and monotherapy)	Phase III	
	Psoriasis (moderate to severe)	Phase II	
	Advanced breast cancer	Phase II	
	Renal cell cancer	Phase II	
Targretin gel.....	Cutaneous T-cell lymphoma	Marketed	Worldw
	Hand dermatitis	Phase II	
	Psoriasis	Phase II	
Panretin gel.....	Kaposi's sarcoma	Marketed	Worldw
Panretin capsules.....	Kaposi's sarcoma, bronchial metaplasia	Phase II	Worldw
LGD 1550.....	Advanced cancers	Phase II	Worldw
	Acne, psoriasis	Pre-clinical	
LGD 1331.....	Acne, prostate cancer, androgenetic alopecia, hirsutism	Pre-clinical	Worldw
Glucocorticoid agonist....	Inflammation, cancer	Pre-clinical	Worldw
Mineralocorticoid receptor modulators....	Congestive heart failure, hypertension	Research	Worldw
OUR COLLABORATIVE RESEARCH AND DEVELOPMENT PROGRAMS			
Lasofoxifene.....	Osteoporosis and breast cancer prevention	Phase III	Pfizer
Bazedoxifene (TSE424).....	Osteoporosis	Phase III	Wyeth
Bazedoxifene Premarin.....	Hormone replacement therapy	Phase III	Wyeth
ERA 923.....	Breast cancer	Phase II	Wyeth

NSP 989.....	Contraception, hormone replacement therapy	Phase I	Wyeth
GW 516.....	Dyslipidemia	Phase I	GlaxoS
LY 929.....	Type II diabetes, dyslipidemia	Phase I	Lilly
LY 818.....	Type II diabetes	Phase II	Lilly
SB-497115.....	Thrombocytopenia	Phase I	GlaxoS
LY 674.....	Dyslipidemia	Phase I	Lilly
LGD 2226/back-ups.....	Sexual dysfunction--hypogonadism	IND Track	TAP
NSP 808/back-up.....	Contraception, hormone replacement therapy	IND Track	Wyeth
LY YYY.....	Type II diabetes, dyslipidemia	IND Track	Lilly
LY WWW.....	Dyslipidemia	IND Track	Lilly

Our principal executive offices are located at 10275 Science Center Drive, San Diego, California 92121, and our telephone number is (858) 550-7500. Our website is located at WWW.LIGAND.COM. The information on our website is not a part of this prospectus.

Our trademarks, trade names and service marks referenced in this document include Ligand(R), Avinza(R), ONTAK(R), Panretin(R) and Targretin(R). Each other trademark, trade name or service mark appearing in this document belongs to its holder.

Reference to Ligand Pharmaceuticals Incorporated, "Ligand," the "Company," "we" or "our" include Ligand's wholly owned subsidiaries, Glycomed Incorporated, Ligand Pharmaceuticals (Canada) Incorporated, Ligand Pharmaceuticals International, Inc., and Seragen, Inc.

RECENT DEVELOPMENTS

EXTENSION OF R&D COLLABORATION WITH ELI LILLY AND COMPANY

On May 8, 2003, we announced the second extension, until November 2004, of our research collaboration with Eli Lilly and Company focused on discovering novel drugs for type II diabetes and cardiovascular disorders. The Lilly-Ligand collaboration, which began in 1997, already has advanced three peroxisome proliferation activated receptor, or PPAR, modulators into clinical studies. PPARs are a subfamily of intracellular receptors that regulate glucose and lipid homeostasis. They play a key role in enhancing cellular responses to insulin, and in fat tissue stores and metabolism.

ORGANIZATIONAL CHANGES

On May 15, 2003, we announced the following organizational changes:

>> Andres Negro-Vilar, M.D., P.h.D. was promoted to Executive Vice President for Research and Development and Chief Scientific Officer. Dr. Negro-Vilar was previously our Senior Vice President for Research and Development;

>> Tod Mertes was promoted to Vice President and Controller. Mr. Mertes was previously our Director of Finance;

>> Tom Silberg left to pursue other opportunities. Mr. Silberg was formerly our Executive Vice President and Chief Operating Officer; and

>> Gian Aliprandi was promoted to Senior Vice President for Technical, Supply and International Operations. Mr. Aliprandi was previously our Vice

President, Senior Corporate Controller and Treasurer.

MILESTONE PAYMENT AS GLAXOSMITHKLINE ADVANCES DEVELOPMENT OF 501516

On June 4, 2003, we announced that we had earned a $1.0 million milestone payment from GlaxoSmithKline as a result of GlaxoSmithKline's decision to continue Phase I development of 501516, a novel PPAR modulator for the treatment of dyslipidemias. Under the recently amended terms of our research and development agreement with GlaxoSmithKline, GlaxoSmithKline is responsible for the development and registration of 501516, and may pay us milestone payments of up to $14 million as the product moves through the development process. GlaxoSmithKline has exclusive worldwide marketing rights to 501516, and will pay us up to double-digit royalties on potential product sales. If GlaxoSmithKline decides not to proceed with development of 501516, we will retain the right to develop and commercialize the product.

THE OFFERING

Issuer.....	Ligand Pharmaceuticals Incorporated.
Notes.....	$155.25 million aggregate principal amount of 6% convertibl notes due November 16, 2007.
Interest.....	We will pay 6% interest per annum on the principal amount p notes semi-annually on May 16 and November 16 of each year, May 16, 2003.
Maturity.....	The notes will mature on November 16, 2007.
Conversion.....	The notes are convertible into 161.9905 shares of our commo $0.001 per share, per $1,000 principal amount of notes, sub in certain circumstances. This rate results in an initial c $6.17 per share. See "Description of notes--Conversion Righ
Security.....	We have purchased and pledged to the trustee under the inde for the notes and for the exclusive ratable benefit of the notes, approximately $18 million of US government securitie government securities are sufficient, upon receipt of the s and interest payments of such securities, to provide for th of the first four scheduled interest payments on the notes notes will not otherwise be secured. See "Description of no
Sinking fund.....	None.
Optional redemption.....	On or after November 22, 2005, we may, at our option, redee whole or in part, at the redemption prices described in thi any accrued and unpaid interest to the redemption date. See notes--Redemption of Notes at Our Option."
Ranking.....	Except to the extent described under "Description of notes- notes will be unsecured. The notes are junior to all of ou future senior indebtedness and structurally subordinated to liabilities of our subsidiaries, including trade payables, and monies borrowed. As of March 31, 2003, we and our subsidiaries had approxima

	of consolidated indebtedness effectively ranking senior to indenture under which the notes were issued does not restri subsidiaries' ability to incur additional senior or other i "Description of notes--Subordination of Notes."
Change in control.....	If we experience a change in control, as defined in the ind holder may require us to purchase all or a portion of the h 100% of the principal amount, plus any accrued and unpaid i repurchase date. See "Description of notes--Change in Contr of Notes by Us at the Option of the Holder."
Events of default.....	If an event of default on the notes has occurred and is con principal amount of the notes plus any accrued and unpaid i declared immediately due and payable. These amounts automat and payable upon certain events of default. See "Descriptio of Default."
Use of proceeds.....	We will not receive any proceeds from the sale of the notes offered in this prospectus. See "Selling Security Holders.
Listing and trading.....	The notes trade on the PORTAL market. Notes sold pursuant will no longer be eligible for trading on the PORTAL market stock is listed on the National Market under the symbol "LG
Risk factors.....	In analyzing an investment in the notes offered by this pro prospective investors should carefully consider, along with referred to in this prospectus, the information set forth u factors."

For a more complete description of the terms of the notes, see "Description of notes." For a more complete description of our common stock, see "Description of capital stock," including the documents incorporated by reference in this prospectus that are referred to in that section.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for the years ended December 31, 1998, 1999, 2000, 2001, 2002 and the three months ended March 31, 2003. As earnings are inadequate to cover the combined fixed charges, we have provided the deficiency amounts. For purposes of this computation, "earnings" consist of loss before income taxes, excluding the cumulative effect of a change in accounting principle, plus fixed charges, and "fixed charges" consist of interest and the amortization of debt issuance costs and debt discount incurred and the portion of rental expense deemed by us to be representative of the interest factor of rental payments under leases. The extent to which earnings were insufficient to cover fixed charges is as follows:

	YEAR ENDED DECEMBER 31,				
1998	1999	2000	2001	2002	

(IN THOUSANDS)

Deficiency of earnings available to cover fixed charges	$117,886	$74,719	$59,277	$42,995	$32,596

For the periods indicated above, we had no outstanding shares of preferred stock with required dividend payments.

RISK FACTORS

IN ADDITION TO THE OTHER INFORMATION IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISKS AND UNCERTAINTIES BEFORE PURCHASING OUR SECURITIES. EACH OF THESE RISKS AND UNCERTAINTIES COULD ADVERSELY AFFECT OUR BUSINESS, OPERATING RESULTS AND FINANCIAL CONDITION, AS WELL AS THE VALUE OF AN INVESTMENT IN OUR SECURITIES.

RISKS RELATED TO US AND OUR BUSINESS

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, 2003, our accumulated deficit was approximately $639 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 cannot predict if or when any of the products we are developing or those being co-developed with our partners will be approved for marketing. 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;

>> regulatory or governmental authorities may apply restrictions to our products, which could adversely affect their commercial success; 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 AND MAY INCREASE OUR OPERATING LOSSES.

Developing the sales force to market and sell products is a difficult, expensive and time-consuming process. We have developed a US sales force of about 90 people. We also rely on third-party distributors to distribute our products. The distributors are 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 and have established a subsidiary, Ligand Pharmaceuticals International, Inc., with a branch in London, England, to coordinate our European marketing and operations. Our reliance on these third parties means our results may suffer if any of them are unsuccessful or fail to perform as expected. 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. With respect to our co-promotion or licensing arrangements, for example our co-promotion agreement for Avinza, any revenues we receive will depend substantially on the marketing and sales efforts of others, which may or may not be successful.

OUR SMALL NUMBER OF PRODUCTS MEANS OUR RESULTS ARE VULNERABLE TO SETBACKS WITH RESPECT TO ANY ONE PRODUCT.

We currently have only five products approved for marketing and a handful of other products/indications that have made significant progress through development. Because these numbers are small, especially the number of marketed products, any significant setback with respect to any one of them could significantly impair our operating results and/or reduce the market prices for our securities. Setbacks could include problems with shipping, distribution, manufacturing, product safety, marketing, government licenses and approvals, intellectual property rights and physician or patient acceptance of the product.

SALES OF OUR SPECIALTY PHARMACEUTICAL PRODUCTS MAY SIGNIFICANTLY FLUCTUATE EACH PERIOD BASED ON THE NATURE OF OUR PRODUCTS, OUR PROMOTIONAL ACTIVITIES AND WHOLESALER PURCHASING AND STOCKING PATTERNS.

Excluding Avinza, our products are small-volume specialty pharmaceutical products that address the needs of cancer patients in relatively small niche markets with substantial geographical fluctuations in demand. To ensure patient access to our drugs, we maintain broad distribution capabilities with inventories held at approximately 125 locations throughout the United States. Furthermore, the purchasing and stocking patterns of our wholesaler customers are influenced by a number of factors that vary with each product, including but not limited to overall level of demand, periodic promotions, required minimum shipping quantities and wholesaler competitive initiatives. As a result, the level of product in the distribution channel may average from two to six months' worth of projected inventory usage. If any or all of our major distributors decide to substantially reduce the inventory they carry in a given period, our sales for that period could be substantially lower than historical levels.

OUR DRUG DEVELOPMENT PROGRAMS WILL REQUIRE SUBSTANTIAL ADDITIONAL FUTURE FUNDING

WHICH COULD HURT OUR OPERATIONAL AND FINANCIAL CONDITION.

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.

We currently estimate our research and development expenditures over the next 3 years to range between $200 million and $275 million. However, we base our outlook regarding the need for funds on many uncertain variables. Such uncertainties include regulatory approvals, the timing of events outside our direct control such as product launches by partners and the success of such product launches, negotiations with potential strategic partners and other factors. Any of these uncertain events can significantly change our cash requirements as they determine such one-time events as the receipt of major milestones and other payments.

While we expect to fund our research and development activities from cash generated from internal operations to the extent possible, if we are unable to do so we may need to complete additional equity or debt financings or seek other external means of financing. 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 development or commercialization of our products, to sell some or all of our technology or assets or to merge with another entity.

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 STAT 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.

WE MAY REQUIRE ADDITIONAL MONEY TO RUN OUR BUSINESS AND MAY BE REQUIRED TO RAISE THIS MONEY ON TERMS WHICH ARE NOT FAVORABLE OR WHICH REDUCE OUR STOCK PRICE.

We have incurred losses since our inception and may not 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 at all or on favorable 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, in February and March 2002 we issued to Elan 6.3 million shares upon the conversion of zero coupon convertible senior notes held by Elan, and in April 2002 we issued 4.3 million shares of our common stock, in a private placement. These transactions have resulted in the issuance of significant numbers of new shares. In addition, in November 2002 we issued in a private placement $155,250,000 in aggregate principal amount of our 6% convertible subordinated notes due 2007, which could be converted into 25,149,025 shares of our common stock.

If adequate funds are not available, we may be required to delay, reduce the scope of or eliminate one or more of our research or drug development programs, or our marketing and sales initiatives. 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.

OUR PRODUCTS FACE SIGNIFICANT REGULATORY HURDLES PRIOR TO MARKETING WHICH COULD DELAY OR PREVENT SALES. EVEN AFTER APPROVAL, GOVERNMENT REGULATION OF OUR BUSINESS IS EXTENSIVE.

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. We and our partners have a number of products moving toward or currently in clinical trials, the most significant of which are our Phase III trials for Targretin capsules in non-small cell lung cancer and three Phase III trials by our partners involving bazedoxifene and lasofoxifene. 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. For example, each of our Phase III Targretin clinical trials will involve approximately 600 patients and may require significant time and investment to complete enrollments. 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.

In addition, the manufacturing and marketing of approved products is subject to extensive government regulation, including by the FDA, DEA and state and other territorial authorities. The FDA administers processes to assure that marketed products are safe, effective, consistently of uniform, high quality and marketed only for approved indications. For example, while our products are prescribed legally by some physicians for unapproved uses, we may not market our products for such uses. Failure to comply with applicable regulatory requirements can result in sanctions up to the suspension of regulatory approval as well as civil and criminal sanctions.

WE FACE SUBSTANTIAL COMPETITION WHICH MAY LIMIT OUR REVENUES.

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. The principal products competing with our products targeted at the cutaneous t-cell lymphoma market are Supergen/Abbott's Nipent and interferon, which is marketed by a number of companies, including Schering-Plough's Intron A. Products that will compete with Avinza include Purdue Pharma L.P.'s OxyContin and MS Contin, Janssen Pharmaceutica Products, L.P.'s Duragesic, Elan's Oramorph SR and Faulding's Kadian, each of which is currently marketed. 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.

THIRD-PARTY REIMBURSEMENT AND HEALTH CARE REFORM POLICIES MAY REDUCE OUR FUTURE SALES.

Sales of prescription drugs depend significantly on the availability of reimbursement to the consumer from third party payers, such as government and private insurance plans. These third party payers 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. For example, we have current and recurring discussions with insurers regarding reimbursement rates for our drugs,

including Avinza which was recently approved for marketing. We may not be able to negotiate favorable reimbursement rates for our products or may have to pay significant discounts to obtain favorable rates. Only one of our products, ONTAK, is currently eligible to be reimbursed by Medicare. Proposed changes by Medicare to the hospital outpatient payment reimbursement system may adversely affect reimbursement rates for ONTAK.

In addition, the efforts of governments and third-party payers 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, including price caps and controls for pharmaceuticals. These proposals could reduce and/or cap the prices for our products or reduce government reimbursement rates for products such as ONTAK. 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, INCLUDING RESEARCH FUNDING AND MILESTONE PAYMENTS.

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. Challenges to or failure to secure patents and other proprietary rights may significantly hurt our business. 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 and related revenue, if any.

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, US 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. While we routinely receive communications or have conversations with the owners of other patents, none of these third parties have directly threatened an action or claim against us. 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 licenses 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 patents 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 US 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 believe we were the first to invent the relevant technology and therefore are entitled to a patent on the application we filed. The Patent and Trademark Office 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 have also learned that Novartis AG has filed an opposition to our European patent that covers the principal active ingredient of our ONTAK drug. We are currently investigating the scope and merits of this opposition. If the opposition is successful, we could lose our ONTAK patent protection in Europe which could substantially reduce our future ONTAK sales in that region. We could also incur substantial costs in asserting our rights in this opposition proceeding, as well as in other interference proceedings in the United States.

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.

RELIANCE ON THIRD-PARTY MANUFACTURERS TO SUPPLY OUR PRODUCTS RISKS SUPPLY INTERRUPTION OR CONTAMINATION AND DIFFICULTY CONTROLLING COSTS.

We currently have no manufacturing facilities, and we rely on others for clinical or commercial production of our marketed and potential products. In addition, certain raw materials necessary for the commercial manufacturing of our products are custom and must be obtained from a specific sole source. Elan manufactures Avinza for us, Cambrex manufactures ONTAK for us and RP Scherer and Raylo manufacture Targretin capsules for us.

To be successful, we will need to ensure continuity of the manufacture of 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. While we believe that we would be able to develop our own facilities or contract with others for manufacturing services with respect to all of our products, if we are unable to do so 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 believe that we carry reasonably adequate insurance for product liability claims.

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. Our annual cost of compliance with these regulations is approximately $600,000. 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. We believe that we carry reasonably adequate insurance for toxic tort claims.

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. For example, in 2002, the intraday sale price of our common stock on the Nasdaq National Market was as high as $20.50 and as low as $4.64. Future announcements concerning us or our competitors as well as other companies in our industry and other public companies 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 our competitors;

>> our failure to receive regulatory approvals for products under development;

>> developments concerning proprietary rights;

>> litigation or public concern about the safety of our products; or

>> intent to sell or actual sale of our stock held by our corporate partners.

FUTURE SALES OF OUR SECURITIES MAY DEPRESS THE PRICE OF OUR SECURITIES.

Sales of substantial amounts of our securities in the public market could seriously harm prevailing market prices for our securities. 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 SECURITIES OTHER THAN THROUGH THE SALE OF YOUR SECURITIES.

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 on any of our securities in the foreseeable future.

OUR SHAREHOLDER RIGHTS PLAN AND CHARTER DOCUMENTS MAY HINDER OR PREVENT CHANGE OF CONTROL TRANSACTIONS.

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. 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. If changes in our ownership are discouraged, delayed or prevented, it would be more difficult for our current board of directors to be removed and replaced, even if you or our other stockholders believe that such actions are in the best interests of us and our stockholders.

RISKS RELATED TO THE NOTES

THE NOTES ARE SUBORDINATED TO OUR SENIOR INDEBTEDNESS AND ARE STRUCTURALLY SUBORDINATED TO ALL LIABILITIES OF OUR SUBSIDIARIES.

The notes are junior in right of payment to all of our existing and future senior indebtedness, and are structurally subordinated to all liabilities of our subsidiaries, including trade payables. However, payment to the holders of the notes from the proceeds of the US government securities pledged to the trustee as security for the exclusive ratable benefit of the holders of the notes, as described under "Description of notes--Security," are subordinated to any senior indebtedness or subject to the subordination restrictions described in this prospectus. As of March 31, 2003, we and our subsidiaries had approximately $5.8 million of consolidated indebtedness effectively ranking senior to the notes. The indenture governing the notes does not restrict the incurrence of senior indebtedness or other debt by us or our subsidiaries. A significant amount of our operations are conducted through subsidiaries. None of our subsidiaries has guaranteed or otherwise become obligated with respect to the notes. As a result, except as described under "Description of notes--Security," the notes are structurally subordinated to all indebtedness and other obligations of our subsidiaries with respect to our subsidiaries' assets. By reason of such subordination, in the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of our business, our assets will be available to pay the amounts due on the notes only after all of our senior indebtedness has been paid in full, and, therefore, there may not be sufficient assets remaining to pay amounts due on any or all of the notes then outstanding. See "Description of notes--Subordination of Notes."

WE AND OUR SUBSIDIARIES MAY STILL BE ABLE TO INCUR SUBSTANTIALLY MORE DEBT WHICH COULD INCREASE OUR LEVERAGE AND THE RISK TO YOU OF HOLDING THE NOTES.

We and our subsidiaries may be able to incur substantial additional debt in the future. Some or all of any future borrowings could be senior to the notes. If a substantial amount of new debt in addition to the notes offered hereby is added to our and our subsidiaries' current debt levels, it could have important consequences to our business. For example, it could:

>> limit our ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our growth strategy or other purposes;

>> require us to dedicate a substantial portion of our cash flow to pay principal and interest on our debt, which will reduce the funds available for working capital, capital expenditures, acquisitions and other general corporate purposes;

>> limit our flexibility in planning for and reacting to changes in our business and our industry that could make us more vulnerable to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation; and

>> place us at a disadvantage compared to our competitors that have less debt.

In addition, we cannot assure you that sufficient cash flow will be available to make all required principal payments. Therefore, we may need to refinance at least a portion of any outstanding debt as it matures. We may not be able to refinance this debt at all or on terms as favorable as the terms of the existing debt.

WE MAY NOT HAVE THE ABILITY TO RAISE THE FUNDS NECESSARY TO FINANCE THE CHANGE IN CONTROL OFFER REQUIRED BY THE INDENTURE.

If we undergo a change in control (as defined in the indenture), each holder of the notes may require us to repurchase all or a portion of the holder's notes. We cannot assure you that there will be sufficient funds available for any required repurchases of these securities if a change in control occurs. In addition, the terms of any agreements related to borrowing which we may enter from time to time may prohibit or limit or make our repurchase of notes an event of default under those agreements. If we fail to repurchase the notes in that circumstance, we will be in default under the indenture governing the notes. See "Description of notes--Change in Control Permits Purchase of Notes by Us at the Option of the Holder."

THE NOTES MAY NOT BE TRANSFERRED ABSENT AN EXEMPTION FROM REGISTRATION.

The notes are not registered under the Securities Act or any state securities laws. Accordingly, purchasers of the notes cannot offer or sell them absent an exemption from the registration requirements of the Securities Act and applicable state securities laws or pursuant to an effective registration statement covering their resale.

We intend to use our reasonable best efforts to cause the registration statement or post-effective amendment of which this prospectus is a part to become effective under the Securities Act. However, the SEC has broad discretion whether to declare any registration statement or post-effective amendment effective and may delay or deny the effectiveness of any registration statement or post-effective amendment for a variety of reasons. In the course of the SEC's

review of the shelf registration statement or post-effective amendment of which this prospectus is a part, we may be required to make changes to the description of our business and other information and financial data, which changes could be significant.

ABSENCE OF A PUBLIC MARKET FOR THE NOTES COULD CAUSE PURCHASERS OF THE NOTES TO BE UNABLE TO RESELL THEM FOR AN EXTENDED PERIOD OF TIME.

Although the notes trade on the PORTAL market, there is not an established trading market for the notes and we cannot assure you that an active public market for the notes will develop, or if such market develops, how liquid it will be.

Notes sold pursuant to this prospectus will no longer be eligible for trading on the PORTAL market, and we do not intend to list the notes on any securities exchange or automated quotation system. At the time of the initial offering and sale of the notes, the initial purchaser of the notes informed us that it intended to make a market in the notes. The initial purchaser may cease its market making activities, if any, at any time without notice.

If the private placement of the notes prior to this registration statement violated securities laws, purchasers in the private offering would have the right to seek refunds or damages.

If a trading market does not develop or is not maintained, holders of the notes may experience difficulty in reselling, or an inability to sell, the notes. If a market for the notes develops, any such market may be discontinued at any time. If a public trading market develops for the notes, future trading prices of the notes will depend on many factors, including, among other things, the price of our common stock into which the notes are convertible, prevailing interest rates, our operating results and the market for similar securities. Depending on the price of our common stock into which the notes are convertible, prevailing interest rates, the market for similar securities and other factors, including our financial condition, the notes may trade at a discount from their principal amount.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus may contain forward-looking statements that involve substantial risks and uncertainties regarding future events or our future performance within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You can identify these statements by forward-looking words such as "may," "will," "expect," "intent," "anticipate," "believe," "estimate" and "continue" or similar words. You should read statements that contain these words carefully because they discuss our future expectations, contain projections of our future results of operations or of our financial condition or state other "forward-looking" information. We believe that it is important to communicate our future expectations to our investors. However, there may be events in the future that we are not able to accurately predict or control. The factors listed in the section captioned "Risk Factors," as well as any cautionary language included in this prospectus or incorporated by reference, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Before you invest in our common stock, you should be aware that the occurrence of the events described in the "Risk Factors" section and described or incorporated by reference elsewhere in this prospectus could have a material adverse effect on our business, operating results and financial condition. All

subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these statements. This caution is made under the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference rooms at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public on the SEC's website at http://www.sec.gov.

INFORMATION INCORPORATED BY REFERENCE

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and later information filed with the SEC will update and supersede this information. We incorporate by reference the documents listed below and any future filings we make with the SEC under Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 from the date of the initial registration statement until the completion of the offering of the securities covered by this prospectus:

- Our annual report on Form 10-K for the fiscal year ended December 31, 2002,
- Our quarterly report on Form 10-Q for the quarterly period ended March 31, 2003,
- Our current reports on Form 8-K filed February 25, 2003, April 2, 2003, April 24, 2003 and May 15, 2003,
- The description of our common stock, contained in our registration statement on Form 8-A filed on November 21, 1994, including any amendments or reports filed for the purpose of updating such descriptions, and
- The description of our preferred stock purchase rights, contained in our registration statement on Form 8-A filed on September 30, 1996, including any amendments or reports filed for the purpose of updating such descriptions.

The reports and other documents that we file after the date of this prospectus will update and supersede the information in this prospectus.

You may request a copy of these filings, at no cost, by writing or telephoning us at:

Ligand Pharmaceuticals Incorporated
Attn: Investor Relations
10275 Science Center Road
San Diego, California 92121-1117
(858) 550-7500

YOU SHOULD RELY ONLY ON THE INFORMATION PROVIDED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS OR ANY RELATED PROSPECTUS SUMMARY. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. YOU SHOULD NOT

ASSUME THAT THE INFORMATION IN THIS PROSPECTUS OR ANY RELATED PROSPECTUS SUMMARY IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT OF THE DOCUMENT.

USE OF PROCEEDS

We will receive no proceeds from the resale by the selling security holders of the notes or the common stock issuable upon conversion of the notes. The selling security holders will receive all of the net proceeds from the resales.

SELLING SECURITY HOLDERS

We initially issued the notes to the initial purchaser of the notes who then resold the notes in transactions exempt from the registration requirements of the Securities Act to persons reasonably believed to be "qualified institutional buyers" (as defined in Rule 144A under the Securities Act). The selling security holders (which term includes their transferees, pledgees, donees or their successors) may from time to time offer and sell pursuant to this prospectus or any applicable prospectus supplement any or all of the notes and common stock issuable upon conversion of the notes.

No offer or sale under this prospectus may be made by a selling security holder unless that holder is listed in the table in this prospectus or until that holder has notified us and an amendment to the registration statement of which this prospectus is a part has become effective. We will file post-effective amendments to this prospectus to include additional selling security holders upon request and upon provision of all required information to us. Other information concerning the selling security holders that may change from time to time will be set forth in supplements to this prospectus if and when necessary.

The following table sets forth information about each selling security holder, including the name, the number and percentage of the notes beneficially owned and being offered by the selling security holder and the number and percentage of common stock beneficially owned and being offered by the selling security holder as of the date on which such information was most recently available to us. The percentages of common stock beneficially owned and being offered are calculated based on 69,267,262 shares of common stock issued and outstanding as of April 30, 2003. Unless otherwise indicated below, none of the selling security holders nor any of their affiliates, officers, directors or principal equity holders has held any position or office or has had any material relationship with us or our predecessors or affiliates within the past three years.

NAME	PRINCIPAL AMOUNT OF NOTES BENEFICIALLY OWNED AND OFFERED HEREBY (1)	PERCENTAGE OF NOTES OUTSTANDING
1976 Distribution Trust FBO A.R. Lauder/Zinterhofer	5,000	*
2000 Revocable Trust FBO A.R. Lauder/Zinterhofer	5,000	*
AIG DKR Soundshore Holdings Ltd.	1,204,000	*
AIG DKR Soundshore Opportunity Holding Fund Ltd.	2,766,000	1.8%

AIG DKR Soundshore Strategic Holding Fund Ltd.	2,030,000	1.3%
Alcon Laboratories	262,000	*
Allentown City Officers & Employees Pension Fund	11,000	*
Allentown City Police Pension Plan	22,000	*
Allentown City Firefighters Pension Plan	17,000	*
Allstate Insurance Company	650,000	*
Allstate Life Insurance Company	350,000	*
Alpine Associates	3,900,000	2.5%
Alpine Partners, L.P.	600,000	*
Amaranth LLC	2,550,000	1.6%
Arapahoe County Colorado	41,000	*
Arbitex Master Fund L.P.	5,000,000	3.2%
Argent Classic Convertible Arbitrage Fund L.P.	2,000,000	1.3%
Argent Classic Convertible Arbitrage Fund (Bermuda) L.P.	2,500,000	1.6%

NAME	PRINCIPAL AMOUNT OF NOTES BENEFICIALLY OWNED AND OFFERED HEREBY (1)	PERCENTAGE OF NOTES OUTSTANDING
Aristeia International Limited	907,000	*
Aristeia Trading LLC	213,000	*
Arlington County Employees Retirement System	450,000	*
Bancroft Convertible Fund, Inc.	750,000	*
Bear Stearns & Co., Inc.	500,000	*
BNP Paribas Equity Strategies, SNC (3)	1,782,000	1.1%
BP Amoco PLC Master Trust	316,000	*
British Virgin Islands Social Security Board	59,000	*
CC Investments LOC	1,000,000	*
City and County of San Francisco Retirement System	998,000	*
City of New Orleans	169,000	*
City University of New York	102,000	*
Cooper Neff Convertible Strategies (Cayman) Master Fund, LP	987,000	*
Credit Suisse First Boston-London	1,000,000	*
D.E. Shaw Investment Group, L.P.	400,000	*
D. E. Shaw Valence Portfolios, L.P.	1,600,000	1%
DBAG London	10,000,000	6.4%
Delaware PERS	730,000	*
Delaware Public Employees Retirement System	1,043,000	*
DKR Saturn Event Driven Holding Fund Ltd.	2,000,000	1.3%
Ellsworth Convertible Growth and Income Fund, Inc.	750,000	*
Farallon Capital Institutional Partners II, LP	575,000	*
Farallon Capital Institutional Partners III, LP	315,000	*
Farallon Capital Institutional Partners, LP	2,305,000	1.5%
Farallon Capital Offshore Investors, Inc.	5,075,000	3.3%
Farallon Capital Partners, LP	1,625,000	1%
GLG Global Convertible Fund	760,000	*

GLG Global Convertible UCITS Fund	240,000	*
Grady Hospital Foundation	89,000	*
Guggenheim Portfolio Co. XV, LLC	350,000	*
Highbridge International LLC	17,000,000	11.0%
Hotel Union & Hotel Industry of Hawaii Pension Plan	134,000	*
ICI American Holdings Trust	175,000	*
JP Morgan Securities Inc. (4)	5,250,000	3.4%
KBC Financial Products USA Inc.	250,000	*
McMahan Securities Co. L.P.	350,000	*
Municipal Employees	161,000	*
New Orleans Firefighters Pension/Relief Fund	91,000	*
Occidental Petroleum Corporation	174,000	*
Pioneer High Yield Fund	25,950,000	16.7%
Pioneer High Yield VCT Portfolio	300,000	*
Policeman and Firemen Retirement System of the City of Detroit	398,000	*
Pro-mutual	505,000	*
Ramius Capital Group	350,000	*
RCG Halifax Master Fund, LTD	350,000	*
RCG Latitude Master Fund, LTD	1,225,000	*
RCG Multi Strategy A/C, LP	1,225,000	*
Salomon Brothers Asset Management, Inc.	4,375,000	2.8%

NAME	PRINCIPAL AMOUNT OF NOTES BENEFICIALLY OWNED AND OFFERED HEREBY (1)	PERCENTAGE OF NOTES OUTSTANDING
Shell Pension Trust	265,000	*
Sphinx Convertible Arb Fund SPC	154,000	*
State of Maryland Retirement Agency	2,153,000	1.4%
Sturgeon Limited	231,000	*
Sunrise Partners Limited Partnership	8,200,000	5.3%
Syngenta AG	120,000	*
The Grable Foundation	60,000	*
Tinicum Partners, LP	105,000	*
Tribeca Investments L.T.D.	3,500,000	2.3%
Trustmark Insurance	232,000	*
UBS O'Connor LLC F/B/O O'Connor Global Convertible Arbitrage Master Limited	1,350,000	*
UBS O'Connor LLC F/B/O O'Connor Global Convertible Portfolio	150,000	*
UBS Securities LLC	700,000	*
Viacom Inc. Pension Plan Master Trust	11,000	*
Victus Capital, LP	1,500,000	*
Wachovia Securities Inc.	400,000	*
Whitebox Convertible Arbitrage Partners, L.P.	3,600,000	2.3%
White River Securities L.L.C.	500,000	*
Zeneca Holding Trust	175,000	*
Zurich Institutional Benchmarks Master Fund Ltd.	385,000	*
Additional holders of notes not yet identified (5)	12,193,000	7.9%

Total	$155,250,000	100%

* Less than one percent

(1) We prepared this table based on the information supplied to us by the selling security holders named in the table and we have not sought to verify such information. This table only reflects information regarding selling security holders who have provided us with such information.

(2) Assumes conversion of all of the holder's notes at a conversion rate of 161.9905 shares of common stock per $1,000 principal amount of the notes. However, this conversion rate will be subject to adjustment as described under "Description of notes--Conversion Rights." As a result, the amount of common stock issuable upon conversion of the notes may increase or decrease in the future.

(3) As of December 19, 2002, BNP Paribas Equity Strategies, SNC held an additional 49,339 shares of our common stock that are not being offered under this prospectus.

(4) As of January 16, 2003, JP Morgan Securities Inc. held an additional 34,493 shares of our common stock that are not being offered under this prospectus.

(5) No offer or sale under this prospectus may be made by a selling security holder unless that holder is listed in the table in this prospectus or until that holder has notified us and a post-effective amendment to the registration statement of which this prospectus is a part has become effective. We will update this table by post-effective amendment to the registration statement of which this prospectus is a part as we receive information from holders of the notes who have not yet provided us with their information.

The selling security holders listed in the above table may have sold or transferred, in transactions exempt from the registration requirements of the Securities Act, some or all of their notes since the date on which the information in the above table was provided to us. Information about the selling security holders may change over time.

Because the selling security holders may offer all or some of the notes or the shares of common stock issuable upon conversion of the notes from time to time, we cannot estimate the amount of the notes or shares of common stock that will be held by the selling security holders upon the termination of any particular offering by a selling security holder. See "Plan of Distribution."

PLAN OF DISTRIBUTION

The selling security holders, which term includes their transferees, pledgees or donees or their successors, may from time to time sell the notes and the underlying common stock covered by this prospectus directly to purchasers or offer the notes and underlying common stock through underwriters, broker-dealers or agents, who may receive compensation in the form of underwriting discounts, concessions or commissions from the selling security holders and/or the purchasers of securities for whom they may act as agent, which discounts, concessions or commissions as to any particular underwriter, broker-dealer or

agent may be in excess of those customary in the types of transactions involved.

The notes and the underlying common stock may be sold in one or more transactions:

>> at fixed prices;

>> at prevailing market prices;

>> at varying prices determined at the time of sale; or

>> at negotiated prices.

These sales may be effected in transactions, which may involve block transactions, in the following manner:

>> on any national securities exchange or quotation service on which the notes or the common stock may be listed or quoted at the time of sale;

>> in the over-the-counter-market;

>> in transactions otherwise than on these exchanges or services or in the over-the-counter-market; or

>> through the writing and exercise of options, whether these options are listed on an options exchange or otherwise.

In connection with the sale of the notes and common stock, the selling security holders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the securities in the course of hedging positions they assume. The selling security holders may sell the notes or common stock and deliver notes or common stock to close out short positions, or loan or pledge the securities to broker-dealers that in turn may sell these securities.

The aggregate proceeds to the selling security holders from the sale of the securities offered by them hereby will be the purchase price of such securities less discounts and commissions, if any. The selling security holder reserves the right to accept and, together with its agent from time to time, to reject, in whole or in part, any proposed purchase of securities to be made directly or through agents. We will not receive any of the proceeds from the resale by the selling security holders of the notes or the common stock issuable upon conversion of the notes.

The notes are traded on the PORTAL market. However, notes sold pursuant to this prospectus will no longer be eligible for trading on the PORTAL market. We do not intend to list the notes on any securities exchange or automated quotation system. Our common stock is listed for trading on the Nasdaq National Market under the symbol "LGND."

In order to comply with the securities laws of some states, if applicable, the securities may be sold in such jurisdictions only through registered or licensed brokers or dealers. In addition, in some states the securities may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from registration or qualification requirements is available and is complied with.

The selling security holders, and any underwriters, broker-dealers or agents

that participate in the sale of the securities, may be "underwriters" within the meaning of Section 2(11) of the Securities Act. Any discounts, commissions, concessions or profit they earn on any resale of the securities may be underwriting discounts and commissions under the Securities Act. The selling security holders have acknowledged that they understand their obligations to comply with the provisions of the Securities Exchange Act of 1934 and the rules thereunder relating to stock manipulation, particularly Regulation M.

At the time of a particular offering of securities by a selling security holder, an amendment or supplement to this prospectus, if required, will be circulated setting forth the aggregate amount and type of securities being offered and the terms of the offering, including the name or names of any underwriters, broker-dealers or agents, any discounts, commissions and other terms constituting compensation from the selling security holders and any discounts, commission or concessions allowed or reallowed or paid to broker-dealers.

We entered into a registration rights agreement for the benefit of holders of the notes to register their notes and the underlying common stock under applicable federal and state securities laws under specific circumstances and at specific times. The registration rights agreement provides for indemnification by us of the selling security holders and their controlling persons and by the selling security holders of us and our directors, officers and controlling persons against specific liabilities in connection with the offer and sale of the notes and the underlying common stock, including liabilities under the Securities Act.

DESCRIPTION OF NOTES

On November 26 and 27, 2002 we issued and sold the notes in a private placement transaction. The initial purchaser of the notes in that offering resold the notes to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the Securities Act of 1933). The notes were issued under the indenture dated November 26, 2002 between us and J.P. Morgan Trust Company, National Association, as trustee. The following statements are subject to the detailed provisions of the indenture and are qualified in their entirety by reference to the indenture. The indenture has been filed as an exhibit to the registration statement of which this prospectus is a part. Particular provisions of the indenture which are referred to in this prospectus are incorporated by reference as a part of the statements made, and the statements are qualified in their entirety by the reference. For the purposes of this summary, the terms "Ligand," the "Company," "we" or "our" refer only to Ligand Pharmaceuticals Incorporated and not to any of our subsidiaries. References to "interest" shall be deemed to include, unless the context otherwise requires, the additional amounts payable in the event of a registration default as described below under the caption "Registration rights; additional payments."

GENERAL

Except as described under "Security," the notes represent our unsecured general obligations, subordinate in right of payment to certain of our obligations as described under "Subordination of notes," and convertible into our common stock

as described under "Conversion rights." The notes are limited to $155.25 million aggregate principal amount. Interest on the principal amount of the notes will be payable semi-annually on May 16 and November 16 of each year, with the first interest payment to be made on May 16, 2003, at the rate of 6% per annum, to the persons who are registered holders of the notes at the close of business on the preceding May 1 and November 1, respectively. Unless previously redeemed, repurchased or converted, the notes will mature on November 16, 2007. The notes will be payable at the office of the paying agent, which initially will be an office or agency of the trustee, or an office or agency maintained by us for such purpose, in the Borough of Manhattan, the City of New York. Payments in respect of the notes may, at our option, be made by check and mailed to the holders of record as shown on the register for the notes.

We issued the notes without coupons in denominations of $1,000 and integral multiples thereof.

Holders may present for conversion any notes that have become eligible for conversion at the office of the conversion agent, and may present notes for registration of transfer at the office of the trustee.

The indenture does not contain any financial covenants or any restrictions on the payment of dividends or on the repurchase of our securities. The indenture does not require us to maintain any sinking fund or other reserves for repayment of the notes.

The notes are not subject to defeasance or covenant defeasance.

SECURITY

On the closing dates of the offering in which the notes were issued, we purchased in the aggregate approximately $18 million of US government securities as security for the notes and for the exclusive ratable benefit of the holders of the notes (and not for the benefit of our other creditors). These U.S. government securities are sufficient, upon receipt of the scheduled interest and principal payments of such securities, to provide for payment in full of the first four scheduled interest payments on the notes when due. The US government securities are held and invested by the trustee in accordance with the terms of the pledge agreement that we entered into with the trustee. We refer to payments on the notes derived from the pledged US government securities as "permitted payments" in this prospectus.

The US government securities have been pledged by us to the trustee under the indenture for the exclusive ratable benefit of the holders of the notes and are held by the trustee in a pledge account in accordance with a pledge agreement entered into by us and the trustee and in accordance with a control agreement entered into by us, the trustee and the account intermediary therein. Immediately prior to each of the first four interest payment dates, the trustee will release from the pledge account proceeds sufficient to pay interest then due on the notes. We may also make additional payments to the trustee to ensure that sufficient funds are available to pay interest then due on the notes, if necessary. A failure to pay interest on the notes when due through the first four scheduled interest payment dates will constitute an event of default under the indenture.

The pledged US government securities and the pledge account also secures, to the extent available, the repayment of the principal amount on the notes. If prior to November 16, 2005:

>> an event of default under the notes or the indenture occurs and is continuing; and

>> the trustee or the holders of not less than 25% in aggregate principal amount of the notes then outstanding accelerate the notes by declaring the principal amount of the notes plus accrued and unpaid interest to be immediately due and payable (by written consent, at a meeting of holders of the notes or otherwise), except for the occurrence of an event of default relating to our bankruptcy, insolvency or reorganization, or that of any of our subsidiaries, upon which the notes will be accelerated automatically,

then the proceeds from the pledged US government securities will be promptly released for payment to the holders of the notes, subject to the automatic stay provisions of bankruptcy law, if applicable. Distributions from the pledge account will be applied:

>> first, to any accrued and unpaid interest on the notes; and

>> second, to the extent available, to the repayment of a portion of the principal amount of the notes.

If an event of default is not cured prior to the acceleration of the notes by the trustee or holders of the notes referred to above, the trustee and the holders of the notes will be able to accelerate the notes as a result of that event of default.

For example, if the first two interest payments were made when due but the third interest payment was not made when due and the holders of the notes promptly exercised their right to declare the principal amount of the notes to be immediately due and payable, then, assuming the automatic stay provisions of bankruptcy law are not applicable and the proceeds of the pledged US government securities are promptly distributed from the pledge account:

>> an amount equal to the interest payment due on the third interest payment would be distributed from the pledge account as accrued interest; and

>> the balance of the proceeds of the pledge account would be distributed as a portion of the principal amount of the notes.

In addition, holders would have an unsecured claim against us for the remainder of the principal amount of their notes.

If prior to the fourth interest payment with respect to the notes,

>> any notes are converted; or

>> we repurchase any notes,

then the trustee will disburse to us a pro rata portion of the pledge account corresponding to the remaining interest payments with respect to such notes secured by the pledge account.

Once we make the first four scheduled interest payments on the notes, all of the remaining pledged US government securities and cash, if any, will be released to us from the pledge account, and the notes will thereafter be unsecured.

CONVERSION RIGHTS

Before the close of business on the date of maturity of the notes, subject to prior redemption or repurchase, holders of the notes may convert the notes, or portions thereof (if the portions are $1,000 or whole multiples thereof), into 161.9905 shares of common stock per $1,000 of principal amount of notes. This rate results in an initial conversion price of approximately $6.17 per share. Except as described below, the number of shares into which a note is convertible will not be adjusted for dividends on any common stock issued on conversion. We will not issue fractional shares of common stock upon conversion of notes and instead will pay a cash adjustment based on the market price of the common stock on the last trading day prior to the conversion date. In the case of notes called for redemption, conversion rights will expire at the close of business on the date one business day prior to the redemption date.

We are not obligated to pay accrued interest on notes submitted for conversion. Accordingly, if a note is converted after the close of business on a record date for the payment of interest and before the opening of business on the next succeeding interest payment date, notes submitted for conversion must be accompanied by funds equal to the interest payable to the registered holder on the interest payment date on the principal amount of such notes submitted for conversion. We will then make the interest payment due on the interest payment date to the registered holder of the note on the record date. Notwithstanding anything to the contrary in this paragraph, any note submitted for conversion need not be accompanied by any funds if such notes have been called for redemption on a redemption date that is after the close of business on a record date for the payment of interest and before the close of business on the business day following the corresponding interest payment date.

As soon as practicable following the conversion date, we will deliver through the conversion agent a certificate for the full number of full shares of common stock into which any note is converted, together with any cash payment for fractional shares. For a discussion of the tax treatment of a holder receiving common shares upon surrendering notes for conversion, see "Certain US federal income tax considerations--US Holders--Conversion of the notes."

We will adjust the conversion rate for:

>> dividends or distributions on shares of our common stock payable in common stock or other capital stock of ours;

>> subdivisions, combinations or certain reclassifications of our common stock;

>> distributions to all or substantially all holders of common stock of certain rights or warrants entitling them for a period of 60 days or less to purchase common stock at less than the current market price at the time;

>> distributions to all or substantially all holders of our common stock of our assets or debt securities or certain rights to purchase our securities, but excluding cash dividends or other cash distributions from current or retained earnings referred to in the next paragraph;

>> all-cash distributions to all or substantially all holders of our common stock in an aggregate amount that, together with

  >> any cash and the fair market value of any other consideration payable in respect of any tender offer or exchange offer for our common stock consummated within the preceding 12 months not triggering a conversion rate adjustment and

  >> all other all-cash distributions to all or substantially all stockholders made within the preceding 12 months not triggering a

conversion rate adjustment,

exceeds an amount equal to 10% of the market capitalization of our common stock on the business day immediately preceding the day on which we declare the distribution;

>> payments in respect of a tender offer or exchange offer for our common stock to the extent that the offer involves aggregate consideration that, together with

>> any cash and the fair market value of any other consideration payable in respect of any tender offer or exchange offer for our common stock consummated within the preceding 12 months not triggering a conversion rate adjustment and

>> all-cash distributions to all or substantially all stockholders made within the preceding 12 months not triggering a conversion rate adjustment,

exceeds an amount equal to 10% of the market capitalization of our common stock on the expiration date of the tender offer or exchange offer.

Each adjustment referred to above will be made upon conclusion of the applicable event. We will not adjust the conversion rate, however, in certain cases, including where holders of notes are to participate in the transaction without conversion under circumstances that our board of directors determines to be fair and appropriate.

To the extent that our stockholders rights plan is still in effect, upon conversion of the notes into common stock, the holders will receive, in addition to the common stock, the rights described in our stockholders rights plan, whether or not the rights have separated from the common stock at the time of conversion, subject to certain limited exceptions. If we implement a new stockholders rights plan, we will be required under the indenture to provide that the holders of notes will receive the rights upon conversion of the notes, whether or not these rights were separated from the common stock prior to conversion, subject to certain limited exceptions.

Except as stated above, the number of shares issuable on conversion will not be adjusted for the issuance of common stock or any securities convertible into or exchangeable for common stock, or carrying the right to purchase any of the foregoing. The terms of the notes do not require any adjustment for rights to purchase common stock pursuant to our present or any future stockholders rights plan or pursuant to any plans we have for reinvestment of dividends or interest, or for a change in the par value of the common stock. To the extent that the notes become convertible into cash, no adjustment will be required thereafter as to cash.

No adjustment to the conversion rate will be required unless the adjustment would require a change of at least 1% in the conversion rate then in effect; provided that any adjustment that would otherwise be required to be made will be carried forward and taken into account in any subsequent adjustment.

We are permitted to make such increases in the conversion rate as we, in our discretion, determine to be advisable in order that any stock dividend, subdivision of shares, distribution or rights to purchase stock or securities or securities convertible into or exchangeable for stock made by us to our

stockholders will not be taxable to the recipients. In addition, we may at any time increase the conversion rate by any amount for any period of time if our board of directors determines that such increase would be in our best interests, provided that:

>> the conversion price is not less than the par value of a share of our common stock;

>> the period during which the increased rate is in effect is at least 20 days (or such longer period as may be required by law); and

>> the increased rate is irrevocable during such period.

If we are party to a consolidation, merger or binding share exchange pursuant to which the common stock is converted into cash, securities or other property, at the effective time of the transaction, the right to convert a note into common stock will be changed into a right to convert it into the kind and amount of cash, securities or other property which the holder would have received if the holder had converted its note immediately prior to the transaction.

In the event of:

>> a taxable distribution to holders of shares of common stock which results in an adjustment to the conversion rate; or

>> an increase in the conversion rate at our discretion,

the holders of the notes may, in certain circumstances, be deemed to have received a distribution subject to Federal income tax as a dividend. See "Certain United States federal income tax considerations--US Holders--Adjustment of conversion price."

REDEMPTION OF NOTES AT OUR OPTION

No sinking fund is provided for the notes. Prior to November 22, 2005, we cannot redeem the notes. The notes will be redeemable at our option, in whole or in part, at any time on or after November 22, 2005, on any date not less than 30 nor more than 60 days after the mailing of a redemption notice to each holder of notes to be redeemed at the address of the holder appearing in the security register. The redemption price for the notes, expressed as a percentage of principal amount, is as follows for the periods set forth below:

PERIOD	REDEMPTION PRICE
November 22, 2005 to November 15, 2006.....	102.4%
November 16, 2006 to November 15, 2007.....	101.2%

Accrued and unpaid interest will also be paid to the redemption date.

If we redeem less than all of the outstanding notes, the trustee will select the notes to be redeemed on a pro rata basis in principal amounts of $1,000 or integral multiples of $1,000. If a portion of a holder's notes is selected for partial redemption and the holder converts a portion of the notes, the converted

portion shall be deemed to be the portion selected for redemption.

CHANGE IN CONTROL PERMITS PURCHASE OF NOTES BY US AT THE OPTION OF THE HOLDER

In the event of a change in control (as defined below) with respect to us, each holder will have the right, at its option, subject to the terms and conditions of the indenture, to require us to purchase for cash all or any portion of the holder's notes in integral multiples of $1,000 principal amount, at a price for each $1,000 principal amount of such notes tendered for repurchase equal to 100% of the principal amount of such notes tendered, plus any accrued and unpaid interest to the purchase date. We will be required to purchase the notes no later than 30 business days after notice of a change in control has been mailed as described below. We refer to this date in this prospectus as the "change in control purchase date."

Within 30 business days after the occurrence of a change in control, we must mail to the trustee and to all holders of notes at their addresses shown in the register of the registrar and to beneficial owners as required by applicable law a notice regarding the change in control, which notice must state, among other things:

>> the event or events causing a change in control;

>> the date of such change in control;

>> the last date on which a holder may exercise the purchase right;

>> the change in control purchase price;

>> the change in control purchase date;

>> the name and address of the paying agent and the conversion agent;

>> the conversion rate and any adjustments to the conversion rate;

>> that notes with respect to which a change in control purchase notice is given by the holder may be converted, if otherwise convertible, only if the change in control purchase notice has been withdrawn in accordance with the terms of the indenture; and

>> the procedures that holders must follow to exercise these rights.

To exercise this right, the holder must deliver a written notice so as to be received by the paying agent no later than the close of business on the third business day prior to the change in control purchase date. The required purchase notice upon a change in control must state:

>> the certificate numbers of the notes to be delivered by the holder, if applicable;

>> the portion of the principal amount of notes to be purchased, which portion must be $1,000 or an integral multiple of $1,000; and

>> that we are to purchase such notes pursuant to the applicable provisions of the notes.

A holder may withdraw any change in control purchase notice by delivering to the paying agent a written notice of withdrawal prior to the close of business on

the business day prior to the change in control purchase date. The notice of withdrawal must state:

>> the principal amount of the notes being withdrawn;

>> the certificate numbers of the notes being withdrawn, if applicable; and

>> the principal amount, if any, of the notes that remain subject to a change in control purchase notice.

Our obligation to pay the change in control purchase price for a note for which a change in control purchase notice has been delivered and not validly withdrawn is conditioned upon delivery of the note, together with necessary endorsements, to the paying agent at any time after the delivery of such change in control purchase notice. We will cause the change in control purchase price for such note to be paid promptly following the later of the change in control purchase date or the time of delivery of such note.

If the paying agent holds money sufficient to pay the change in control purchase price of the note on the change in control purchase date in accordance with the terms of the indenture, then, immediately after the change in control pu