EXHIBIT 10.14  
  
  
  
  
  
 AMENDED AND RESTATED DISTRIBUTION AGREEMENT  
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 This Amended and Restated Distribution Agreement (the "Agreement") is  
entered into as of the 28th day of July , 1997 (the "Execution Date") by and  
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among SANO Corporation, a Florida corporation ("SANO"), Pharmaceutical  
Resources, Inc., a New Jersey corporation ("PRI"), and Par Pharmaceutical, Inc.,  
a New Jersey corporation ("PPI").  
  
 WHEREAS, SANO, PRI and PPI have previously entered into that certain  
Distribution Agreement as of the 24/th/ day of February, 1994 (the "Original  
Agreement"); and  
  
 WHEREAS, SANO, PRI and PPI wish to amend and restate their agreement with  
respect to the subject matter of the Original Agreement, and supersede the  
Original Agreement in its entirety;  
  
 NOW, therefore, for good and valuable consideration, the receipt and  
sufficiency of which is hereby acknowledged, the parties hereto agree as  
follows:  
  
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 CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE  
 SECURITIES AND EXCHANGE COMMISSION  
 ASTERISKS DENOTE SUCH OMISSION  
  
  
 ARTICLE I  
  
 TERMS AND CONDITIONS  
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 1.1 Definitions. As used in this Agreement, the following terms shall have  
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the meaning ascribed to them below:  
  
 (a) "Affiliate," as to any Person, shall have the meaning set forth in  
Rule 405 under the Securities Act of 1933.  
  
 (b) "Costs" shall mean, with respect to production of a Licensed  
Product, the cost of goods incurred by SANO in the production thereof determined  
in accordance with generally accepted accounting principles applied on a  
consistent basis, as determined by SANO's independent certified public  
accountants; provided, however, that notwithstanding the foregoing, it being the  
intent of the parties that Costs make SANO whole with respect to all reasonable  
expenditures related to the Licensed Product, Costs shall include, without  
limitation, (i) the delivered cost of all ingredients and other raw materials  
used therein, (ii) a percentage of SANO's overall labor cost equal to the  
portion which labor hours devoted to the Licensed Product's production bears to  
total labor hours devoted to all SANO product production, (iii) packaging and  
other direct manufacturing and quality control costs and (iv) ratably allocated  
costs of marketing and promotion (if any), product liability insurance and  
general overhead; provided, further, that, notwithstanding the foregoing, Costs  
shall not include (i) any cost incurred by SANO in completing the Development  
Program, (ii) any royalties or similar payments paid or payable by SANO with  
respect to any Licensed Product, or (iii) any cost specifically related to the  
distribution of the Licensed Product outside the United States; additionally,  
(x) with respect to the transdermal nicotine Licensed Product (generic of  
Habitrol(R)) described herein as Product B, Costs shall be reduced on a one-time  
basis by [\*\*\*\*\*], (y) with respect to the transdermal nitroglycerin Licensed  
Product (generic of Nitro Dur(R)) described herein as Product A, Costs shall be  
reduced on a one-time basis by the sum of the amount set forth in Section 7.1  
hereof as the Licensed Product Fee for such Licensed Product and the amount set  
forth as an additional Licensed Product Fee for that Licensed Product pursuant  
to Section 7.4 hereof, and (z) with respect to the transdermal nitroglycerin  
Licensed Product (generic of Transderm Nitro(R)) described herein as Product C,  
Costs shall be reduced on a one-time basis by the sum of the amount set forth in  
Section 7.1 hereof as the Licensed Product Fee for such Licensed Product and the  
amounts set forth as an Additional Licensed Product Fee for that Licensed  
Product pursuant to Section 7.4 hereof.  
  
 (c) "Development Program" shall mean all actions, including, without  
limitation, research conducted as a part of SANO's pre-clinical and clinical  
activities, which is required or reasonably necessary to obtain all requisite  
governmental approvals for the testing, manufacture and sale of Licensed  
Products during the term of this Agreement.  
  
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 (d) "Exclusive" shall mean, with respect to any right herein granted,  
that no other party shall have such right, directly or indirectly.  
  
 (e) "Generic" shall mean, with respect to any drug or product, that  
such drug or product does not comprise a substance or compound that is covered  
by a claim under any unexpired U.S. Patent and/or which is not entitled to any  
period of market exclusivity under the Orphan Drug Act or the Drug Price  
Competition and Patent Term Restoration Act of 1984 according to 21 U.S.C.A.  
355(j)(4)(D)(i)or (ii).  
  
 (f) "Licensed Product" shall mean the Transdermal Generic Drug Delivery  
Systems listed on Exhibit A hereto.  
  
 (g) "Net Sales" shall have the meaning set forth in Exhibit B hereto.  
  
 (h) "Person" shall include any individual, corporation, partnership,  
association, cooperative, joint venture, or any other form of business entity  
recognized under the law.  
  
 (i) "Sale" shall mean any action involving selling.  
  
 (j) "SANO's Technology" shall mean any and all data, information,  
technology, know-how, process, technique, method, skill, proprietary  
information, trade secret, development, discovery, and inventions, owned or  
controlled by SANO and specifically related to a Transdermal Generic Drug  
Delivery System for the Licensed Products now existing or developed in the  
future under and during the course of the Development Program or otherwise, as  
well as information related to the manufacture of Licensed Product(s) and  
specifications and procedures related thereto.  
  
 (k) "Sell" shall mean to, directly or indirectly, sell, distribute,  
supply, solicit or accept orders for, negotiate for the sale or distribution of,  
or take any other action that is in furtherance of any of the foregoing.  
  
 (l) "Specifications" shall mean the terms and conditions applicable to  
the Licensed Product(s) as described in the abbreviated new drug application  
("ANDA") approved by the United States Food and Drug Administration (the "FDA")  
covering the Licensed Product(s), as the same may be supplemented from time to  
time.  
  
 (m) "Standard Packaging" shall mean a Licensed Product packaged in  
individual pouches and in individual folding cartons consisting of pouch units  
per carton reasonably specified by PPI and containing any labels and labelling  
required therefor by the FDA and provided in packages that are appropriate for  
regulatory and marketing purposes, and produced at a SANO facility in the United  
States, the grade and quality of the labels, labelling and packaging materials  
being as specified in the ANDA therefor.  
  
 (n) "Transdermal Generic Drug Delivery System" shall mean a generic  
version of a branded transdermal adhesive patch.  
  
 (o) "United States" shall mean the 50 states of the United States of  
America, plus the District of Columbia, the Commonwealth of Puerto Rico, the  
U.S. Virgin Islands, Guam, Samoa and any other territory which, on the Execution  
Date, is a United States   
  
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government protectorate wherein an ANDA approved by the FDA is required to sell  
the Licensed Products in such territory.  
  
 ARTICLE II  
  
 REPRESENTATIONS OF SANO  
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 2.1 SANO represents and warrants as follows:  
  
 2.1.1 Organization, etc. It is duly organized and validly  
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existing under the laws of the State of Florida, has all requisite power and  
authority to conduct its business as now, and as proposed to be, conducted and  
to execute, deliver and perform its obligations under this Agreement. This  
Agreement has been duly authorized, executed and delivered by SANO and  
represents a valid and binding obligation enforceable against SANO in accordance  
with its terms.  
  
 2.1.2 No Conflicts; Consents. Execution and delivery hereof, or  
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performance by SANO hereunder, will not (a) violate or create a default under  
(i) SANO's Articles of Incorporation or by-laws (true and correct copies of  
which have been delivered to PPI), (ii) any mortgage, indenture, agreement, note  
or other instrument to which it is a party or to which its assets are subject or  
(iii) any court order or decree or other governmental directive or (b) result in  
the action of any lien, charge or encumbrance on any material portion of SANO's  
assets, except as contemplated hereby.  
  
 2.1.3 SANO's Technology. SANO's Technology is, to the best  
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knowledge of SANO, sufficient to enable SANO to complete the Development Program  
as contemplated hereby. Except as set forth in Schedule 2.1.3, SANO has  
received no notice, and is not aware, that any portion of SANO's Technology  
infringes upon the rights of any other Person.  
  
 2.1.4 Development Program. SANO has filed an ANDA with respect to  
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each of the Licensed Products and has no knowledge of any fact or circumstance  
which is reasonably likely to prevent approval by the FDA, other than general  
conditions related to the approval process; SANO does not hereby represent or  
warrant that any Licensed Product will be approved for commercial sale, or will  
ultimately be marketed.  
  
 2.1.5 Information. All data and other information relating to  
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SANO and/or the Licensed Products provided by SANO, or its agents, to PPI was  
derived from SANO's records (which have been diligently, and to the best of  
SANO's knowledge, accurately maintained in all material respects) and is an  
accurate copy or summary thereof in all material respects.  
  
 2.1.6 Employees. All key employees of SANO have executed  
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appropriate confidentiality agreements with SANO and assignments of intellectual  
property rights in favor of SANO. All key employees of SANO have executed  
appropriate non-compete agreements which, by their terms, extended at least  
until December 31, 1996.  
  
 2.1.7 Status. SANO represents and warrants to PPI that, to the  
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best of its knowledge, information and belief, it is not prohibited by any  
federal, state or local law, rule or regulation or by any order, directive or  
policy of the United States government or any state or local government thereof  
or any federal, state or local regulatory agency or authority having  
  
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jurisdiction with respect to the distribution of pharmaceutical products within  
its territorial jurisdiction from selling the Licensed Products within the  
territorial jurisdiction of such government, regulatory agency or authority (on  
the assumption that it holds whatever licenses are required for a foreign  
corporation to carry on business generally within such jurisdiction) and that  
SANO is not an Ineligible Person or Person from whom any United States federal,  
state or local government, regulatory authority or agency which purchases  
pharmaceutical products (including, without limitation, the federal Defense  
Logistics Agency) will or may not purchase any products manufactured by it or  
with whom it will or may not otherwise conduct business as a result its being  
publicly listed or otherwise (except for the fact that it is a foreign  
corporation).  
  
 ARTICLE III  
  
 OBLIGATIONS OF SANO  
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 3.1 Level of Effort. SANO shall use its reasonable efforts, including,  
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without limitation, the employment of a sufficient number of technically  
qualified officers and employees, to attempt to complete the Development Program  
for each Licensed Product.  
  
 3.2 Progress Reports. SANO shall, on a monthly basis, by the tenth day of  
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each month, inform PPI in writing of the progress of the Development Program and  
the commencement of any project within the Development Program.  
  
 3.3 Program Updates. On a date which shall be approximately three (3)  
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months after the date hereof, and at three-month intervals thereafter,  
representatives of SANO and of PPI shall meet to review the progress and status  
of the Development Program then underway. At such meetings, PPI shall have the  
right to request the allocation of priorities to the various projects comprising  
the Development Program and to suggest procedures for their implementation,  
which requests shall be reasonably considered by SANO.  
  
 3.4 Intentionally omitted.  
  
 3.5 Supply and Use of Information. The parties shall, as promptly as  
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possible, provide to each other any information that comes to the knowledge of a  
responsible officer of any party relating to any adverse reaction or other  
adverse event occasioned during research on, development or use of a Licensed  
Product. Any provision of information to PPI shall be subject to the  
confidentiality obligations of Section 14.4.  
  
 3.6 Clinical Testing. All pre-clinical, clinical and post-clinical testing  
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and stability testing and other actions, including but not limited to completion  
of the Development Program, required to obtain all requisite government  
approvals in the United States for the manufacture and sale of each Licensed  
Product shall be conducted by SANO, at its expense unless otherwise set forth  
herein.  
  
 3.7 Governmental Approvals. SANO shall file all appropriate requests and  
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other filings with the appropriate government agencies within the United States  
in order to seek to obtain all requisite approvals for the testing, manufacture,  
sale and use of the Licensed Product(s). The decision regarding the timing of  
said filings shall be in SANO's sole discretion. SANO shall have full and  
complete ownership of all governmental approvals relating to   
  
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Licensed Products. SANO shall provide PPI with appropriate sections of and a  
right of reference to any application for registration in the United States  
except with respect to those aspects of any formulation or manufacturing process  
that is reasonably deemed proprietary by SANO.  
  
 3.8 Other Products. SANO shall reasonably apportion or allocate its  
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resources among its products to accommodate the Development Programs for  
Licensed Products.  
  
 3.9 Title. SANO will protect and defend its rights to all Licensed  
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Products and SANO's Technology, and will indemnify and hold PPI, PRI and their  
Affiliates, harmless, from and against any claims of infringement or other claim  
that SANO is not the owner thereof.  
  
 3.10 Subsidiaries and Affiliates. SANO will cause its subsidiaries and  
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affiliates to comply with the restrictions and limitations imposed on SANO  
hereunder with respect to Licensed Products.  
  
 ARTICLE IV  
  
 EXCLUSIVE DISTRIBUTOR  
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 4.1 Subject to the provisions of this Agreement, SANO hereby appoints PPI  
as the exclusive distributor of the Licensed Products for the United States and  
PPI hereby accepts such appointment and agrees to act as such exclusive  
distributor. The rights and licenses granted to PPI under this Agreement shall  
henceforth be referred to as "the Right." PPI acknowledges that it has no  
rights with respect to SANO's Technology or the Licensed Products, except for  
the distribution rights with respect to the Licensed Products as herein  
described.  
  
 4.2 SANO, or PPI, as applicable, covenants and agrees that, during the term  
of this Agreement or until the Right (or its exclusive nature) is terminated in  
accordance with the provisions hereof:  
  
 4.2.1 SANO will refer to PPI all inquiries concerning potential  
purchases of Licensed Products received by it from Persons located in the United  
States or from Persons outside the United States if SANO knows or reasonably  
suspects that such Person intends to resell or export the Licensed Product to  
the United States;  
  
 4.2.2 SANO will not, directly or indirectly, knowingly sell any  
Licensed Product in the United States nor to any Person outside of the United  
States if SANO reasonably expects that such Person intends to resell or export  
the Licensed Product to the United States and, if notified by PPI that one of  
SANO's customers is selling the Licensed Product in the United States in any  
material respect, SANO shall either cease to supply such customer or obtain (and  
enforce, if necessary) an undertaking from such customer not to sell the  
Licensed Product in the United States (unless SANO is precluded from taking such  
action under applicable law). PPI acknowledges that SANO will use reasonable  
efforts to prevent the sale of Licensed Products in United States by Persons  
other than PPI, but shall not be held responsible if, despite such efforts, it  
is unsuccessful in so doing (subject to its obligations above to cease to supply  
or to obtain and enforce the undertaking as and to the extent contemplated  
above).  
  
 4.2.3 PPI shall not, and shall not authorize, permit or suffer any  
of its Affiliates to, purchase any Transdermal Generic Drug Delivery System  
which has the same strength,   
  
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contains the same active ingredient and is for the same indication as, and is  
competitive with, any of the Licensed Products (a "Competitive Product") for  
distribution, sale or use in the United States from any Person other than SANO.  
PPI shall not, and shall not authorize, permit or suffer any of its Affiliates  
to, seek regulatory approval in the United States for any Competitive Product or  
to, directly or indirectly, manufacture, sell, handle, distribute or be  
financially interested (except as a stockholder with not greater than a 5%  
interest in a public company) in the sales of such products within the United  
States for its own account or for the account of any other Person as agent,  
distributor or otherwise.  
  
 Notwithstanding the foregoing, if PPI or PRI becomes an Affiliate of an  
entity (the "Merger Partner") as a result of a merger, acquisition, or other  
similar extraordinary corporate transaction, and such Merger Partner is engaged  
in the manufacture or distribution of a Competitive Product, PPI shall so notify  
SANO and shall offer (the "Offer") to sell, assign and transfer to SANO the  
Right with respect to the Licensed Product with which such Competitive Product  
is competitive in exchange for an amount equal to the Licensed Product Fee (as  
hereinafter defined) for such Licensed Product. If, within thirty (30) days  
after its receipt of the Offer, SANO accepts the Offer, SANO shall, within  
fifteen (15) days of such acceptance, deliver to PPI, against delivery of  
appropriate instruments of release and transfer, its promissory note in form and  
substance reasonably acceptable to PPI, payable to the order of PPI, in the  
principal amount of the Licensed Product Fee, bearing interest at the prime rate  
of Citibank, N.A., as announced from time to time at its offices in New York  
City (the "Prime Rate"), with interest and principal payable on the first  
anniversary of the date of delivery of such note. From and after the date of  
delivery of such note, PPI shall have no rights with respect to the relevant  
Licensed Product and SANO shall be free to grant any rights related thereto to a  
third party or to retain such rights for itself. If SANO declines to accept the  
Offer or fails to accept the Offer within the aforesaid 30-day period, this  
Agreement shall remain in full force and effect, except that the provisions of  
this Section 4.2.3 shall not apply to that Competitive Product. PPI shall  
notify SANO promptly if any Merger Partner has a Competitive Product.  
  
 4.2.4 PPI shall not, and shall not authorize, permit or suffer any  
of its Affiliates to, directly or indirectly, sell any Licensed Product to any  
Person outside of the United States, nor to any Person in the United States if  
PPI or any of its Affiliates reasonably expects that such Person intends,  
directly or indirectly, to sell or export the Licensed Product outside of the  
United States. If PPI is notified by SANO that one of its customers or a  
customer of PPI or any of its Affiliates is exporting the Licensed Product from  
the United States in any material respect PPI shall (or shall cause its  
Affiliates to) either cease to supply such customer or obtain (and enforce, if  
necessary) an undertaking from such customer not to sell the Product outside of  
the United States (unless PPI or any such Affiliate is precluded from taking  
such action under applicable law). SANO acknowledges that PPI will use (and will  
cause its Affiliates to use) reasonable efforts to prevent its customers from  
exporting any Licensed Product out of the United States but shall not be held  
responsible if, despite such efforts, it is unsuccessful in so doing (subject to  
its obligations above to cease to supply or to obtain and enforce the  
undertaking as and to the extent contemplated above).  
  
 4.2.5 PPI shall refer to SANO any inquiry or order for Licensed  
Products which PPI or any of its Affiliates may receive from any Person located  
outside of the United States and from any Person located in the United States  
where PPI or any of its Affiliates knows or has   
  
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reason to suspect that such Person intends to export the Licensed Products  
outside of the United States.  
  
 4.2.6 The parties acknowledge, agree and declare that the  
relationship hereby established between PPI and SANO is solely that of buyer and  
seller, that each is an independent contractor engaged in the operation of its  
own respective business, that neither party shall be considered to be the agent  
of the other party for any purpose whatsoever, except as otherwise expressly  
indicated in this Agreement, and that, except as otherwise expressly indicated  
in this Agreement, neither party has any authority to enter into any contract,  
assume any obligations or make any warranties or representations on behalf of  
the other party. Nothing in this Agreement shall be construed to establish a  
partnership or joint venture relationship between or among the parties.  
  
 4.2.7 SANO shall not engage in marketing and promotion of the  
Licensed Products in the United States unless reasonably requested to do so by  
PPI.  
  
 ARTICLE V  
  
 REPRESENTATIONS OF PPI AND PRI; OBLIGATIONS  
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 5.1 PPI and PRI jointly and severally represent, warrant and covenant as  
follows:  
  
 5.1.1 Organization, etc. They are duly organized and validly  
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existing under the laws of the State of New Jersey, have all requisite power and  
authority to conduct their business as now and as proposed to be conducted and  
to execute, deliver and perform their obligations under this Agreement. This  
Agreement has been duly authorized, executed and delivered by PPI and PRI and  
represents a valid and binding obligation enforceable against PPI and PRI in  
accordance with its terms.  
  
 5.1.2 No Conflicts; Consents. Execution and delivery hereof, or  
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performance by either PPI or PRI hereunder, will not (a) violate or create a  
default under (i) PPI's and PRI's Certificates of Incorporation or by-laws (true  
and correct copies of which have been delivered to SANO), (ii) any mortgage,  
indenture, agreement, note or other instruments to which either is a party or by  
which either's assets are subject or (iii) any court order or decree or other  
governmental direction or (b) result in the action of any lien, charge or  
encumbrance on any material portion of PPI's and PRI's assets.  
  
 5.1.3 Information. All data and other information relating to PPI  
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and PRI provided to SANO by PPI and PRI, or their agents, was derived from PPI's  
and PRI's records (which have been diligently maintained) and is an accurate  
copy or summary thereof in all material respects.  
  
 5.1.4 Sufficiency. PPI maintains and agrees that it will continue  
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to maintain those places of business and equipment to be used in storing and  
shipping the Licensed Products in accordance with Current Good Manufacturing  
Practices of the FDA and all other applicable requirements of the FDA (as the  
same may be modified from time to time). PPI hereby further represents and  
warrants that it currently has and/or has available to it and maintains and  
agrees to continue to have and/or to have available to it and maintain an  
adequate marketing   
  
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organization and qualified sales persons to promote the sale of the Licensed  
Products in the United States.  
  
 5.2 PPI shall purchase the Licensed Products from SANO as contemplated in  
Article VI hereof.  
  
 5.3 PPI will use its reasonable efforts (utilizing its marketing,  
distribution and management systems and those of its Affiliates) to develop a  
market for and sell the Licensed Products in the United States, such efforts to  
be not less rigorous than those efforts used by PPI in relation to its leading  
or principal products. PPI shall devote particular attention to the marketing  
and sale of the Licensed Products and shall use its resources in a way it deems  
most effective in promoting the Licensed Products given market conditions.  
  
 5.4 PPI shall have sole discretion in setting the sales price for the sale  
of the Licensed Products, provided that PPI shall not specifically discount the  
price of the Licensed Products for the benefit of PPI or any of its Affiliates'  
other products or to otherwise use the Licensed Products as a loss leader or  
incentive to procure the sale of PPI's or any of its Affiliates' other products.  
Rebate and other discount programs (excluding any program where the price of the  
Licensed Products are discounted primarily for the benefit of enhancing the sale  
of PPI's or any of its Affiliates' other products) generally available to PPI's  
customers on the purchase of pharmaceutical products shall not be prohibited by  
this Section 5.4, provided that such programs shall be in accordance with  
industry standards for comparable products and shall be designed to promote the  
sale of the Licensed Products and not other products.  
  
 5.5 PPI shall comply with all applicable laws, rules and regulations  
relating to transporting, storing, advertising, promoting and selling of the  
Licensed Products within the United States and shall assume sole responsibility  
for all credit risks and collection of receivables with respect to Licensed  
Products sold by it and its Affiliates, and, except as expressly provided  
herein, in respect of all dealings between itself (and its Affiliates) and its  
(and their) customers.  
  
 5.6 PPI shall notify SANO promptly upon becoming aware of any adverse  
information relating to the safety or effectiveness of a Licensed Product and  
shall consult from time to time with regard to competition or potentially  
competitive products.  
  
 5.7 PPI hereby further represents and warrants to SANO that, to the best of  
its knowledge, information and belief, neither it nor any of its Affiliates is  
prohibited by any federal, state or local law, rule or regulation or by any  
order, directive or policy of the United States government or any state or local  
government thereof or any federal, state or local regulatory agency or authority  
having jurisdiction with respect to the distribution of pharmaceutical products  
within its territorial jurisdiction from selling the Licensed Products within  
the territorial jurisdiction of such government, regulatory agency or authority  
and that neither PPI nor any of its Affiliates is a Person who, by public  
notice, is listed by a United States federal agency as debarred, suspended,  
proposed for debarment or otherwise ineligible for federal programs in the  
United States (an "Ineligible Person") or Person from whom any United States  
federal, state or local government, regulatory authority or agency which  
purchases pharmaceutical products (including, without limitation, the federal  
Defense Logistics Agency)   
  
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will or may not purchase any products or with whom it will or may not otherwise  
conduct business as a result of any of its Affiliates or PPI being publicly  
listed or otherwise.  
  
 ARTICLE VI  
  
 DELIVERY  
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 6.1 Licensed Products shall be made available to PRI for pickup ready for  
shipment in Standard Packaging, or as otherwise permitted by the FDA, at SANO's  
facilities located in Plantation, Florida, or such other facilities in the  
continental United States as SANO may utilize with the consent of PPI, which  
consent shall not be unreasonably withheld or delayed, and SANO shall use its  
reasonable efforts to make available to PPI sufficient quantities of the  
Licensed Products to satisfy orders for the Licensed Products. SANO shall be  
solely responsible for the contents of the labels and artwork on all finished  
labelled products sold by PRI and its Affiliates. SANO shall provide all  
Standard Packaging for the Licensed Products.  
  
 6.2 To assist SANO in scheduling production for the manufacture of the  
Licensed Products, PPI shall provide to SANO, quarterly, a nine month rolling  
forecast of its requirements for a Licensed Product. The first forecast shall  
be provided by PPI to SANO approximately six months prior to the anticipated  
market launch of a Licensed Product, as reasonably estimated by the parties, and  
thereafter shall be provided to SANO on or before the 20th day of the first  
month of each successive quarterly period (to forecast the requirements for the  
next nine succeeding calendar months). It is understood and agreed that all  
forecasts are estimates only and PPI shall only be bound to purchase the  
Licensed Products pursuant to purchase orders submitted by it to SANO. All  
purchase orders shall be for minimum batch size quantities reasonably agreed by  
the parties and shall anticipate an order/production/availability cycle of  
approximately twelve weeks during the first two contract years (as defined  
below) of this Agreement and an order/production/availability cycle of  
approximately sixteen weeks thereafter.  
  
 6.3 PPI shall arrange for shipping and/or transportation of the Licensed  
Products from SANO's facility to PPI's Spring Valley, New York facility and pay  
all shipping and related costs. Risk of loss and title to the Licensed  
Product(s) shall pass to PPI upon pick-up of the Licensed Products by, on behalf  
of or for the account of PPI at SANO's facility.  
  
 6.3.1 SANO shall promptly notify PPI by both fax and telephone  
that any order (or part thereof acceptable to PPI) is available for pick-up at  
SANO (this notice shall hereafter be referred to as the "Availability Notice").  
  
 6.3.2 PPI shall use reasonable and good faith efforts to pick up  
the Licensed Products that are the subject of an Availability Notice within ten  
(10) business days of receipt of the Availability Notice; provided that, if such  
pickup has not occurred on or prior to the expiry of such ten day period, PPI  
shall, for purposes of its payment obligations to SANO pursuant to Section 7.2  
below, be deemed to have picked up the Licensed Products which are the subject  
of the Availability  
  
 CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE  
 SECURITIES AND EXCHANGE COMMISSION  
 ASTERISKS DENOTE SUCH OMISSION  
  
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Notice on the last business day of such ten-day period. If the Licensed  
Products in question have not been picked up by or on behalf of PPI within  
twenty (20) business days of an Availability Notice, SANO may, but shall not be  
obligated to, cause the Licensed Products to be delivered to PPI's Spring  
Valley, New York, facility by truck or other overland delivery at PPI's sole  
cost and expense and risk of loss and title to the Products shall pass to PPI  
upon pickup of the Products at SANO's facility in the same manner as if the  
pickup had been effected by PPI itself, provided that SANO shall provide for the  
Licensed Products to be insured during transit in a commercially reasonable  
manner at PPI's sole cost and expense.  
  
 ARTICLE VII  
  
 PAYMENTS AND PAYMENT TERMS  
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 7.1 Licensed Product Fee. As consideration for the rights herein granted,  
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upon execution hereof, PRI shall pay to SANO a fee (each, a "Licensed Product  
Fee") as follows:  
  
 Product A (described in SANO's pending ANDA for transdermal nitroglycerin-  
 -generic to Nitro Dur(R))---[\*\*\*\*\*]  
  
 Product B (described in SANO's pending ANDA for transdermal nicotine--  
 generic to Habitrol(R))---[\*\*\*\*\*]  
  
 Product C (described in SANO's pending ANDA for transdermal nitroglycerin-  
 -generic to Transderm Nitro(R))---[\*\*\*\*\*]  
  
 7.2 Price. The price to PRI for each order, or part thereof reasonably  
 -----   
acceptable to PRI as contemplated in Section 8.2(d), of Licensed Products made  
available to PRI hereunder shall be SANO's Costs related to such order or part  
thereof. PPI shall also pay to SANO any applicable federal or state sales or  
excise tax payable on the purchase of such Licensed Products, which payment  
shall be remitted with the payment of the price as contemplated in Section 7.3  
below and upon payment thereof by PPI to SANO, SANO shall be solely responsible  
for remitting the amount so paid on account of such taxes to the relevant  
governmental collecting authorities. Promptly upon PPI's request, SANO shall  
provide PPI with reasonable evidence of such direct costs and applicable taxes  
and payment of such taxes.  
  
 7.3 Payment Terms. Payment for each order of Licensed Products made  
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available by SANO for pick-up by PPI shall be due within 35 days of pick-up  
(whether actual or deemed pursuant to Section 6.3.2) by PPI at SANO's facility.  
  
 7.4 Additional Licensed Product Fee. Upon request by SANO, PPI will remit  
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up to an aggregate of [\*\*\*\*\*] to fund skin irritation studies required by the  
FDA for any of the Licensed  
  
  
  
 CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE   
 SECURITIES AND EXCHANGE COMMISSION   
 ASTERISKS DENOTE SUCH OMISSION  
  
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Products. Such request shall specify the amount to be paid for the specific  
Licensed Product which is the subject of such study or studies, and the amount  
so paid by PPI shall be deemed an addition to and part of the Licensed Product  
Fee for such Licensed Product.  
  
 7.5 Additional Consideration. PPI shall pay to SANO the Additional  
 ------------------------   
Consideration described in Section 11.1 and Schedule B hereto, in accordance  
with the provisions of said Section 11.1.  
  
 7.6 Payments by SANO. As consideration for prior payments by PPI and for  
 ----------------   
PPI's and PRI's agreements set forth herein, upon execution hereof, SANO will  
(i) pay PPI [\*\*\*\*\*], and (ii) deliver its promissory note in the form attached  
hereto as Schedule C.  
  
 ARTICLE VIII  
  
 PRODUCT ACCEPTANCE  
 ------------------  
  
 8.1 SANO shall manufacture the Licensed Products and make them available  
for pickup by PPI in accordance with all applicable laws, rules and regulations  
including, without limitation, the Specifications applicable to the Licensed  
Product in question, Current Good Manufacturing Practices of the FDA (as the  
same may change from time to time) and all other applicable requirements of the  
FDA and other governmental authorities having jurisdiction.  
  
 8.2 All Licensed Products made available for pick up by PPI shall be  
accompanied by quality control certificates of analysis signed by a duly  
authorized laboratory official of SANO confirming that each batch of Licensed  
Product covered by such certificate meets its release Specifications and shall  
be deemed accepted by it unless PPI, acting reasonably and in good faith, shall  
give written notice of rejection (hereafter referred to as a "Rejection Notice")  
to SANO within 35 days after pick up of the Licensed Products by, on behalf of  
or for the account of PPI at SANO's facility.  
  
 (a) The Rejection Notice shall state in reasonable detail (sufficient  
to enable SANO to identify the nature of the problem and the tests or studies to  
be conducted by or on its behalf to confirm or dispute same) the reason why the  
Licensed Products are not acceptable to PPI. If the Licensed Products meet the  
applicable provisions of Section 8.1 and are in quantities specified in a  
purchase order, PPI shall not be entitled to reject them. Any Rejection Notice  
shall be accompanied by copies of all written reports relating to tests, studies  
or investigations performed to that date by or for PPI on the Licensed Product  
batch rejected.  
  
 (b) Upon receipt of such Rejection Notice, SANO may require PPI to  
return the rejected Licensed Products or samples thereof to SANO for further  
testing, in which event such Licensed Products or samples thereof, as the case  
may be, shall be returned by PPI to SANO or, at SANO's direction, at SANO's  
expense. If it is later determined by the parties or by an independent  
laboratory or consultant that PPI was not justified in rejecting the Licensed  
Products or that PPI or its Affiliates were the cause of or were responsible for  
the problem, PPI shall reimburse SANO for the costs of the return, as well as  
any other costs or expenses incurred by SANO as a result of the rejection or  
return.  
  
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 (c) PPI's test results or basis for rejection shall be conclusive  
unless SANO notifies PPI, within 30 days of receipt by SANO of the rejected  
Licensed Products or samples or such longer periods of time as may be reasonable  
in the circumstances to enable SANO to conduct (and receive the results of) the  
appropriate tests, studies or investigations which SANO should reasonably  
conduct to confirm the problem in question and to identify the source thereof,  
that it disagrees with such test results or its responsibility for the problem  
in question. In the event of such a notice by SANO, representative samples of  
the batch of the Licensed Product in question shall be submitted to a mutually  
acceptable independent laboratory or consultant (if not a laboratory analysis  
issue) for analysis or review, the costs of which shall be paid by the party  
that is determined by the independent laboratory or consultant to have been  
responsible for the rejection.  
  
 (d) If a Licensed Product is rejected by PPI, PPI's duty to pay the  
amount payable to SANO pursuant to Section 7.2 hereof in respect of the rejected  
Licensed Product shall be suspended until such time as it is determined (I) by  
an independent laboratory or consultant that the Licensed Product in question  
should not have been rejected by PPI or (II) by the parties or by any  
arbitration conducted pursuant hereto or by a final order of a court of  
competent jurisdiction (which is not subject to further appeal) that any act or  
omission of, on behalf of or for which PPI or its Affiliates is responsible was  
the cause of the problem that was the basis for the rejection. If only a  
portion of an order is rejected, only the duty to pay the amount allocable to  
such portion shall be suspended.  
  
 8.3 In the event any Licensed Products are appropriately rejected by PPI  
(being Licensed Products that do not meet the applicable provisions of Section  
8.1 other than as a result of any act or omission by PPI or its Affiliates),  
SANO shall replace such Licensed Products with conforming goods or, if requested  
by PPI, shall provide a credit to PPI for the amount, if any, previously paid by  
PPI to SANO on account of the Licensed Products in question. The credit shall  
be provided by SANO to PPI immediately following the expiry of the period during  
which SANO may dispute a Rejection Notice as contemplated in Section 8.2(c)  
above (unless the Rejection Notice is disputed by SANO, in which event such  
credit shall be given only if the dispute is resolved in favor of PPI).  
Replacement Licensed Products, as aforesaid, shall be delivered to PPI at no  
cost to PPI if PPI has already paid for the rejected Licensed Products and not  
received a credit therefor, as aforesaid. All delivery costs, including  
insurance, incident to the return of Licensed Products to SANO and delivery of  
the replacement Licensed Products to PPI's Spring Valley facility shall be paid  
by SANO, unless the rejection is determined not to have been appropriately  
rejected, in which case the last sentence of Section 8.2(a) shall apply.  
  
 ARTICLE IX  
  
 RETURNS AND ALLOWANCES  
 ----------------------  
  
 9.1 Returns. If PPI, acting reasonably and in good faith, accepts from a  
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customer a return of a Licensed Product and issues to such customer a credit for  
the invoice price thereof, PPI may debit against the amount of Additional  
Consideration, as hereinafter defined, due to SANO with respect to Net Sales, as  
hereinafter defined, in the month in which such return occurs, any Gross Profit,  
as hereinafter defined, previously paid, credited or due to SANO in respect of  
the sale of such returned Licensed Product.  
  
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 9.2 Handling of Returns.  
 -------------------   
  
 (a) In the event any Licensed Product is returned to PPI by its  
customers because the Licensed Product is alleged to be defective and PPI  
reasonably believes that such defect is due to the fault of SANO, PPI shall  
notify SANO within ten (10) working days of any such return and provide or make  
available to SANO such samples (if available) and other information concerning  
the returned Licensed Product so as to allow SANO to test and evaluate the  
allegedly defective Licensed Product. PPI shall retain a sufficient number of  
samples of the allegedly defective Licensed Product so that additional samples  
are available at a later date should additional testing be required by an  
independent testing laboratory as described in Section 9.3(b) below, or by PPI  
or SANO for their own purposes. If not enough samples exist to be so divided,  
then the parties shall confer and reach agreement as to the handling of any  
available samples.  
  
 (b) SANO shall complete its review and evaluation of the returned  
Licensed Product within twenty (20) business days of receiving the returned  
Licensed Product from PPI or such longer period of time as may be reasonable in  
the circumstances to enable SANO to conduct or cause to be conducted such tests,  
studies or investigations (and to receive the results therefrom) as may be  
required to confirm or dispute the existence of the problem or to identify the  
cause or source thereof.  
  
 9.3 Costs and Credits.  
 -----------------   
  
 (a) If SANO concludes or it is otherwise determined pursuant to Section  
9.3(b) hereof that the returned Licensed Product is defective due to the fault  
of SANO:  
  
 (i) any replacement Licensed Product to be provided by SANO in  
 respect of the returned Licensed Product shall be made available to PPI  
 without charge or appropriate credit shall be given therefor (giving account  
 to any adjustment made pursuant to Section 9.1 hereof);  
  
 (ii) all delivery costs, including insurance, incident to the  
 delivery of the replacement Licensed Products to PPI's Spring Valley  
 facility shall be paid by SANO or appropriate credit shall be given  
 therefor; and  
  
 (iii) SANO shall provide a credit to PPI for the reasonable costs  
 incurred by PPI (or where the duty has been performed by an Affiliate,  
 pursuant to the provisions of this Agreement, for the reasonable costs  
 incurred by such Affiliate) in respect of the defective Licensed Product.  
  
 (b) If SANO asserts that the returned Licensed Product is defective due  
primarily to any act or omission of PPI or its Affiliates or any agents or other  
persons acting on their behalf as aforesaid, then representative samples of the  
Licensed Products shall be submitted to a mutually acceptable independent  
laboratory or consultant (if not a laboratory analysis issue) for analysis or  
review, the costs of which shall be paid by the party determined by the  
independent laboratory or consultant to have been responsible.  
  
 (c) If it is determined in accordance with Section 9.3(b) above that  
any such defect is primarily due to any act or omission by PPI, then no credit  
or other payment of costs   
  
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shall be due from SANO, and PPI shall reimburse SANO for all costs and expenses  
it incurred in connection with the return and investigation.  
  
 (d) If it is determined in accordance with Section 9.3(b) above that no  
such defect exists or, if existing, cannot be attributable primarily to an act  
or omission of either party, then any replacement Licensed Product in respect of  
the returned Licensed Product shall be made available to PPI without additional  
charge or appropriate credit, if any, shall be given therefor, but no other  
credits or payments of costs shall be due from SANO.  
  
 9.4 PPI acknowledges that the Licensed Products may be of a perishable  
nature and that the Licensed Product must be stored and shipped in accordance  
with the Specifications applicable thereto (to the extent disclosed in writing  
to PPI or its Affiliates) or the conditions, if any, set forth on its package  
label.  
  
 9.5 PPI agrees to notify SANO of any customer complaints with respect to  
the quality, nature or integrity of a Licensed Product or alleged adverse-drug  
experiences ("ADE") within five (5) working days of their receipt by PPI and of  
any PPI or FDA complaints within 24 hours, except on weekends and holidays.  
SANO shall have the sole and primary obligation to file any required adverse  
experience report with FDA. SANO shall also be responsible for maintaining  
complaint files as required by FDA regulations. SANO agrees to investigate and  
respond in writing to any complaint or ADE forwarded to it by PPI promptly and  
in no event later than 30 days after receipt of the ADE or complaint from PPI  
(or such longer period as may be required in the circumstances to enable SANO to  
conduct such tests, studies or investigations as may be reasonably required [and  
to receive the results therefrom] to enable SANO to appropriately respond).  
SANO shall provide PPI with a copy of any correspondence, reports, or other  
documents relating to a complaint or ADE within a reasonable period following  
generation of such document by SANO.  
  
 9.6 The provisions of this Article 9 shall survive the termination or  
expiration of this Agreement.  
  
 ARTICLE X  
  
 DAMAGES, INDEMNIFICATION AND INSURANCE  
 --------------------------------------  
  
 10.1 Subject to the limitations set forth in this Article X and to the other  
provisions of this Agreement, SANO, on the one hand, and PPI, on the other hand,  
covenant and agree to indemnify and save harmless the other of them from and  
against any and all claims, demands, actions, causes of action, suits,  
proceedings, judgments, damages, expenses (including reasonable attorney fees  
and expenses), losses, fines, penalties and other similar assessments (the  
"Damages") relating to or arising out of a breach by any such party of any of  
its representations, warranties, covenants or agreements contained herein;  
provided that, except where the breach arises out of a representation or  
warranty made by a party in this Agreement being intentionally false or  
inaccurate, or constitutes a willful material breach by a party of any of its  
duties or obligations hereunder, the claim of an aggrieved party for Damages  
arising out of the breach shall be limited to claiming the amounts owing or  
payable to it in accordance with the provisions of this Agreement and any out-  
of-pocket costs and expenses (including amounts paid or payable by it to third  
parties, other than re-procurement costs [except to the extent contemplated in  
  
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Section 14.3 hereof] which it has incurred and the aggrieved party shall not be  
entitled to recover from the defaulting or breaching party any lost profits or  
consequential or punitive damages, including loss or damage to its goodwill or  
reputation. For purposes of this Agreement where PPI is in breach of its duties  
or obligations hereunder and such duties or obligations, if delegated by PPI to  
any of its Affiliates, could reasonably be performed by such Affiliate and PPI  
has either not delegated such duty or obligation to such Affiliate or such  
Affiliate has either refused to perform or willfully breached such duty or  
obligation then PPI shall be deemed to have willfully breached such duty or  
obligation hereunder. Similarly, whenever in this Agreement PPI is required to  
cause any of its respective Affiliates to do r to refrain from doing any thing  
herein provided and such Affiliate refuses to do or refrain from doing such  
thing or otherwise willfully breaches the provision herein contemplated (on the  
assumption that such Affiliate were bound by the provision herein contemplated  
as if a signatory hereto) then PPI will be deemed to have willfully breached the  
provision of this Agreement in question.  
  
 10.2 In the event that the release of a Licensed Product by PPI or its  
Affiliates in the United States results in a third party claim:  
  
 (a) to the extent that the Damages awarded or incurred relate to or  
arise out of the safety or effectiveness of the Licensed Product or the  
manufacturing, packaging, labelling, storage or handling of the Product by SANO,  
SANO shall be responsible therefor and shall indemnify and hold PPI harmless  
from and against all such damages; and  
  
 (b) to the extent that the Damages awarded or incurred relate to or  
arise out of the transportation, storage, handling or selling of the Licensed  
Product by PPI or its Affiliates, then PPI shall be responsible therefor and  
shall indemnify and hold SANO harmless from and against all such damages.  
  
 Upon the assertion of any third party claim against a party hereto that may  
give rise to a right of indemnification under this Agreement, the party claiming  
a right to indemnification (the "Indemnified Party") shall give prompt notice to  
the party alleged to have the duty to indemnify (the "Indemnifying Party") of  
the existence of such claim and shall give the Indemnifying Party reasonable  
opportunity to control, defend and/or settle such claim at its own expense and  
with counsel of its own selection; provided, however, that the Indemnified Party  
shall, at all times, have the right fully to participate in such defense at its  
own expense and with separate counsel and, provided, further, that both parties,  
to the extent they are not contractually or legally excluded therefrom or  
otherwise prejudiced in their legal position by so doing, shall cooperate with  
each other and their respective insurers in relation to the defense of such  
third party claims. In the event the Indemnifying Party elects to defend such  
claim, the Indemnified Party may not settle the claim without the prior written  
consent of the Indemnifying Party. The Indemnifying Party may not settle the  
claim without the prior written consent of the Indemnified Party unless, as part  
of such settlement, the Indemnified Party shall be unconditionally released  
therefrom or the Indemnified Party otherwise consents thereto in writing. If  
the Indemnifying Party shall, within a reasonable time after such notice has  
been given, fail to defend, compromise or settle such claim, then the  
Indemnified Party shall have the right to defend, compromise or settle such  
claim without prejudice to its rights of indemnification hereunder.  
Notwithstanding the foregoing, in the event of any dispute with respect to  
indemnity hereunder, each party shall be entitled to participate in the defense  
of such claim and to join and implead the other in any such action.  
  
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 In addition to the foregoing, SANO will defend, at its sole cost and  
expense, its rights with respect to the Licensed Products and PPI's rights to  
distribute the Licensed Products hereunder against any claim, action, suit or  
proceeding ("Action") by any third party asserting prior or superior rights with  
respect to the Licensed Product, product infringement or similar claims (other  
than as may be based on acts of PPI not contemplated herein or authorized  
hereby) and shall indemnify and hold PPI and its affiliates harmless from the  
cost of the defense thereof. PPI shall, at all times, have the right fully to  
participate in such defense at its own expense. SANO shall control such defense  
and shall, in its reasonable discretion, defend or settle such Action; provided  
that, notwithstanding the foregoing SANO shall not enter into any settlement or  
compromise of any such Action which requires PPI or any of its Affiliates to  
make payments of any kind without the prior written consent of PPI or an  
unconditional release of PPI and its Affiliates with respect to the subject  
matter of such Action. The provisions of this paragraph should not be construed  
as requiring SANO to bear any damages, judgments or other liabilities entered  
against PPI in any such Action, provided that the foregoing shall not be  
construed as or deemed a waiver of any rights PPI may have against SANO as a  
result of such Action hereunder, at law or otherwise, and all of such rights, if  
any, are expressly reserved.  
  
 10.3 Insurance. Each of SANO and PPI shall carry product liability  
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insurance in an amount at least equal to Ten Million Dollars ($10,000,000) with  
an insurance carrier reasonably acceptable to the other party, such insurance to  
be in place at times reasonably acceptable to the parties, but not later than  
the date of the first commercial sale of a Licensed Product. Each party shall  
promptly furnish to the other evidence of the maintenance of the insurance  
required by this Section 10.3 and shall name the other as an "additional  
insured" under such insurance policy. Each party's coverage shall (i) include  
broad form vendor coverage and such other provisions as are typical in the  
industry and (ii) name the other party as an additional insured thereunder. SANO  
shall carry clinical testing insurance in an amount and at times reasonably  
acceptable to the parties.  
  
 10.4 Survival. The provisions of this Article X shall survive the  
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termination or expiration of this Agreement, provided that the requirement to  
maintain the insurance contemplated in Section 10.3 above shall only survive for  
a period of 36 months from the effective date of termination or expiration of  
this Agreement.  
  
 ARTICLE XI  
  
 ADDITIONAL CONSIDERATION, REPORTING AND VERIFICATION  
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 11.1 Additional Consideration. As additional consideration for SANO  
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entering into this Agreement and permitting PPI to sell the Licensed Products in  
the United States in accordance with the provisions hereof, PPI agrees to pay to  
SANO the additional amounts more particularly described in Exhibit B to this  
Agreement in respect of the aggregate Gross Profit (as that term is defined in  
Exhibit B) of the Licensed Products. The amount payable to SANO determined in  
accordance with Exhibit B is herein and in Exhibit B annexed hereto referred to  
as the "Additional Consideration." PPI shall pay to SANO, monthly, on the  
seventh day of each month, commencing on the seventh day of the third month  
after the month in which sales of the Licensed Products commence, the Additional  
Consideration payable to SANO in respect of the Net Sales of the Licensed  
Products made by PPI and its Affiliates during the third preceding month. For  
greater certainty, examples of what constitutes the "third preceding calendar  
month"   
  
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are contained in Exhibit B annexed hereto. The consideration payable to SANO  
pursuant to this Article XI shall be paid to it as part of the sale price of the  
Licensed Product from SANO to PPI and shall not be treated as a royalty or  
similar payment.  
  
 11.2 Reporting and Information Obligations of PPI.  
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 (a) Approved Contracts. PPI shall provide to SANO, monthly, within  
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seven days of the expiry of each calendar month during the term hereof, a copy  
of each Approved Contract (as hereinafter defined), entered into by PPI with its  
customers during the immediately preceding month irrespective of whether a copy  
of such contract had previously been forwarded to SANO. If the Approved  
Contract has a term of less than 18 months, PPI may delete (e.g., by blacking  
out) any information in the Approved Contract that tends to indicate the  
identity or location of the PPI customer; provided, however, that PPI marks each  
such Approved Contract with a unique customer code relative to the customer that  
is the party to that Approved Contract.  
  
 (b) Net Sales and Gross Profits. PPI shall report to SANO monthly, on  
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the 7th day of each calendar month during the term hereof and for 12 months  
after the termination hereof:  
  
 (i) a sales summary, in the form annexed hereto as Exhibit D,  
 showing all sales of the Licensed Products made by PPI and its Affiliates  
 during the immediately preceding calendar month;  
  
 (ii) a detailed statement showing all returns and all credits,  
 rebates, allowances and other debit and credits relevant to the calculation  
 of Net Sales and Gross Profits (as those terms are defined in Exhibit B  
 annexed hereto) for the immediately preceding calendar month together with  
 copies of all documentation to support allowable adjustments used in  
 computing Net Sales during the period in question;  
  
 (iii) a certificate signed by the Chief Financial Officer of PPI  
 certifying that, to the best of his knowledge, information and belief, after  
 reasonable investigation, the foregoing statements contemplated in (i) and  
 (ii) above are true and correct and do not omit any material information  
 required to be provided pursuant to this Section 11.2(b) and  
  
 (iv) a summary of the calculation of the Additional Consideration  
 payable to SANO on such date.  
  
 For purposes of this Agreement a sale shall be considered to have been made  
 at the time the Product(s) are shipped to the customer.  
  
 11.3 PPI shall make available for inspection by SANO at PPI's facilities and  
shall cause its Affiliates to make available for inspection by SANO at their  
respective facilities, promptly following a reasonable request therefor, such  
additional information concerning any sales (including, without limitation, in  
respect of any sale, the date of the shipment, the code number of the customer  
[or the name of the customer in the case of a customer disclosed to SANO  
pursuant to Section 11.2(a) hereof and an Approved Contract], the number of  
units of each Licensed Product in each dosage involved (broken down by container  
size per Product [e.g., 18 boxes of 30 patches of Product A], and the invoice  
price charged by PPI or its Affiliates), credits,   
  
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returns, allowances and other credits and debits previously reported to SANO  
pursuant to Section 11.2(b)(ii) hereof or with respect to Approved Contracts  
previously reported to SANO pursuant to Section 11.2(a) hereof as SANO may  
reasonably require from time to time (except information concerning the identity  
or location of a customer where PPI is not already required to disclose that  
information to SANO pursuant to Section 11.2(a) hereof) to enable SANO to  
confirm or reconcile the amounts which are or were to have been paid to it  
pursuant to this Agreement (without the need to audit the books and records of  
PPI or its Affiliates pursuant to Section 11.4 hereof).  
  
 11.4 PPI shall keep and shall cause its Affiliates to keep complete and  
accurate records and books of account containing all information required for  
the computation and verification of the amounts to be paid to SANO hereunder.  
PPI further agrees that at the request of SANO, it will permit and will cause  
its Affiliates to permit one or more accountants selected by SANO, except any to  
whom PPI or such Affiliate has some reasonable objection, at any time and from  
time to time, to have access during ordinary working hours to such records as  
may be necessary to audit, with respect to any payment report period ending  
prior to such request, the correctness of any report or payment made under this  
Agreement, or to obtain information as to the payments due for any such period  
in the case of failure of PPI to report or make payment pursuant to the terms of  
this Agreement. Such accountant shall not disclose to SANO any information  
relating to the business of PRI except that which is reasonably necessary to  
inform SANO of:  
  
 (i) the accuracy or inaccuracy of PPI's reports and payments;  
  
 (ii) compliance or non-compliance by PPI with the terms and  
 conditions of this Agreement; and  
  
 (iii) the extent of any such inaccuracy or non-compliance;  
 provided, that if it is not reasonably possible to separate information  
 relating to the business of PPI from that which is reasonably necessary to  
 so inform SANO, the accountant may disclose any information necessary to so  
 inform SANO and SANO shall retain all other information disclosed as  
 confidential.  
  
 PPI shall provide and shall cause its Affiliates to provide full and  
complete access to the accountant to PPI's and such Affiliates' pertinent books  
and records and the accountant shall have the right to make and retain copies  
(including photocopies). Should any such accountant discover information  
indicating inaccuracy in any of PPI's payments or non-compliance by PPI or its  
Affiliates with any of such terms and conditions, and should PPI fail to  
acknowledge in writing to SANO the deficiency or non-compliance discovered by  
such accountant within ten (10) business days of being advised of same in  
writing by the accountant, the accountant shall have the right to deliver to  
SANO copies (including photocopies) of any pertinent portions of the records and  
books of account which relate to or disclose the deficiency or non-compliance  
(to the extent not acknowledged by PPI). In the event that the accountant shall  
have questions which are not in its judgment answered by the books and records  
provided to it, the accountant shall have the right to confer with officers of  
PPI or such Affiliate, including PPI's or such Affiliate's Chief Financial  
Officer. If any audit under this Section shall reveal an underpayment or  
understatement of the amount payable to SANO by more than $10,000.00 for any  
period in question, PPI shall reimburse SANO for all costs and expenses relating  
to such investigational audit. SANO shall only have the right to audit such  
books and records of PPI and its Affiliates   
  
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pursuant to this Section 11.4 no more often than twice in any contract year  
unless earlier in such contract year or in any of the prior three contract years  
such investigation revealed a discrepancy of more than $10,000.00, as aforesaid,  
in which case SANO shall have the right to audit such books and records three  
times in such contract year. For purposes of this Agreement, a contract year  
shall be a period of twelve months commencing on either the date of this  
Agreement or on an anniversary thereof. Unless the disclosure of same is  
reasonably required by SANO in connection with any litigation or arbitration  
arising out of such audit, the accountant shall not reveal to SANO the name or  
address (or other information reasonably tending to identify the location of a  
customer) of any customer of PPI or its Affiliates [other than one whose name  
has been disclosed to SANO pursuant to Section 11.2 hereof], but shall identify  
such customer to SANO, if necessary, by the customer code number used by PPI in  
its reporting obligations to SANO [and PPI and its Affiliates shall make such  
information known to the accountant]. PPI may, as a condition to providing any  
accountant access to its books and records (or those of its Affiliates), require  
SANO to execute a reasonable confidentiality agreement consistent with the terms  
of this Section 11.4.  
  
 11.5 Except as specifically set forth to the contrary, all payments to be  
made under this Agreement shall bear interest equal to two percent above the  
prime rate as quoted by Citibank N.A., New York, New York, calculated daily (as  
at the close of business on each such day) and compounded monthly, from the day  
following the day the payment is due until the date on which it is paid. Any  
adjustment to the prime rate as quoted by Citibank N.A. from time to time shall  
result in a corresponding adjustment to the rate of interest payable hereunder,  
the rate of interest quoted by Citibank N.A. at the close of business on each  
day to be the rate applicable for such day.  
  
 11.6 The obligation of PPI to make the payments contemplated in Section 11.1  
and to provide the reports and information contemplated in Sections 11.2 and  
11.3 and the right of SANO to conduct its audits or investigations pursuant to  
Section 11.4 hereof shall survive the termination or expiration of this  
Agreement and shall apply to all Licensed Products made available to PPI by SANO  
prior to the effective date of the termination or expiration of this Agreement  
(or made available to PPI after such date pursuant to any provision of this  
Agreement) notwithstanding that such Licensed Products may have been resold by  
PPI or its Affiliates to its or their customers after the effective date of  
termination or expiration. For greater certainty, the parties acknowledge and  
agree that it is their intention that PPI pay to SANO the Additional  
Consideration applicable to Net Sales of all Licensed Products supplied by SANO  
to PPI pursuant to this Agreement (in respect of which the purchase price  
charged by SANO to PPI therefor [whether paid or owing] was determined in  
accordance with the provisions of Section 7.2 hereof or was provided to PPI free  
of such charge pursuant to any other provision of this Agreement) irrespective  
of whether such Licensed Product is resold by PPI or its Affiliates prior to or  
subsequent to the effective date of termination or expiration of this Agreement  
and that SANO's rights pursuant to Section 11.4 hereof shall continue for a  
period of twelve (12) months following the final sale of all such Licensed  
Products.  
  
 11.7 PPI shall have the right, upon reasonable advance written notice to  
SANO, to inspect SANO's facilities at which the Licensed Products are being  
manufactured to monitor compliance by SANO with FDA Good Manufacturing Practices  
and to otherwise confirm that the Licensed Products are being manufactured in  
accordance with their respective Specifications. Similarly, SANO shall have the  
right, upon reasonable advance written notice to PPI to inspect   
  
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those facilities of PPI and any of its Affiliates which are used in the storage  
of any of the Licensed Products to ensure compliance by PPI or such Affiliate  
with FDA Good Manufacturing Practices and to otherwise ensure that the Licensed  
Products do not cease to meet their Specifications as a result of any storage or  
shipping conducted by PPI or its Affiliates. SANO shall cooperate with PPI in  
providing access to its facilities and PPI shall cooperate and shall cause its  
Affiliates to cooperate in providing access to SANO to its facilities and those  
of its Affiliates used as aforesaid.  
  
 11.8 SANO shall keep complete and accurate records and books of account  
containing all information required for the computation and verification of  
SANO's Costs as contemplated in Section 7.2 hereof with respect to the Licensed  
Product(s) made available to PPI by SANO pursuant hereto. SANO further agrees  
that at the request of PPI it will permit one or more accountants selected by  
PPI except any to whom SANO has some reasonable objection, to have access during  
ordinary working hours to such books and records as may be necessary to audit  
the amounts previously charged by SANO to PPI pursuant to Section 7.2 hereof.  
Such accountant shall not disclose to PPI any information relating to the  
business of SANO except the accuracy or inaccuracy of SANO's previously reported  
charges and the amount, if any, that PPI may have been overcharged or  
undercharged with respect to Licensed Products made available to it. Should any  
such accountant discover information indicating that PPI has been overcharged  
for Products made available to it, and should SANO fail to acknowledge in  
writing to PPI the inaccuracy discovered by such accountant within ten (10)  
business days of being advised of same in writing by the accountant, the  
accountant shall have the right to make and retain copies (including  
photocopies) of any pertinent portions of the records and books of account which  
relate to or disclose the inaccuracy (to the extent not acknowledged by SANO).  
SANO shall provide full and complete access to the accountant to SANO's  
pertinent books and records. In the event that the accountant shall have  
questions which are not in its judgment answered by such books and records, the  
accountant shall have the right to confer with officers of SANO, including  
SANO's Chief Financial Officer. If any audit under this Section shall reveal an  
overstatement of the amount payable to SANO by more than $10,000.00 for the  
Licensed Products in question, SANO shall reimburse PPI for all costs and  
expenses relating to such investigation/audit. It is understood and agreed that  
PPI shall only have the right to audit such books ad records of SANO pursuant to  
this Section 11.8 no more often than twice in any contract year unless earlier  
in such contract year or in any of the prior three contract years such  
investigation revealed a discrepancy of more than $10,000.00, as aforesaid, in  
which case PPI shall have the right to audit such books and records three times  
in such contract year. Unless the disclosure of same is reasonably required by  
PPI in connection with any litigation or arbitration arising out of such audit,  
the accountant shall not reveal to PPI the name or address (or other information  
reasonably tending to identify the location of a supplier) of any supplier of  
materials to SANO in the manufacturing or packaging of the Licensed Products  
(but shall identify such supplier to PPI if necessary, by a code name or number  
supplied by such accountant) or the name of or financial information relating to  
any employee of SANO. SANO may, as a condition to providing any accountant  
access to its books-and records, require PPI to execute a reasonable  
confidentiality agreement consistent with the terms of this Section 11.8. The  
rights of PPI pursuant to this Section 11.8 shall survive the termination or  
expiration of this Agreement for a period of one year.  
  
 ARTICLE XII  
  
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 RIGHT OF FIRST REFUSAL  
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 12.1 Right of First Refusal. During the term hereof, PPI shall have the  
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right of first refusal to distribute the Licensed Products in the State of  
Israel, on a product by product basis, in accordance with the following  
procedures.  
  
 12.2 Procedures. For each Licensed Product with respect to which SANO  
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proposes to enter into a distribution agreement in Israel with a third party,  
SANO shall communicate to PPI in writing a reasonably detailed description of  
the provisions of such agreement (a "Proposed Israeli Distribution Agreement").  
Within 30 days of its receipt of a Proposed Israeli Distribution Agreement (the  
"Acceptance Period"), PPI shall notify SANO whether it wishes to enter into an  
agreement with SANO on such terms. If PPI notifies SANO within the Acceptance  
Period that it wishes to do so, PPI and SANO will enter into a distribution  
agreement on such terms. If PPI fails to notify SANO of its election to enter  
into such an agreement within the Acceptance Period, SANO may enter into a  
license or distribution agreement with respect to such Licensed Product with a  
third party on substantially the same terms as set forth in the Proposed Israeli  
Distribution Agreement and PPI's rights under this Article XII will terminate.  
SANO may not enter into such an agreement with a third party on terms  
substantially different from those set forth in the relevant Proposed Israeli  
Distribution Agreement without first offering such terms to PPI for a period of  
thirty days. If SANO shall not enter into the Proposed Israeli Distribution  
Agreement within 30 days following the expiration of the Acceptance Period or  
any extension thereof as set forth in the preceding sentence, SANO's execution  
of any such Agreement or any other Proposed Israeli Distribution Agreement shall  
again be subject to PPI's rights under this Article XII. Each Proposed Israeli  
Distribution Agreement for each Licensed Product shall be subject to PPI's  
rights of first refusal in accordance with the procedures set forth in this  
Section 12.2.  
  
 ARTICLE XIII  
  
 TERMS AND TERMINATION  
 ---------------------  
  
 13.1 This Agreement shall become effective on the date hereof and shall  
remain in effect for a period of ten years per Licensed Product starting on the  
date such Licensed Product becomes available for sale in commercial quantities,  
unless earlier terminated in accordance with the provisions of this Agreement.  
Thereafter, this Agreement shall automatically be renewed as to each Licensed  
Product from year to year unless either party gives notice of termination to the  
other party at least one hundred and twenty days prior to the expiry of the  
initial term or of any renewal term.  
  
 13.2 Either party may, by notice in writing to the other party, terminate  
this Agreement if such other party shall have breached any of its material  
duties or obligations under this Agreement (other than the obligations of PPI to  
pay to SANO any amount due to SANO hereunder [whether on account of Additional  
Consideration, the price for the Licensed Products or otherwise] or to provide  
SANO with the reports or information contemplated in Section 11.2 or 11.3  
hereof) and such breach shall remain uncured for at least sixty days after the  
aggrieved party shall have given notice of the breach to the other party.  
  
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 13.3 SANO may, by notice in writing to PPI, terminate this Agreement if PPI  
fails to pay to SANO any amount payable by PPI to SANO hereunder, whether on  
account of the Additional Consideration, the purchase price for the Licensed  
Products, interest or otherwise, as and when the same shall have become due and  
payable or PPI shall have failed to deliver (or caused to be delivered, as the  
case may be), in timely fashion, the reports or information contemplated in  
Section 11.2 or 11.3 hereof, and in either case, such breach shall have  
continued unremedied for a period of twelve business days after written notice  
of such breach has been given by SANO to PPI; provided that PPI shall not have  
the right to such twelve-day grace period within which to cure such default and  
SANO shall have the immediate right to terminate the Agreement for such breach  
if PPI shall have previously breached Section 11.2 or 11.3, or failed to remit  
any sums of at least $10,000.00 to SANO, when due, in the aggregate, one time in  
the twelve month period immediately preceding the default in question.  
  
 13.4 Either party may terminate this Agreement on thirty days prior written  
notice to the other party if such party or the other party is legally prohibited  
from performing its obligations hereunder (other than by reason of a breach of  
its obligations hereunder) or becomes (or, in the case of PPI, its Affiliate  
becomes) an Ineligible Person (and, where the party purporting to terminate the  
Agreement is also the party prohibited from performing or it or its Affiliate is  
the Ineligible Person, it [or its Affiliate, as the case may be] has made  
diligent good faith best efforts to remove the prohibition or its status as an  
Ineligible Person) and such prohibition or status as an Ineligible Person shall  
have continued uninterrupted for a period of 120 days.  
  
 13.5 Either party may terminate this Agreement in respect of a particular  
Licensed Product (the "Specific Product"), but this Agreement shall continue in  
respect of any other Licensed Product, on thirty (30) days prior written notice  
to the other party (which notice must be delivered within 90 days of the  
expiration of the applicable contract year) if the aggregate Net Sales of the  
Specific Product made by PRI and its Affiliates for any complete contract year  
after the second anniversary of the date on which such Specified Product became  
available for sale shall be less than the amounts stated in or determined  
pursuant to Section 13.8; provided, however, SANO may not terminate with respect  
to any Specific Product pursuant to this Section 13.5 without the consent of PPI  
in the event that SANO shall have previously terminated the exclusive nature of  
the Right pursuant to Section 13.8 and shall be selling, directly or indirectly,  
such Licensed Product in the United States.  
  
 13.6 Either party may terminate this Agreement in accordance with the  
provisions of Section 15.1 hereof.  
  
 13.7 PPI or SANO shall have the right to terminate this Agreement upon  
written notice to the other in the event that any one or more of the following  
events shall become applicable to such other party (herein referred to as the  
"Party"):  
  
 (a) an order is made or a resolution or other action of such Party is  
taken for the dissolution, liquidation, winding up or other termination of its  
corporate existence;  
  
 (b) the Party commits a voluntary act of bankruptcy, becomes insolvent,  
makes an assignment for the benefit of its creditors or proposes to its  
creditors a reorganization, arrangement, composition or readjustment of its  
debts or obligations or otherwise proposes to   
  
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take advantage of or shelter under any statute in force in the United States for  
the protection of debtors;  
  
 (c) if any proceeding is taken with respect to a compromise or  
arrangement, or to have such Party declared bankrupt or to have a receiver  
appointed in respect of such Party or a substantial portion of its property and  
such proceeding is instituted by such Party or is not opposed by such Party or  
if such proceeding is instituted by a Person other than such Party, such Party  
does not proceed diligently and in good faith to have such proceeding withdrawn  
forthwith;  
  
 (d) a receiver or a receiver and manager of any of the assets of such  
Party is appointed and such receiver or receiver and manager is not removed  
within ninety days of such appointment;  
  
 (e) such Party ceases or takes steps to cease to carry on its business.  
  
SANO shall similarly have the right to terminate this Agreement upon written  
notice to PRI if any of the foregoing events becomes applicable to any Affiliate  
of PRI that has been expressly assigned obligations under this Agreement.  
  
 13.8 (a) If  
  
 (i) in the twenty-four (24) month period (such period being herein  
 referred to as the "A Period") beginning on the date (the "A Commencement  
 Date") the first of any shipments of Licensed Product "A" is made available  
 to PPI hereunder, the aggregate Net Sales of Licensed Product "A" for such A  
 Period is less than the Product Sales Threshold (as hereinafter defined);  
  
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 ASTERISKS DENOTE SUCH OMISSION  
  
 (ii) in the twenty-four (24) month period (such period being herein  
 referred to as the "B Period") beginning on the date (the "B Commencement  
 Date") the first of any shipments of Licensed Product "B" is made available  
 to PPI hereunder, the aggregate Net Sales of Licensed Product "B" for such B  
 Period is less than the Product Sales Threshold; or  
  
 (iii) in any twenty-four (24) month period (such period being  
 herein referred to as the "C Period") beginning on the date (the "C  
 Commencement Date") the first of any shipments of Licensed Product "C" is  
 made available to PPI hereunder, the aggregate Net Sales of Licensed Product  
 "C" for such Period is less than [\*\*\*\*\*];  
  
 (iv) in any twelve month period commencing on the second and each  
 subsequent anniversary of the A Commencement Date or the B Commencement Date  
 the Net Sales of the relevant Licensed Product sold by PPI and its  
 Affiliates in such period is less than the Product Sales Threshold; or  
  
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 (v) in any twelve month period commencing on the second and each  
 subsequent anniversary of the C Commencement Date, the Net Sales of Licensed  
 Product "C" sold by PPI and its Affiliates in such period is less than  
 [\*\*\*\*\*];  
  
and the shortfall in sales cannot be attributable primarily to the fault of  
SANO, SANO shall have the right to convert PPI's Right hereunder from an  
exclusive to a non-exclusive right to distribute such Licensed Product upon  
ninety days prior written notice to PPI. As used herein, as to any Licensed  
Product, the Product Sales Threshold shall mean an amount reasonably agreed upon  
by PPI and SANO after consideration of relevant market factors and conditions,  
provided that if PPI and SANO shall fail or be unable to agree as to any  
Licensed Product for any period in question, the Product Sales Threshold for  
such period and Licensed Product shall be [\*\*\*\*\*].  
  
 (b) Notwithstanding the exercise by SANO of its right pursuant to  
Section 13.8(a) hereof, and the resultant conversion of PPI to a non-exclusive  
distributor hereunder, PPI shall have the right to sell the Licensed Products on  
a non-exclusive basis on the terms and conditions as set forth herein, except as  
provided otherwise in this Paragraph 13.8, during the balance of the term of the  
Agreement (subject to earlier termination as herein provided) and SANO shall  
continue to supply the Licensed Products to PPI in accordance with the  
provisions hereof, provided that the obligation of SANO to use its reasonable  
best efforts to supply PPI with its requirements of the Licensed Products shall  
take into account PPI's requirements as well as the requirements of SANO and any  
other third party distributor or distributors appointed by SANO to sell the  
Licensed Products in the United States.  
  
 (c) In the event that SANO exercises its rights under Section 13.8(a)  
and contemporaneously therewith or subsequent thereto enters into an agreement  
with any Person (herein referred to as a "Third Party Licensee"), authorizing or  
licensing such Third Party Licensee to sell any of the Licensed Products in the  
United States on royalty, payment or other cash equivalent or otherwise readily  
economically measured terms more favorable to the Third Party Licensee (such  
more favorable terms being herein referred to as the "MFP") then:  
  
 (i) SANO shall promptly notify PPI of such agreement and shall  
 describe in the notice both the MFP and any obligations, duties,  
 undertakings or other consideration to be provided by the Third Party  
 Licensee; and  
  
 (ii) PPI shall have thirty days from the date of receipt of such  
 notice to notify SANO whether PPI desires to have the benefit of the MFP,  
 which can be accepted only if PPI shall agree (to the extent not already  
 assumed in this Agreement) to any additional obligations, duties, or  
 undertakings, and to provide any consideration to be provided by the Third  
 Party Licensee.  
  
PPI's entitlement to seek the benefit of the MFP shall be conditioned upon and  
subject to PPI assuming and being capable of fully performing all the non-cash  
obligations assumed by the Third Party Licensee in a manner substantially as  
valuable to SANO. If PPI shall dispute such assessment, PPI shall so notify  
SANO, whereupon the issue shall be deemed to be a dispute between the parties  
and subject to resolution pursuant to Section 15.2 hereof.  
  
 13.9 Notwithstanding the termination or expiration of this Agreement  
pursuant to this Article XIII or any other provision of this Agreement, all  
rights and obligations which were   
  
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incurred or which matured prior to the effective date of termination or  
expiration, including accrued Additional Consideration and any cause of action  
for breach of contract, shall survive termination and be subject to enforcement  
under the terms of this Agreement. Termination of this Agreement shall not  
affect any duty of PPI or SANO existing prior to the effective date of  
termination or expiration and which is, whether or not by expressed terms,  
intended to survive termination. Without limiting the generality of the  
foregoing, termination shall not affect any duty to keep confidential any  
Confidential Information (within the meaning of Section 14.4 hereof) disclosed  
by one party to the other (or its Affiliate) as contemplated in Section 14.4  
hereof, but rather such Confidential Information shall be held by the receiving  
party subject to such restrictions on use and disclosure as provided in the said  
Section.  
  
 13.10 Upon termination of this Agreement by PPI pursuant to Section 13.2  
or 13.7 or pursuant to Section 13.4 as a result of SANO's inability to perform  
its obligations hereunder or becoming an Ineligible Person or the termination of  
this Agreement by SANO pursuant to Section 13.5 hereof, SANO shall, at the  
request of PPI, repurchase all Licensed Products then in the possession, custody  
or control of PPI and available for sale (and which have not been adulterated  
since they were made available for pick up by PPI) and all packaging material in  
the possession, custody or control of PPI which were specifically acquired by  
PPI for these Licensed Products and which cannot be used by PPI or its  
Affiliates for any other products sold by any of them, at the price originally  
paid by PPI therefor plus all transportation costs previously incurred (even if  
not yet paid) by PPI payable in cash on delivery by PPI to SANO. SANO shall pay  
all transportation costs associated with shipping the repurchased Licensed  
Product to SANO or to such other places SANO may require.  
  
 13.11 In the event that this Agreement is terminated pursuant to the  
provisions of Section 13.4 hereof as a result of a party (herein referred to as  
the "Prohibited Party") being unable to  
  
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perform its obligations hereunder as therein contemplated or having become (or  
its Affiliate having become) an Ineligible Person and within twelve (12) months  
of the effective date of termination of this Agreement the Prohibited Party is  
again able to perform its obligations hereunder or has ceased (or its Affiliate  
has ceased) to be an Ineligible Person, then the Prohibited Party shall, by  
notice in writing, advise the other party (herein referred to as the "Receiving  
Party") that it is no longer legally prohibited from performing its duties and  
obligations hereunder or that it has ceased (or that its Affiliate has ceased)  
to be an Ineligible Person and the Receiving Party shall have the right, to be  
exercised by notice in writing given to the Prohibited Party within thirty (30)  
days of receipt of the aforesaid notice from Prohibited Party, to reinstate this  
Agreement; provided, however, that if the Prohibited Party is PPI then SANO  
shall have the right to reinstate this Agreement as if a proper notice had been  
given pursuant to Section 13.8 of this Agreement and PPI shall be reinstated on  
a non-exclusive basis, but only to the extent that such reinstatement will not  
violate the provisions of any agreement SANO shall have entered into during the  
period PPI was a Prohibited Party.  
  
 13.12 If SANO terminates this Agreement pursuant to Section 13.2, 13.3 and  
13.7 hereof then PPI shall not and shall cause its Affiliates not to, for a  
period of twelve (12) months following the effective date of termination, sell  
in the United States any Competitive Product.  
  
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 13.13 In the event that SANO terminates this Agreement in respect of a  
Specific Product pursuant to Section 13.5 hereof, SANO shall, at the request of  
PPI, make available to PPI within a reasonable period of time of such  
termination, such number of units of such Specific Product as shall be equal to  
the net number of units of such Specific Product sold by PPI during the entire  
contract year immediately preceding the year in which this Agreement is so  
terminated or such lesser number of units of each such Specific Product as PPI  
shall advise SANO in writing within ten business days of such termination. Such  
Specific Product shall be made available to PPI in accordance with the  
provisions of this Agreement and the provisions of this Agreement shall apply to  
all such Specific Product as if such Specific Product had been supplied by SANO  
during the term of this Agreement.  
  
 13.14 (a) If SANO has not received an approval of an ANDA for  
Licensed Product A prior to the later of [\*\*\*\*\*] PPI may terminate this  
Agreement with respect to Licensed Product A by providing SANO with written  
notice of such termination and neither party shall have any obligation hereunder  
with respect to Licensed Product A other than applicable confidentiality  
provisions and the payment by SANO described in the following sentence. In the  
event of such termination, SANO shall pay PPI the sum of (i) [\*\*\*\*\*] and (ii)  
the amount paid by PPI in respect of Licensed Product A pursuant to Section 7.1  
and Section 7.4 hereof, with half of such sum payable three (3) months after  
SANO's receipt of notice of such termination and half of such sum payable  
fifteen (15) months after SANO's receipt of notice of such termination.  
  
 (b) If SANO has not received an approval of an ANDA for Licensed  
Product B prior to the later of [\*\*\*\*\*] PPI may terminate this Agreement with  
respect to Licensed Product B by providing SANO with written notice of such  
termination and neither party shall have any  
  
  
  
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 SECURITIES AND EXCHANGE COMMISSION  
 ASTERISKS DENOTE SUCH OMISSION  
  
  
obligation hereunder with respect to Licensed Product B other than applicable  
confidentiality provisions and the payment by SANO described in the following  
sentence. In the event of such termination, SANO shall pay PPI the sum of (i)  
[\*\*\*\*\*] and (ii) the amount paid by PPI in respect of Licensed Product B  
pursuant to Section 7.4 hereof, with half of such sum payable three (3) months  
after SANO's receipt of notice of such termination and half of such sum payable  
fifteen (15) months after SANO's receipt of notice of such termination.  
  
 (c) If SANO has not received an approval of an ANDA for Licensed  
Product C prior to the later of [\*\*\*\*\*] PPI may terminate this Agreement with  
respect to Licensed Product C by providing SANO with written notice of such  
termination and neither party shall have any obligation hereunder with respect  
to Licensed Product C other than applicable confidentiality provisions and the  
payment by SANO described in the following sentence. In the event of such  
termination, SANO shall pay PPI the sum of (i) [\*\*\*\*\*] and (ii) the amount paid  
by PPI in respect of Licensed Product C pursuant to Section 7.1 and Section 7.4  
hereof, with half of such sum payable three (3) months after SANO's receipt of  
such termination and half of such sum payable fifteen (15) months after SANO's  
receipt of notice of such termination.  
  
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 (d) For the purposes of this Section 13.14, the dates on which ANDAs  
were filed for the respective Licensed Products shall be as set forth on Exhibit  
E attached hereto.  
  
 ARTICLE XIV  
  
 RECALLS, ADMINISTRATIVE MATTERS AND CONFIDENTIALITY  
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 14.1 Recalls. In the event that it becomes necessary to conduct a recall,  
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market withdrawal or field correction (hereafter collectively referred to as  
"recall") of any Licensed Product manufactured by SANO and sold by PPI or its  
Affiliates the following provisions shall govern such a recall:  
  
 (a) After consulting with SANO, and on terms and conditions reasonably  
satisfactory to SANO, PPI shall conduct (and shall cause its Affiliate to  
conduct) the recall and shall have primary responsibility therefore and SANO and  
PPI shall each cooperate with the other in recalling any affected Licensed  
Product(s). PPI covenants and agrees to maintain and to cause its Affiliates to  
maintain such records of all sales of the Licensed Products made by PPI or its  
Affiliates as are required by the FDA or as are reasonably appropriate for a  
distributor of pharmaceutical products to maintain so as to enable a recall to  
be properly completed.  
  
 (b) Irrespective of whether the recall is initiated by PPI or by SANO:  
  
 (i) If it is later demonstrated that the reason for the recall was  
 due primarily to acts or omissions of SANO (or the safety or efficacy of the  
 Licensed Product other than as a result of acts or omissions of PPI or its  
 Affiliates), then SANO shall pay or reimburse, as the case may be, all  
 reasonable direct out-of-pocket expenses, including but not limited to  
 reasonable attorney's fees and expenses and credits and recall expenses  
 claimed by and paid to customers, incurred by PPI or SANO in connection with  
 performing any such recall, provided that expenses incurred by PPI shall be  
 in accordance with the terms and conditions of the recall approved by SANO;  
 or  
  
 (ii) If it is later determined that the reason for the recall was due  
 primarily to the acts or omissions of PPI or its Affiliates, then PPI shall  
 pay or reimburse, as the case may be, all direct out-of-pocket expenses,  
 including but not limited to reasonable attorney's fees and expenses and  
 credits and recall expenses claimed by and paid to customers, incurred by  
 PPI or SANO in connection with performing any such recall; or  
  
 (iii) If the parties are unable to agree that the cause of the  
 recall was due primarily to the act or omission of one of the parties (or  
 its Affiliates, as the case may be) within sixty days of the initiation of  
 the recall and have not commenced arbitration proceedings to resolve such  
 dispute within such sixty day period then all direct out- of-pocket costs  
 incurred by PPI and SANO, including but not limited to reasonable attorney's  
 fees and expenses and credits and recall expenses claimed by and paid to  
 customers, shall be shared by the parties in proportion to their sharing of  
 Gross Profits in respect of the Licensed Products recalled.  
  
Each of the parties shall use its reasonable best efforts to minimize the  
expenses of recall which it incurs. It is understood and agreed that the direct  
out-of-pocket costs and expenses of the recall   
  
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contemplated in Paragraphs (i), (ii) and (iii) above shall not include the  
invoice price charged by PRI or its Affiliates to the customers for the Products  
recalled, which amount shall be dealt with in accordance with the provisions of  
Section 9 hereof and shall also not include any excess re-procurement costs  
(within the meaning of Paragraph 14.3 hereof) and related penalties and  
assessments, which costs, penalties and assessments shall be an expense of PPI  
except to the extent that it is an expense of SANO pursuant to Section 14.3  
hereof (provided that where the provisions of Paragraph (iii) above apply, the  
excess reprocurement costs and related penalties and assessments incurred  
pursuant to Approved Contracts [as that term is defined in Section 14.3 hereof]  
shall be shared by the parties in the proportion in which Gross Profits are  
shared in respect of the recalled Products sold pursuant to such Approved  
Contracts).  
  
 (c) All Licensed Products recalled pursuant to this Section 14.1 shall  
be treated as Licensed Products returned to PPI by its customers and the  
provisions of Section 9 shall apply thereto.  
  
 (d) The party initiating the recall shall inform FDA of the proposed  
recall; however, nothing contained herein shall preclude either party from  
informing FDA of any proposed or actual recall by either party should the  
recalling party fail to inform FDA of that recall within ten (10) days of a  
written request by the non-recalling party to so inform FDA.  
  
 (e) For greater certainty, in the event of a recall, neither party or  
its Affiliates shall profit from any out-of-pocket expenses incurred by it in  
connection with the recall and for which it is reimbursed by the other party  
and, except where the recall relates directly to an intentional breach of a  
representation or warranty contained in this Agreement or arises directly out of  
a willful material breach by a party of any of its duties or obligations  
hereunder (in each case, as contemplated in Section 10.1 hereof), neither party  
shall have a claim against the other party for any damages, losses or expenses  
which it suffers or incurs as a result thereof except to the extent permitted or  
contemplated in this Section 14.  
  
 (f) Each party shall provide reasonable evidence to the other of the  
out-of-pocket expenses being claimed by it and the rights of SANO pursuant to  
Section 11.4 and the rights of PPI pursuant to Section 11.8 shall apply thereto.  
  
 14.2 ANDA-Related FDA Correspondence. Each of the parties shall provide the  
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other with a copy of any correspondence or notices received by such party from  
FDA relating or referring to the Licensed Product(s) within ten (10) days of  
receipt. Each party shall also provide the other with copies of any responses  
to any such correspondence or notices within ten (10) days of making the  
response.  
  
 14.3 Excess Re-procurement Costs.  
 ---------------------------   
  
 (a) In the event that a recall occurs which recall was necessitated  
primarily by any act or omission of SANO and SANO does not supply PPI with  
replacement Licensed Product on a timely basis or if SANO, in breach of its  
obligations under this Agreement, fails to make Licensed Product(s) available to  
PPI, SANO shall, in addition to any reimbursement required under Section 14.1,  
pay any excess re-procurement costs and/or related penalties or assessments  
incurred by, or assessed on, PPI by a customer of PPI pursuant to an Approved  
Contract (as that   
  
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term is defined below) due to PPI's inability to supply Licensed Product(s) to  
such customer due to the aforesaid acts, omissions or breaches of SANO.  
  
 (b) SANO shall cooperate with PPI with respect to any legal or  
administrative proceedings that arise pursuant to the Approved Contracts as a  
result of PPI's inability to supply Licensed Product(s) to such customer due to  
the aforesaid acts, omissions or breaches by SANO. The foregoing shall be  
without prejudice to any other damages, expense or costs that PPI may have  
suffered in connection with SANO's inability to supply the Licensed Product as  
aforesaid, subject to the limitations and other provisions set forth in this  
Agreement.  
  
 (c) For purposes hereof the term "Approved Contract" shall mean a  
contract entered into by PPI on or after the Execution Date with one of its  
customers:  
  
 (i) pursuant to which PPI agrees to supply such customer with  
 pharmaceutical products which include the Licensed Products (or any of  
 them), and which provides that if PPI fails to supply such customer with the  
 Licensed Product in accordance with specified terms and conditions therein  
 set forth then such customer shall have the right to procure a comparable  
 replacement product for the Licensed Product in substitution for the  
 Licensed Products that PPI has failed to supply to such customer in  
 accordance with the provisions of its agreement and to charge back to PPI  
 any costs and expenses incurred by such customer to acquire such comparable  
 replacement product in excess of the price which was to have been charged by  
 PPI to the customer for the Licensed Products which it failed to provide  
 (such excess costs and expenses being the excess re-procurement costs  
 contemplated in Section 14.1 and in this Section 14.3);  
  
 (ii) which has a term of twelve (12) months or less; and  
  
 (iii) which provides for the supply of the relevant Licensed Product  
 in an amount not greater than the amount forecast by PPI pursuant to Section  
 6.2 hereof, taking into account all other sales of the Licensed Product in  
 the relevant period; or  
  
 (iv) where the contract has a term of more than 12 months, or  
 provides for an amount greater than that contemplated by Paragraph (iii)  
 above, SANO has approved or has been deemed to have approved such contract  
 in accordance with the provisions of Section 14.3(v) hereof; or  
  
 (v) if the approval of SANO as contemplated in Paragraph (iv) above  
 is requested, PPI shall have provided to SANO, in accordance with the  
 provisions of this paragraph, a complete copy of the proposed final  
 agreement between PPI and its customer prior to entering into such contract.  
 A copy of any contract to be provided to SANO as contemplated in this  
 Paragraph (v) shall be forwarded to SANO in the manner contemplated in  
 Section 15.4 hereof. SANO shall have a period of ten business days from the  
 date upon which copies of such contract are actually received by it as  
 aforesaid to notify PPI in writing that it does not approve of the contract  
 and failing such notice from SANO within such ten business day period SANO  
 shall be deemed to have approved of such contract.  
  
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 14.4 Confidentiality.  
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 (a) The parties agree that, without the prior written consent of the  
other party (such consent not to be unreasonably withheld) or except as may be  
required under law or court order, the provisions of the Agreement shall remain  
confidential and shall not be disclosed to any Person not affiliated with any of  
the parties.  
  
 (b) PPI and SANO hereby agree not to reveal or disclose any  
Confidential Information (as defined below) to any Person without first  
obtaining the written consent of the disclosing party, except as may be  
necessary in regulatory proceedings or litigation. For purposes hereof  
Confidential Information shall mean all information, in whatever form, which is  
or was disclosed by one party to another or to an Affiliate of the other prior  
to or during the term of this Agreement and which relates in any way to the  
Products or to the business of the disclosing party, including, without  
limitation information relating to customers and pricing. Confidential  
Information shall not include information that a party can demonstrate by  
written evidence:  
  
 (i) is in the public domain (provided that information in the public  
 domain has not and does not come into the public domain as a result of the  
 disclosure by the receiving party or any of its Affiliates);  
  
 (ii) is known to the receiving party or any of its Affiliates prior  
 to the disclosure by the other party: or  
  
 (iii) becomes available to the party on a non-confidential basis  
 from a source other than an Affiliate of that party or the disclosing party  
  
and PPI covenants and agrees to cause its Affiliates to comply with the  
provisions of this Section 14.4.  
  
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 ARTICLE XV  
  
 GENERAL TERMS AND CONDITIONS  
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 15.1 Force Majeure Clauses. Neither party shall be considered to be in  
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default in respect of any obligation hereunder, other than the obligation of a  
party to make payment of amounts due to the other party under or pursuant to  
this Agreement, if failure of performance shall be due to Force Majeure. If  
either party is affected by a Force Majeure event, such party shall, within 20  
days of its occurrence, give notice to the other party stating the nature of the  
event, its anticipated duration and any action being taken to avoid or minimize  
its effect. The suspension of performance shall be of no greater scope and not  
longer duration than is required and the non-performing party shall use its  
reasonable best efforts to remedy its inability to perform. The obligation to  
pay money in a timely manner is absolute and shall not be subject to the Force  
Majeure provisions, except to the extent prohibited by governmental rule or  
regulations other than rules or regulations incident to bankruptcy or insolvency  
proceedings of a party. Force Majeure shall mean an unforeseeable or  
unavoidable cause beyond the control and without the fault or negligence of a  
party (and, where the party is PPI, beyond the control and without the fault or  
negligence of any of its Affiliates) including, but not limited to, explosion,  
flood, war (whether declared or otherwise), accident, labor strike, or other  
labor disturbance, sabotage, acts of God, newly enacted legislation, newly  
issued orders or decrees of any Court or of any governmental agency.  
Notwithstanding anything in this Section to the contrary, the party to whom  
performance is owed but to whom it is not rendered because of any event of Force  
Majeure as contemplated in this Section 15.1 shall, after the passage of one  
hundred and twenty days, have the option to terminate this Agreement on thirty  
days prior written notice to the other party hereto. For greater certainty, the  
inability or failure of PPI to cause any of its respective Affiliates to comply  
with any of the provisions of this Agreement expressed o be applicable to its  
Affiliates or which require such party to cause the Affiliate to do or not to do  
something shall not be considered Force Majeure unless the Affiliate in question  
is unable to comply by reason of unforeseeable or unavoidable causes beyond the  
control and without the fault or negligence of such Affiliate.  
  
 15.2 Arbitration. All disputes arising out of, or in relation to, this  
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Agreement (other than disputes arising out of any claim by a third party in an  
action commenced against a party), shall be referred for decision forthwith to a  
senior executive of each party not involved in the dispute. If no agreement can  
be reached through this process within thirty days of request by one party to  
the other to nominate a senior executive for dispute resolution, then either  
party hereto shall be entitled to refer such dispute to a single arbitrator for  
arbitration under Florida law, such arbitration to be held in Miami, Florida on  
an expedited basis in accordance with the rules and regulations of the American  
Arbitration Association. Any party demanding arbitration shall with service of  
its demand for arbitration propose a neutral arbitrator selected by it. In the  
event that the parties cannot agree upon a neutral arbitrator within thirty (30)  
days after the demand for arbitration, an arbitrator shall be appointed by the  
American Arbitration Association who shall be a partner in a Miami, Florida law  
firm having at least ten (10) partners.  
  
 15.3 Assignment. This Agreement may not be assigned nor can the performance  
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of any duties hereunder be delegated by PPI or by SANO without the prior written  
consent of the other parties, which consent shall not be unreasonably withheld;  
provided that any such assignment shall not relieve the assignor from any of its  
obligations hereunder or under any other document or agreement delivered by such  
party pursuant to, or delivered (or acknowledged to have been   
  
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delivered) contemporaneously with or in connection with the execution of, this  
Agreement, which shall continue to be binding upon such party notwithstanding  
such assignment. Notwithstanding the foregoing, PPI may delegate from time to  
time some of its duties hereunder to any of its Affiliates provided that, prior  
to any such delegation, it gives written notice thereof to SANO (indicating the  
duties being so delegated and the duration of such delegation); provided that no  
such delegation shall relieve PPI from any of its obligations hereunder in  
respect of the duties being delegated or otherwise.   
  
 15.4 Notices. Any notice required or permitted to be given under this  
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Agreement shall be sufficiently given if in writing and delivered by registered  
or certified mail (return receipt requested), facsimile (with confirmation of  
transmittal), overnight courier (with confirmation of delivery), or hand  
delivery to the appropriate party at the address set forth below, or to such  
other address as such party may from time to time specify for that purpose in a  
notice similarly given:  
  
 If to SANO:  
  
 SANO Corporation  
 0000 Xxxxxxxx Xxxxxxx  
 Xxxxxxx, Xxxxxxx 00000  
 Attn: President  
 Fax: (000) 000-0000  
  
 with a copy to (other than regularly prepared notices,  
 reports, etc. required to be delivered hereunder):  
  
 Greenberg, Traurig, Hoffman,  
 Lipoff, Xxxxx & Xxxxxxx, P.A.  
 0000 Xxxxxxxx Xxxxxx  
 Xxxxx, Xxxxxxx 00000  
 Attn: Xxxx Xxxxxxx, Esq.  
 Fax: 000-000-0000  
  
 If to PRI  
  
 c/o PRI Distributors, Ltd.  
 Xxx Xxx Xxxxx Xxxx  
 Xxxxxx Xxxxxx, XX 00000  
 Attn: President  
 Fax: 000-000-0000  
  
 with a copy to (other than regularly prepared notices,  
 reports, etc. required to be delivered hereunder):  
  
 Xxxxxxx, Calamari & Xxxxxxx  
 000 Xxxx Xxxxxx  
 Xxx Xxxx, Xxx Xxxx 00000  
 Attn: Xxxxxxx X. Xxxxxxxxxx, Esq.  
 Fax: (000) 000-0000  
  
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Any such notice shall be effective (i) if sent by mail, as aforesaid, five  
business days after mailing, (ii) if sent by facsimile, as aforesaid, when sent,  
and (iii) if sent by courier or hand delivered, as aforesaid, when received.  
Provided that if any such notice shall have been sent by mail and if on the date  
of mailing thereof or during the period prior to the expiry of the third  
business day following the date of mailing there shall be a general postal  
disruption (whether as a result of rotating strikes or otherwise) in the United  
States then such notice shall not become effective until the fifth business day  
following the date of resumption of normal mail service.  
  
 15.5 Governing Law and Consent to Jurisdiction.  
 -----------------------------------------   
  
 (a) Except as otherwise provided herein, this Agreement shall be  
deemed to have been made under, and shall be governed by, the laws of the State  
of Florida in all respects including matters of construction, validity and  
performance, but without giving effect to Florida's choice of law provisions.  
  
 (b) In connection with any action commenced hereunder, each of the  
undersigned consent to the exclusive jurisdiction of the state and federal  
courts located in Miami, Florida. Notwithstanding the foregoing, each party  
also agrees to the jurisdiction of any court which a third party claim has been  
brought.  
  
 15.6 Binding Agreement. This Agreement shall be binding upon the parties  
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hereto, and their respective successors and permitted assigns.  
  
 15.7 Entire Agreement. This Agreement and all other documents and  
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instruments delivered by any of the parties or their Affiliates pursuant hereto  
or in connection with the execution and delivery of this Agreement contain the  
entire agreement and understanding of the parties with respect to the subject  
matter hereof and thereof and supersedes all negotiations, prior discussions and  
agreements relating to the Licensed Products or the Right. This Agreement may  
not be amended or modified except by a written instrument signed by all of the  
parties hereto.  
  
 15.8 Headings. The headings to the various articles and paragraphs of this  
 --------   
Agreement have been inserted for convenience only and shall not affect the  
meaning of the language contained in this Agreement.  
  
 15.9 Waiver. The waiver by any party of any breach by another party of any  
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term or condition of this Agreement shall not constitute a waiver of any  
subsequent breach or nullify the effectiveness of that term or condition.  
  
 15.10 Counterparts. This Agreement may be executed in identical  
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duplicate copies. The parties agree to execute at least two identical original  
copies of the Agreement. Each identical counterpart shall be deemed an  
original, but all of which together shall constitute one and the same  
instrument.  
  
 15.11 Severability of Provisions. If, for any reason whatsoever, any  
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term, covenant or condition of this Agreement or of any other document or  
instrument executed and delivered by either PPI or SANO pursuant hereto or in  
connection with the completion of the transaction   
  
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contemplated herein, or the application thereof to any party or circumstance is  
to any extent held or rendered invalid, unenforceable or illegal, then such  
term, covenant or condition:  
  
 (i) is deemed to be independent of the remainder of such document  
 and to be severable and divisible therefrom and its validity,  
 unenforceability or illegality does not affect, impair or invalidate the  
 remainder of such document or any part thereof; and  
  
 (ii) continue to be applicable and enforceable to the fullest  
 extent permitted by law against any party and circumstances other than  
 those as to which it has been held or rendered invalid, unenforceable or  
 illegal.  
  
 15.12 Publicity. Neither party shall issue any press release or other  
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public statement regarding, or disclosing the existence of, this Agreement  
without the prior written consent of the other party; provided, however, that  
neither party shall be prevented from complying with any disclosure obligation  
it may have under applicable law. The parties shall use their best efforts to  
agree on the form and content of any such public statement.  
  
 ARTICLE XVI  
  
 GUARANTEE OF PRI  
  
 16.1 Guarantee. PRI does hereby unconditionally guarantee to SANO the full  
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and prompt payment and performance by PPI of all of the obligations of every  
nature whatsoever to be performed by PPI under this Agreement (the "Guaranteed  
Obligations") as and when required to be paid or performed under this Agreement.  
The guarantee set forth in the preceding sentence (this "Guarantee") is an  
absolute, unconditional and continuing guarantee of the full and punctual  
payment and performance of the Guaranteed Obligations and is in no way  
conditioned upon any requirement that SANO first attempt to enforce any of the  
Guaranteed Obligations against PPI, any other guarantor of the Guaranteed  
Obligations or any other Person or resort to any other means of obtaining  
performance of any of the Guaranteed Obligations. This Guarantee shall continue  
in full force and effect until PPI shall have satisfactorily performed or fully  
discharged all of the Guaranteed Obligations. No performance or payment made by  
PPI, PRI, any other guarantor or any other Person, or received or collected by  
SANO from PPI, PRI, any other guarantor or any other Person in performance of or  
in payment of the Guaranteed Obligations shall be deemed to modify, reduce  
(except to the extent that any such performance or payment shall reduce the  
Guaranteed Obligations), release or otherwise affect the liability of PRI under  
this Guarantee which shall, notwithstanding any such payment or performance  
other than those made by PRI in respect of the Guaranteed Obligations or those  
received or collected from PRI in respect of the Guaranteed Obligations, remain  
liable for the amount of the Guaranteed Obligations, until the Guaranteed  
Obligations are paid and performed in full.  
  
 16.2 No Subrogation. Notwithstanding any payment or performance by PRI,  
 --------------   
PRI shall not be entitled to be subrogated to any of the rights of SANO or any  
other guarantor or any collateral security held by SANO against PPI or any other  
guarantor or any collateral security for the payment of the Guaranteed  
Obligations, nor shall PRI seek or be entitled to seek any contribution or  
reimbursement from PPI or any other guarantor in respect of payments made by PRI  
under this Guarantee. PRI HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY AND  
ALL RIGHTS AND CLAIMS WHICH PRI MAY NOW HAVE OR   
  
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HEREAFTER ACQUIRE TO BE SUBROGATED TO ANY SUCH RIGHTS OF SANO AND TO SEEK OR BE  
ENTITLED TO SEEK ANY SUCH CONTRIBUTION OR REIMBURSEMENT FROM PPI OR ANY OTHER  
GUARANTOR. THE OBLIGATIONS OF AND WAIVERS BY PRI SET FORTH IN THIS SECTION 16.2  
SHALL SURVIVE THE TERMINATION OF THIS GUARANTEE AND THE PAYMENT, PERFORMANCE AND  
SATISFACTION IN FULL OF ALL OF THE GUARANTEED OBLIGATIONS.  
  
 16.3 Amendments, etc. with Respect to Guaranteed Obligations; Waiver of  
 ------------------------------------------------------------------  
Rights. PRI shall remain obligated under this Guarantee notwithstanding that,  
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without any reservation of rights against PRI and without notice to or further  
assent by PRI, any demand for payment or performance of any of the Guaranteed  
Obligations made by SANO may be rescinded by SANO and any of the Guaranteed  
Obligations continued, and the Guaranteed Obligations, or the liability of any  
other Person upon or for any part thereof, or any collateral security (or  
guarantee therefor may, from time to time, in whole or in part, be renewed,  
extended, amended, modified, accelerated, compromised, waived, surrendered or  
released by SANO and this Agreement, any collateral security document or other  
guarantee or document in connection herewith may be amended, modified,  
supplemented or terminated, in whole or in part, as SANO may deem advisable from  
time to time, and any collateral security or guarantee at any time held by SANO  
for the payment or performance of the Guaranteed Obligations may be sold,  
exchanged, waived, surrendered or released. SANO shall not have any obligation  
to protect, secure, perfect or insure any lien at any time held by it as  
security for the Guaranteed Obligations or for this Guarantee or any property  
subject thereto. When making any demand hereunder against PRI, SANO may, but  
shall be under no obligation to, make a similar demand on PPI or any other  
guarantor, and any failure by SANO to make any such demand or to collect any  
payments from PPI or any such other guarantor or any release of PPI or such  
other guarantor shall not relieve PRI of its obligations or liabilities under  
this Guarantee, and shall not impair or affect the rights and remedies, express  
or implied, or as a matter of law, of SANO against PRI.  
  
 16.4 Extent of Liability and Waivers. PRI understands and agrees that the  
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obligation of guarantee of PRI pursuant to Section 16.1 are intended to render  
PRI liable hereunder in each instance where PPI would be liable under this  
Agreement, and no more, and except that the obligations of PRI hereunder shall  
not be discharged by any bankruptcy or similar proceeding which may discharge  
PPI herefrom. Accordingly, PRI acknowledges that it will not assert, and hereby  
waives to the fullest extent permitted by law, any rights to avoid performance  
hereunder available to it as guarantor which are not also available to PPI. PRI  
waives any and all notice of the creation, renewal, extension or accrual of any  
of the Guaranteed Obligations and notice of or proof of reliance by SANO upon  
this Guarantee or acceptance of this Guarantee; the Guaranteed Obligations, and  
any of them, shall conclusively be deemed to have been created, contracted or  
incurred, or renewed, extended, amended or waived, in reliance upon this  
Guarantee; and all dealings between PPI or PRI, on the one hand, and SANO on the  
other, pursuant to this Agreement shall likewise be conclusively presumed to  
have been had or consummated in reliance upon this Guarantee. PRI waives  
diligence, presentment, protest, demand for payment and notice of default or  
nonpayment or nonperformance to or upon PPI or any other guarantors with respect  
to the Guaranteed Obligations. When pursuing its rights and remedies hereunder  
against PRI, SANO may, but shall be under no obligation to, pursue such rights  
and remedies as it may have against PPI or any other Person or against any  
collateral security or guarantee for the Guaranteed Obligations, and any failure  
by PRI to pursue such other rights or remedies or to collect any   
  
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payments from PPI or any such other Person or to realize upon any such  
collateral security or guarantee, or any release of PPI or any such other Person  
or any such collateral security or guarantee, shall not relieve PRI of any  
liability hereunder and shall not impair or affect the rights and remedes,  
whether express, implied or available as a matter of law, of SANO against PRI.  
This Guarantee shall remain in full force and effect and be binding upon PRI and  
its successors and assigns and shall inure to the benefit of SANO and its  
successors and assigns, until all the Guaranteed Obligations shall have been  
satisfied by payment and performance in full.  
  
 16.5 Reinstatement. This Guarantee shall continue to be effective, or be  
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reinstated, as the case may be, if at any time payment or performance, or any  
part thereof, of any of the Guaranteed Obligations is rescinded or must  
otherwise be restored or returned by SANO upon the insolvency, bankruptcy,  
dissolution, liquidation or reorganization of PPI or PRI, or upon or as a result  
of the appointment of a receiver, intervenor or conservator of, or trustee or  
similar officer for, PPI or PRI, or any substantial part of its or their  
property, or otherwise, all as though such payments had not been made.  
  
 16.6 No Waiver; Cumulative Remedies. SANO shall not by any act (except by  
 ------------------------------   
a written instrument pursuant to Section 15.7), delay, indulgence, omission or  
otherwise be deemed to have waived any right or remedy hereunder or to have  
acquiesced in any breach of any of the terms and conditions of this Agreement.  
No failure to exercise, nor any delay in exercising, on the part of SANO, any  
right, power or privilege hereunder shall operate as a waiver thereof. No  
single or partial exercise of any right, power or privilege hereunder shall  
preclude any other or further exercise thereof or the exercise of any other  
right, power or privilege. A waiver by SANO of any right or remedy hereunder on  
any one occasion shall not be construed as a bar to any right or remedy which  
the SANO would otherwise have on any future occasion. The rights and remedies  
herein provided are cumulative, may be exercised singly or concurrently and are  
not exclusive of any rights or remedies provided by law.  
  
 16.7 Affiliates. To the extent that PPI or PRI is obligated hereunder to  
 ----------   
cause its Affiliates to do or refrain from doing anything, PRI will do all  
things that it may lawfully and reasonably do to cause such Affiliate to comply.  
  
 IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the  
Execution Date.  
  
 SANO CORPORATION  
 By:/s/ Xxxxxxxx Xxxxx  
 ------------------------------------------  
 (Signature)  
   
 Name: Xxxxxxxx Xxxxx  
 ----------------------------------------  
   
 Title: President  
 ---------------------------------------  
   
   
 PHARMACEUTICAL RESOURCES,  
 INC.  
 By:/s/Xxxxxxx X. Xxxxxx  
 ------------------------------------------  
 (Signature)  
  
 37  
  
   
 Name: Xxxxxxx X. Xxxxxx  
 ----------------------------------------  
   
 Title: President and Chief Executive Officer  
 ---------------------------------------  
   
   
 PAR PHARMACEUTICAL, INC.  
 By:/s/Xxxxxxx X. Xxxxxx  
 ------------------------------------------  
 (Signature)  
  
 Name: Xxxxxxx X. Xxxxxx  
 ----------------------------------------  
   
 Title: President and Chief Executive Officer  
 ---------------------------------------  
  
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 CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND  
 EXCHANGE COMMISSION  
 ASTERISKS DENOTE SUCH OMISSION  
  
 EXHIBIT A  
 LICENSED PRODUCTS  
   
PRODUCT "A"  
------------------------------------------------------------------------------  
DRUG NAME ANDA# SANO FILING DATE FDA ACCEPTED DATE  
Nitroglycerin Transdermal System   
[\*\*\*\*\*]\* [ \*\*\*\*\* ]  
Nitroglycerin Transdermal System   
[\*\*\*\*\*]\* [ \*\*\*\*\* ]  
Nitroglycerin Transdermal System   
[\*\*\*\*\*]\* [ \*\*\*\*\* ]  
Nitroglycerin Transdermal System   
[\*\*\*\*\*]\* [ \*\*\*\*\* ]  
Nitroglycerin Transdermal System   
[\*\*\*\*\*]\* [ \*\*\*\*\* ]  
Nitroglycerin Transdermal System   
[\*\*\*\*\*]\* [ \*\*\*\*\* ]  
\*Generically equivalent to such strengths in Nitro Dur(R).  
   
PRODUCT "B"  
------------------------------------------------------------------------------  
DRUG NAME ANDA# SANO FILING DATE FDA ACCEPTED DATE  
Nicotine Transdermal System   
[\*\*\*\*\*]\* [ \*\*\*\*\* ]  
Nicotine Transdermal System   
[\*\*\*\*\*]\* [ \*\*\*\*\* ]  
Nicotine Transdermal System   
[\*\*\*\*\*]\* [ \*\*\*\*\* ]  
\*Generically equivalent to such strengths in Habitrol(R).  
   
PRODUCT "C"  
-----------------------------------------------------------------------------  
DRUG NAME ANDA# SANO FILING DATE FDA ACCEPTED DATE  
Nitroglycerin Transdermal System   
[\*\*\*\*\*]\* [ \*\*\*\*\* ]  
Nitroglycerin Transdermal System   
[\*\*\*\*\*]\* [ \*\*\*\*\* ]  
Nitroglycerin Transdermal System   
[\*\*\*\*\*]\* [ \*\*\*\*\* ]  
Nitroglycerin Transdermal System   
[\*\*\*\*\*]\* [ \*\*\*\*\* ]  
\*Generically equivalent to such strengths in Transderm-Nitro(R).  
   
 CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE   
 SECURITIES AND EXCHANGE COMMISSION  
  
 39  
  
   
 ASTERISKS DENOTE SUCH OMISSION  
  
 EXHIBIT B  
  
 As used herein, the term "Net Sales" shall mean the gross amount invoiced  
for sales of Licensed Product(s) made by PRI or its Affiliates to independent  
third parties, reduced by the following to the extent that they are properly  
allocable to the quantity of Licensed Product(s) so sold: all trade, quantity  
and cash discounts allowed; credits or allowances actually granted on account of  
rejections; returns, billing errors and retroactive price reductions (including,  
without limitation, shelf stock adjustments); credits, rebates, chargeback  
rebates, fees, reimbursements or similar payments granted or given to  
wholesalers and other distributors, buying groups, health care insurance  
carriers, governmental agencies and other institutions in respect of the  
purchase price; freight, transportation, insurance or other delivery charges;  
and all taxes (except income taxes), tariffs, duties and other similar  
governmental charges paid by the seller on sales of the Licensed Product(s) and  
not reimbursed by the purchaser. "Gross Profit" shall mean the difference  
between Net Sales for any amount of Licensed Product(s) and the price paid to  
SANO pursuant to Section 7.2 hereof in respect of such Licensed Product(s).  
  
 Product A. During the term of the Agreement, the Additional Consideration  
payable to SANO with respect to Product A shall be [\*\*\*\*\*] of Gross Profit,  
until aggregate Gross Profit with respect to that Licensed Product shall have  
reached [\*\*\*\*\*], and [\*\*\*\*\*] of all Gross Profit thereafter. Payment of  
Additional Consideration is to be made in respect of the third preceding month,  
as set forth in Section 11.1.  
  
 The following illustrates payments to SANO under the foregoing formula,  
assuming that sales of Product A commenced in January 1998:  
  
  
  
 JAN. FEB., MARCH APRIL MAY JUNE JULY AUGUST SEPT. OCT. NOV. DEC.  
 1998 1998 1998 1998 1998 1998 1998 1998 1998 1998 1998 1998  
   
NET SALES [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
PRICE TO PRI [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
GROSS PROFIT [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*\*  
PAYMENT TO SANO [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
RETAINED BY PPI [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
15% INCREMENT [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
  
  
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
\* [\*\*\*\*\*] of [\*\*\*\*\*]; [\*\*\*\*\*] of [\*\*\*\*\*]. (total increment--[\*\*\*\*\*])  
  
 40  
  
   
 CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE   
 SECURITIES AND EXCHANGE COMMISSION  
 ASTERISKS DENOTE SUCH OMISSION  
  
 Product B. During the term of the Agreement, the Additional Consideration  
payable to SANO with respect to Product B shall be [\*\*\*\*\*] of all Gross Profit.  
Payment of Additional Consideration is to be made in respect of the third  
preceding month, as set forth in Section 11.1. The following illustrates  
payments to SANO under the foregoing formula, assuming that sales of Product B  
commenced in January 1998:  
  
  
  
 JAN. FEB., MARCH APRIL MAY JUNE JULY AUGUST SEPT. OCT. NOV.  
 1998 1998 1998 1998 1998 1998 1998 1998 1998 1998 1998  
   
NET SALES [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
PRICE TO PRI [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
GROSS PROFIT [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
PAYMENT TO SANO [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
RETAINED BY PPI [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
15% INCREMENT [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
  
  
  
  
 Product C. During the term of the Agreement, the Additional Consideration  
payable to SANO with respect to Product C shall be [\*\*\*\*\*] of Gross Profit,  
until aggregate Gross Profit with respect to that Licensed Product shall have  
reached [\*\*\*\*\*], and [\*\*\*\*\*] of all Gross Profit thereafter. Payment of  
Additional Consideration is to be made in respect of the third preceding month,  
as set forth in Section 11.1.  
  
 The following illustrates payments to SANO under the foregoing formula,  
assuming that sales of Product C commenced in January 1998:  
  
  
  
 JAN. FEB., MARCH APRIL MAY JUNE JULY AUGUST SEPT. OCT. NOV. DEC.  
 1998 1998 1998 1998 1998 1998 1998 1998 1998 1998 1998 1998  
   
NET SALES [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
PRICE TO PRI [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
GROSS PROFIT [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
PAYMENT TO SANO [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
RETAINED BY PPI [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
15% INCREMENT [\*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\* \*\*\*\*\*]  
  
  
\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
\* [\*\*\*\*\*] of [\*\*\*\*\*]; [\*\*\*\*\*] of [\*\*\*\*\*]. (total increment--[\*\*\*\*\*])  
  
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 CONFIDENTIAL INFORMATION OMITTED AND FILED SEPARATELY WITH THE   
 SECURITIES AND EXCHANGE COMMISSION  
 ASTERISKS DENOTE SUCH OMISSION  
  
 EXHIBIT C  
  
 PROMISSORY NOTE  
 ---------------  
  
[\*\*\*\*\*] July 28 , 1997  
 --------------   
  
 FOR VALUE RECEIVED, SANO CORPORATION, a Florida corporation (the "Maker"),  
hereby unconditionally promises to pay to Par Pharmaceutical, Inc., a New Jersey  
corporation (the "Payee"), at its offices located at One Xxx Xxxxx Xxxx, Xxxxxx  
Xxxxxx, Xxx Xxxx 00000 or at such other address as the Payee may from time to  
time designate in writing to the Maker, the principal amount of [\*\*\*\*\*],  
together with interest on the principal amount outstanding from time to time at  
the rate per annum announced from time to time by Citibank N.A. as its "Prime  
Rate." The principal amount of this Note, together with interest accrued  
thereon, shall be due and payable on September 30, 1998.  
  
 This Promissory Note is delivered pursuant to that certain Amended and  
Restated Distribution Agreement dated the 28th day of July , 1997 by and  
 ---- ---------   
among Maker, Payee and Pharmaceutical Resources, Inc., (the "Agreement").  
  
 This Promissory Note may be prepaid in whole or in part at any time and  
from time to time prior to maturity without premium or penalty and shall be  
prepaid as and to the extent set forth in the Agreement.  
  
 If any of the following events of default shall occur, the outstanding  
principal amount of this Note, together with interest accrued and unpaid  
thereon, shall become immediately due and payable:  
  
 (1) Maker shall default in the payment of principal of or interest on this  
Note when and as due and payable; and  
  
 (2) Maker (a) generally shall not pay its debts as they become due, shall  
become insolvent, shall suspend its usual business or shall cease to exist; (b)  
shall enter into an agreement with its creditors to reduce its obligations to  
them or to defer their fulfillment, make a general assignment for the benefit of  
its creditors, commence any proceeding relating to it under any Chapter of Title  
11 of the United States Code or seek discharge or reduction of its debts, an  
arrangement, composition, reorganization or any other form of relief from its  
creditors or from a court or governmental agency pursuant to any bankruptcy,  
reorganization, arrangement, readjustment of debt, receivership, dissolution, or  
liquidation law, statute or procedure of any jurisdiction (federal, state or  
foreign) for the relief of financially distressed debtors (each of the foregoing  
a "Debtor Relief Procedure"): (c) shall have instituted, initiated or commenced  
against it a Debtor Relief Procedure and, if under Title 11 of the United States  
Code, an order for relief is entered or the petition is controverted but is not  
dismissed within 30 days after the commencement of the case or, if under another  
Debtor Relief Procedure, the substantial equivalent occurs or the Debtor Relief  
Procedure is not dismissed or otherwise   
  
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terminated within 30 days of its commencement; or (d) shall take any action to  
effect any event described in clauses (a), (b) or (c) above.  
  
 In the event that the Maker shall default in payment of this Promissory  
Note when due, simple interest shall accrue on the then unpaid principal amount  
hereof, from the date of any such default until the date the unpaid principal  
amount hereof is paid in full, at the rate of ten percent (10%) per annum and  
the Maker shall pay all reasonable costs of collection, paid or incurred by the  
Payee, whether paid or incurred in connection with collection by suit or  
otherwise.  
  
 The Maker of this Promissory Note hereby waives demand, protest, notice of  
dishonor and notice of maturity, non-payment or protest and any and all  
requirements necessary to hold it liable as a maker of this Promissory Note.  
  
 All payments of principal, interest and any other amounts due hereunder  
shall be made in the amounts required hereby without any reduction or set off of  
any kind whatsoever, including, without limitation, any reduction or set off  
with respect to any claim, counterclaim, defense or other right which Maker may  
have against the Payee.  
  
 The waiver by the Payee of the Maker's prompt and complete performance of,  
or default under, any provision of this Promissory Note shall not operate nor be  
construed as a waiver of any subsequent breach or default, and the failure by  
the Payee to exercise any right or remedy which it may possess hereunder shall  
not operate nor be construed as a bar to the exercise of any such right or  
remedy upon the occurrence of any subsequent breach or default.  
  
 This Promissory Note shall be governed by and construed in accordance with  
the laws of the State of Florida.  
  
 This Promissory Note may not be modified, amended or terminated, except in  
a writing executed by the Maker and the Payee.  
  
 IN WITNESS WHEREOF, the Maker, by and through its undersigned office  
thereunto duly authorized, has executed and delivered this Promissory Note the  
28th day of July , 1997.  
---- ------   
  
Attested By: Sano Corporation  
  
  
 By:  
--------------------------- --------------------------------  
Asst. Secretary Xxxxxxxx X. Xxxxx, President  
  
 43  
  
   
 EXHIBIT D  
  
 [SALES SUMMARY FORM]  
  
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 Schedule 2.1.3  
  
 On March 6, 1996, Key filed a complaint in the United States District  
Court of Florida alleging that one of the Company's transdermal nitroglycerin  
patches, for which the Company has filed an ANDA with the FDA, infringed certain  
patents owned by Key. The Company had previously obtained non-infringement  
opinions with regard to its product and believes that there is no merit to the  
allegations in the complaint. The Company has filed an answer and counterclaim  
to the complaint and intends to vigorously defend this lawsuit. However, patent  
litigation is extremely costly, protracted and burdensome, and there can be no  
assurance that the outcome of the lawsuit will be favorable to the Company. If  
the Company is found in violation of Key's patents, it may not be able to market  
its generic version of Nitro-Dur(R) on a commercially acceptable basis or at  
all.  
  
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 EXHIBIT 10.20  
  
  
  
 NON-RECOURSE SECURED PROMISSORY NOTE  
  
 July 28, 1997  
US$1,500,000.00  
===============  
  
FOR VALUE RECEIVED, PRI RESEARCH, INC. a Delaware corporation ("Maker"), hereby  
promises to pay to the order of C.T.P. RESEARCH AND DEVELOPMENT (1995) LTD., an  
Israeli company or its permitted assignee ("Holder"), the principal sum of XXX  
XXXXXXX XXXX XXXXXXX XXXXXXXX Xxxxxx Xxxxxx Dollars (US$1,500,000), together  
with interest accrued at the rate of 7% per annum on the unpaid principal  
balance hereof from the date hereof. Payments shall be made in lawful money of  
the United States of America in immediately available funds and shall be made at  
such place as may be designated in writing from time to time by Holder. Payments  
of principal and interest shall be made as follows:  
  
 (a) The principal amount hereof shall be paid in eight equal installments  
of US$187,500. The first installment shall become due and payable on July 5,  
1999, with the remaining seven installments being due and payable on each  
January 5 and July 5 thereafter through and including January 5, 2003 (the  
"Maturity Date").  
  
 (b) Accrued interest shall become due and payable on January 5, 1998 and  
shall be due and payable on each July 5 and January 5 through and including the  
Maturity Date.  
  
 Notwithstanding the foregoing, payments of interest on or any installment  
of the principal amount of this Note shall be made only on days in which banks  
in New York City are not permitted by applicable law to be closed ("Business  
Days"). If any interest on or any installment of the principal amount of this  
Note becomes due and payable on a day that is not a Business Day, then the  
relevant payment obligation shall be extended to the next succeeding Business  
Day and interest shall be payable during such extension.  
  
 This Note may, at the option of Maker, be prepaid, in whole or in part (but  
only in amounts of at least $100,000), at any time and any such prepayment shall  
be applied to the installments of principal in reverse order of maturity. Any  
such prepayment shall be without premium or penalty but shall include the  
payment of accrued interest on the amount prepaid to and including the date of  
prepayment.  
  
 This Note is the Note referred to in and is being issued in connection with  
the purchase by Maker of Holder's limited partnership interest in Clal  
Pharmaceutical Resources Limited Partnership ("CPR") and shares of Clal  
Pharmaceutical Resources (1995) Ltd. ("CPRC"). This Maker in fulfillment of its  
undertaking shall enter into the Mortgage Documents annexed hereto ("Mortgage")  
and shall cause CPR and CPRC to pledge their assets to the benefit of the Holder  
in accordance with the terms of the Mortgage.  
  
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 This note shall be non-recourse as against Maker. Holder shall look solely  
to the collateral subject to the Mortgage as Holder's exclusive remedy in the  
event of any default in payment or performance hereof. Holder shall not make  
claim or institute any action or proceeding against Maker in respect hereof, and  
expressly waives any right to a deficiency judgment in the event of foreclosure  
or sale of such collateral. Nothing herein shall prevent the Holder from  
instituting an action to enforce its rights to the collateral subject to the  
Mortgage.  
  
 The unpaid principal sum of this Note, together with all accrued interest  
thereon, shall, at the option of Holder, by written demand to Maker, become  
immediately due and payable, (without presentment for payment, demand, protest  
and notice of protest or any further notice or demand of any kind, all of which  
are hereby expressly waived), 15 days after written notice of any of the  
following events has been given by Holder to Maker, provided however that after  
said 15 day cure period Maker shall have additional 5 days in which to pay off  
in full all amounts due under this Note, including all accrued interest and  
costs, if any of the following events shall occur (15 days written notice shall  
apply only to Sections (1), (2); 10 days to pay off shall apply to all  
sections).  
  
 (1) Maker's failure to pay, when due, any installments of principal or  
 interest on this Note.  
  
 (2) The breach by Maker of any term or provision of this Note.  
  
 (3) Any of Maker, CPRC or CPR makes an assignment for the benefit of  
 creditors or admits in writing its or its inability to pay its debts  
 generally as they become due;  
  
 (4) Any of Maker, CPRC or CPR applies to any tribunal for the  
 appointment of a custodian of any substantial part of its assets, or  
 commences any proceedings relating to it under any bankruptcy, insolvency,  
 reorganization or moratorium law or any other law for the relief of debtors  
 of any jurisdiction (any of the foregoing being a "Bankruptcy Proceeding");  
  
 (5) Any application is filed in respect of a Bankruptcy Proceeding, or  
 any Bankruptcy Proceeding is commenced, against any of Maker, CPRC or CPR  
 by one or more persons other than Maker, CPRC or CPR, and Maker, CPRC or  
 CPR, as the case may be, indicates its consent, approval, acquiescence  
 thereto or the Bankruptcy Proceeding is not dismissed within 60 days of its  
 institution;  
  
 (6) A court of competent jurisdiction enters an order, judgment or  
 decree appointing a custodian for the whole or to a substantial portion of  
 the property of Maker, CPRC or CPR, or approving a petition filed against  
 any of them seeking reorganization or arrangement in any Bankruptcy  
 Proceeding, and such order, judgment or decree shall not be vacated or set  
 aside or stayed within 90 days from the date of entry thereof;  
  
 (7) Any of Maker, CPRC or CPR shall wind up its affairs, dissolve or  
 liquidate, or take corporate or partnership action to effect any of the  
 foregoing;  
  
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 (8) Any of Maker, CPRC or CPR shall enter into or be a party to any  
 merger, consolidation or reorganization with any other entity which may  
 impair in any respect the rights of Holder under this Note, provided that  
 Maker, CPRC or CPR may enter into any merger, consolidation or  
 reorganization with any subsidiary or affiliate of Pharmaceutical  
 Resources, Inc. which does not impair the rights of the Holder under this  
 Note and its rights to Collateral under the Mortgage.  
  
 (9) If one or more judgments, decrees or orders is entered against  
 Maker, CPRC or CPR which, together with judgments, decrees or orders  
 against any one or more of them, total US$50,000 or more, which judgments  
 or decrees are not vacated, discharged, stayed or bonded pending appeal  
 within 45 days from the later of date of entry or the date upon which Maker  
 receives notice of same.  
  
 (10) If Maker, directly or indirectly, declares, makes or agrees to  
 make (or sets apart any assets for) any distribution, dividend or other  
 payment of any kind to any of its stockholders, affiliates, officers or  
 directors of Maker including, without limitation, any distribution or  
 application of Maker's assets through the purchase, redemption or  
 retirement of any loans or advances, principal or interest payments, other  
 than loan and interest payment as hereinafter permitted, or unreasonable  
 management consulting or like fees or compensation.  
  
 (11) If any preliminary attachment, lien or additional security  
 interest which is superior as a matter of law to the security for this Note  
 is placed upon any of the property which is security for this Note and not  
 set aside within the earlier of (i) a period of 60 days or (ii) the date on  
 which a judgment is entered.  
  
 (11) If, at any time or from time to time, title to or any interest in  
 the whole or any part of the property which is security for this Note is  
 acquired by any person, partnership, corporation, trust, joint venture or  
 other entity other than the Maker ("Other Entity") unless said Other Entity  
 assumes the terms of this Note, provided that this shall not prohibit the  
 Sale of assets which do not constitute a material portion of such entity's  
 assets, in the ordinary course of such entity's business and for fair  
 consideration;  
  
 (12) If any loss, theft, damage or destruction of any material part of  
 the property which is security for this Note, as set forth in the Mortgage,  
 occurs which is not covered by insurance;  
  
 (13) If CPR or CPRC fail to make any rent or other undisputed payments  
 to its landlord under the lease agreements when due against Maker, CPR or  
 CPRC and if in dispute upon conversion to an unstayed judgment.  
  
 (14) If CPR or CPRC fail to make any material Israeli tax payments  
 (withholding tax, social security tax, VAT or any other tax) when due or as  
 otherwise advised by its outside auditors.  
  
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 (15) If CPR or CPRC extends the lease agreements with its Landlord at  
 a time it is in breach of this Note and the Holder has commenced an action  
 for its enforcement.  
  
 Upon default under this Note, Holder may exercise any and all rights and  
remedies available under the lien documents to which this Note is attached.  
  
 Time is of the essence with respect to each of Maker's obligations and  
agreements evidenced by this Note. If Maker fails to make any payment of  
principal or interest as and when due under this Note, then the entire  
outstanding principal balance shall accrue interest from the date of such  
default until the date of payment at 9% per annum.  
  
 The nonexercise or delay in exercise by Holder of any of its rights  
hereunder in any particular instance shall not constitute a waiver thereof in  
that or any subsequent instance.  
  
 Maker shall satisfy and perform each of the following agreements and  
covenants for so long as any amounts of principal or interest due under this  
Note remain outstanding:  
  
 (a) Furnish to Holder within 45 days after the end of each fiscal  
 quarter of CPR (other than the fourth fiscal quarter), commencing with the  
 quarter ending June 30, 1997, financial statements of CPR ("Interim  
 Statements"), prepared by CPR in a form substantially the same as that of  
 the previous quarter and thereafter United States Dollar denominated  
 Financial Statements consisting of statements of income and balance sheets  
 of CPR, from the beginning of the then current fiscal year and from the  
 beginning of such quarter to the end of such period, and balance sheets of  
 CPR as of the end of such quarter, certified by the President or Chief  
 Financial Officer of Maker to be true and correct, and accompanied by a  
 certificate of said officer in such form as Holder may reasonably require  
 stating whether any event has occurred which constitutes an event of  
 default or which, with the giving of notice or the lapse of time, or both,  
 would constitute such an event of default and, if so, stating the facts  
 with respect thereto.  
  
 (b) Furnish to Holder within 90 days after the close of CPR's fiscal  
 year, commencing with the year ending December 31, 0000, Xxxxxx Xxxxxx  
 Dollar-denominated audited (reflecting CPR's business) financial statements  
 of CPR ("Annual Statements") prepared by CPR, consisting of a balance sheet  
 of CPR as of the end of such fiscal year and statements of income, retained  
 earnings, paid-in capital and surplus and changes in financial position of  
 CPR for such fiscal year, certified by the President or Chief Financial  
 Officer of Maker to be true and correct, and accompanied by a certificate  
 stating whether any event has occurred which constitutes an event of  
 default or which, with the giving of notice or the lapse of time, or both,  
 would constitute such an event of default and, if so, stating the facts  
 with respect thereto.  
  
 (c) Furnish to Holder such other information as Holder may reasonably  
 request regarding the non-confidential business, or the assets, financial  
 condition or income of Maker, CPRC and/or CPR;  
  
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 (d) Permit Holder and any of its representatives or agents, upon  
 reasonable notice and during normal business hours, to examine the books,  
 records and tangible assets of Maker, CPRC and/ CPR, to make copies and  
 notes therefrom, and to speak with the officers and management of each of  
 them for the purposes of ascertaining compliance with the terms hereof or  
 obtaining enforcement;  
  
 (e) Maintain CPR's equipment and leasehold improvements in operating  
 condition and in a good state of repair, wear and tear excepted, and make  
 any and all replacements, additions and improvements thereto as are  
 necessary for the operation of CPR's business; and maintain and cause CPR  
 to comply at all times with all franchises, licenses, permits and leases  
 held by CPR or to which it is a party and not remove the equipment outside  
 the jurisdiction of the State of Israel except subject to sufficient notice  
 to Holder and execution of the required documents to allow a security  
 interest on the equipment in the jurisdiction to which it is removed;  
  
 (f) Maintain insurance coverage for Maker, CPRC and CPR from  
 financially sound and reputable insurers approved by Holder, naming Holder  
 as an additional insured, in at least such amounts, with no more than such  
 deductibles and relating to at least such losses and liabilities, including  
 without limitation, business interruption, property damage from theft,  
 fraud, fire and explosions, and liability arising from "errors and  
 omissions", as are currently in effect, and, in addition, maintain the  
 insurance coverage required under the lease agreements;  
 (g) Invest, either by cash, contribution or by reinvestment of CPR's  
 net profits, after tax at least US$1,500,000 during each calendar year for  
 use by CPR as working capital;  
  
 In addition, for so long as any amounts of principal or interest due under  
 this Note remain outstanding, Maker shall not, and shall not permit CPRC or  
 CPR to:  
  
 (a) Transfer, sell, pledge or encumber in any way any material  
 tangible assets without prior notice to Holder and Holder's consent or  
 transfer, sell, pledge or encumber in any way any intangible assets  
 (including know-how) other than in the ordinary course and provided that  
 such transfer, sale or encumbrance shall not be fraudulent as to the Holder  
 in any way;  
  
 (b) Enter into any material agreements which shall constitute an  
 obligation having financial consequences or incurring any liability (other  
 than under (c) below) other than in the ordinary course (it is herein  
 stipulated that development agreements for reasonable duration and under  
 reasonable terms shall be deemed to be in the ordinary course unless shown  
 otherwise) and provided such agreements are not fraudulently made as to the  
 Holder.  
  
 (c) Borrow any funds from banks or other third parties (other than  
 Permitted Subordinated Debt as defined below, which shall be subordinate to  
 the obligations to Holder under the Note, provided that payments of  
 principal of and interest on such loans may be made as and when due  
 thereunder so long as no event of default under   
  
 50  
  
   
 this Note shall have occurred and be continuing, and canceled in the event  
 Holder exercise on the interests in CPR and CPRC provided as collateral)  
 other than with prior notice to Holder and Holder's written consent (if  
 such loans do not materially affect the "asset base"/"equity" of CPR they  
 shall have Holder's consent and be deemed to be reasonable unless Holder  
 shall demonstrate otherwise) or provide any security or guaranty for any  
 obligation of any other person, firm or entity; or  
  
 (d) Place liens, pledges or security interests ("Encumbrances") on any  
 of its assets, or permit or suffer any Encumbrances to be placed on any  
 assets of CPRC or CPR, except: (i) Encumbrances created under the  
 Mortgage; (ii) Encumbrances on assets acquired or leased subject to  
 purchase money security interests, title retention or conditional sales  
 agreements, financial or other leases or similar financing arrangements;  
 (iii) material men's liens, mechanics' liens and other similar liens  
 arising by operation of law in respect of amounts owed to persons or  
 entities that are not Affiliates.  
  
 The term "Permitted Subordinated Debt" means loans made to (i) CPR by any  
partner thereof, (ii) CPRC by any shareholder thereof and (iii) Maker by any  
shareholder thereof, in each case pursuant to written agreements which shall  
provide that such loans are expressly subordinated in right of payment to  
Maker's obligations and Holder's rights hereunder, provided that the intent of  
such Note is not to violate any of the terms of this Note including Clause (g)  
herein.  
  
 This Note and the rights and obligations of the parties hereunder shall be  
construed and interpreted in accordance with the internal laws of the State of  
Israel without any suit, action or proceeding in connection with, or enforcement  
of, this Note, Maker submits to the non-exclusive jurisdiction of the courts of  
the State of Israel, expressly waives all objections it may have as to venue in  
any of such courts or any claim of inconvenient forum and agrees that nothing  
herein shall affect the right of Holder to effect service of process in any  
other manner permitted by law. In the event of any action to enforce this Note  
Holder may collect costs and attorney's fees against the collateral subject to  
this Note or the Mortgage.  
  
 The obligations of Maker hereunder shall not be subject to any defense,  
setoff, counterclaim, recoupment or termination whatsoever based upon the  
invalidity, illegality or unenforceability of any other agreements between Maker  
and Holder.  
  
 This Note shall be binding upon Maker and its successors or assigns  
provided that Maker shall not assign its obligations under this Note without the  
express written consent of Holder, which may be withheld or denied in its sole  
discretion.  
  
 The invalidity or unenforceability of any provision of this Note shall not  
affect the other provisions hereof and the remaining provisions of this Note  
shall remain operative and in full force and effect.  
  
 This Note may not be assigned by the Holder to any entity or person other  
to an affiliate of Clal Industries, Ltd.  
  
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IN WITNESS WHEREOF, the undersigned has cause this Note to be executed and  
delivered as of the date and year first above written.  
  
  
 PRI RESEARCH, INC.  
  
 By: /s/Xxxxxxx X. Xxxxxx  
 ------------------------------  
 , President  
  
  
  
  
Attest: /s/Xxxxxx X. X'Xxxxxx (SEAL)  
 ------------------------   
 , Secretary  
  
 52  
  
   
 EXHIBIT 10.21  
  
  
 THIRD AMENDMENT TO STOCK PURCHASE AGREEMENT  
  
  
THIRD AMENDMENT TO STOCK PURCHASE AGREEMENT (the "Amendment"), dated July 28,  
1997, between PHARMACEUTICAL RESOURCES, INC., a New Jersey corporation (the  
"Company"), and CLAL PHARMACEUTICAL INDUSTRIAL LTD., a corporation formed under  
the laws of the State of Israel, (the "Purchaser").  
  
WHEREAS, the Company and the Purchaser entered into a Stock Purchase Agreement,  
dated March 25, 1995, as amended pursuant to Amendment No. 1 to Stock Purchase  
Agreement, dated May 1, 1995, and Amendment No. 2 to Stock Purchase Agreement  
(as amended, the "SPA"); and  
  
WHEREAS, a subsidiary of the Company is acquiring all of the interests in the  
Joint Venture (as defined in the SPA) held by a subsidiary of the Purchaser;  
  
WHEREAS, incident to such acquisition, the Company and the Purchaser desire to  
amend certain terms of the SPA and the Registration Rights Agreement between the  
Company and the Purchaser, dated May 1, 1995, and desire to set forth their  
mutual agreements with respect thereto.  
  
NOW, THEREFORE, in consideration of the premises and of the mutual covenants set  
forth herein, the parties hereto agree as follows:  
  
1. Definitions. Unless otherwise defined herein, capitalized terms used  
 ------------   
herein shall have the same meanings as in the SPA.  
  
2. New Shares.  
 -----------  
  
 2.1 The Company shall execute and deliver to the Purchaser a certificate  
 representing 186,000 shares of Common Stock (the "New Shares") promptly  
 following approval for listing of the New Shares by The New York Stock  
 Exchange, provided that, in the event that the Company shall not deliver  
 the New Shares by the 42nd day following the execution and delivery of this  
 Amendment, (i) PRI Research, Inc. hereby agrees that principal amount of  
 the Non-Recourse Secured Promissory Note, dated the date hereof, of PRI  
 Research, Inc. shall be increased by an amount equal to the product of the  
 closing price of a share of Common Stock on the trading day prior to the  
 execution and delivery of this Amendment multiplied by 186,000 and (ii) the  
 Company's obligation to deliver the New Shares hereunder shall terminate.  
 The Company shall file an application for the listing of the New Shares  
 with The New York Stock Exchange promptly following the execution and  
 deliver of this Amendment. The Purchaser shall pay to the Company the sum  
 of $1,860 (representing the par value of the New Shares) upon the delivery  
 of the New Shares to the Purchaser. If the New Shares shall not be  
 delivered, the other   
  
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 agreements executed and delivered by the Company, the Purchaser and their  
 respective affiliates on the date hereof or contemplated thereby shall  
 remain in full force and effect, except for the Non-Recourse Secured  
 Promissory Note which shall be modified as stated herein.  
  
 2.2 Simultaneous with the execution and delivery of this Amendment, the  
 Purchaser shall deliver to the Company the original Warrant and Additional  
 Warrant (or an affidavit of lost security and indemnification agreement in  
 the event the original security is misplaced or destroyed). The New Shares  
 shall be issued, or the principal amount of the Non-Recourse Secured  
 Promissory Note, dated the date hereof, of PRI Research, Inc. shall be  
 increased, in exchange for the surrender and cancellation of the Warrant  
 and the Additional Warrant.  
  
 2.3 The Company and the Purchaser hereby agree that references to  
 "Securities" in the SPA shall also include and refer to the New Shares.  
  
3. Third party transactions.  
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 3.1 In Section 10 of the SPA the terms "60 days" and "60-day period"  
 wherever they appear shall be amended to read "30 days" and "30 day  
 period", respectively.  
  
 3.2 It is hereby clarified that a bona fide offer made for more than 10%  
 of PRI's securities, but which could result by its express terms in the  
 acquisition of more than 50% of PRI's outstanding voting securities, shall  
 be deemed a Third Party Transaction for the purposes of Section 10 of the  
 SPA.  
  
4. Acquisitions and Dispositions of Securities.  
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 4.1 The first sentence of Section 11.1(a) of the SPA shall be amended in  
 its entirety as follows:  
  
 (a) During the period ("Consent Period") commencing on May 1, 1995 and  
 terminating six months after the date on which the Purchasers' rights shall  
 terminate under Section 10.1 hereof, the Purchaser shall not sell, assign,  
 pledge, transfer or otherwise dispose of (collectively, a "Transfer") any  
 Securities (as hereinafter defined) without the written consent of the  
 Company (which may be granted or withheld in its sole discretion) unless  
 such Securities (i) shall be registered under the Securities Act and  
 applicable state securities laws, (ii) shall be sold in brokers'  
 transactions pursuant to Rule 144 promulgated under the Securities Act,  
 (iii) shall be sold or transferred in connection with a Third Party  
 Transaction or any other transaction that has been approved by a majority  
 of the members of the Board (exclusive of those members appointed by the  
 Purchaser pursuant to Section 7.2 hereof), (iv) shall be sold or  
 transferred in any transaction which shall comply with the Securities Act  
 and applicable state securities laws, in accordance with Section 11.1(b)  
 hereof or, (v) a Transfer of all Securities owned at the time of Transfer  
 by the Purchaser if the Board has written notice of such Transfer and the  
 Company's Board of Directors does not reject the transferee, it being  
 agreed that the company's Board of Directors may   
  
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 only reject such transferee (but subject to Section 11.1(c) hereof) if such  
 entity is asserted in good faith and then demonstrated by the Board (acting  
 in good faith) to be a competitor or a party with a demonstrated adverse  
 interest to the Company (the Board to act within 7 U.S. business days of  
 the Company's receipt of a notice regarding such contemplated Transfer).  
  
 4.2 The following shall be inserted as Section 11.1(e) of the SPA:  
  
 (e) Notwithstanding the provisions of Section 11.1 hereof, the  
 Purchaser may Transfer 90% or more of the Common Stock then beneficially  
 owned by the Purchaser to a bona fide purchaser if the Company's Board of  
 Directors does not reject the transferee as provided below (a "Permitted  
 Transfer"); provided, however, that the Purchaser shall not be entitled to  
 request or consummate a Permitted Transfer if, at the time of the  
 Purchaser's request to the Company for its consent to the Permitted  
 Transfer, the Purchaser shall have Transferred more than 290,000 shares of  
 Common Stock in any 365-day period or shall have Transferred an aggregate  
 of more than 586,000 shares of Common Stock since May 1, 1995. The  
 Purchaser will advise the Company of the beneficial owner of the proposed  
 transferee. The Company's Board of Directors may reject the tranferee if  
 such entity is asserted in good faith and then demonstrated by the Board  
 (acting in good faith) to be a competitor or a party with a demonstrated  
 adverse interest to the Company (the Board to act within 7 U.S. business  
 days of the Company's receipt of a notice regarding such contemplated  
 sale).  
  
5. Assignment.  
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 (a) Section 16.2 of the SPA shall be amended in its entirety as follows:  
  
 16.2 Assignment. All terms and provisions of this Agreement shall be  
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 binding upon and inure to the benefit of the parties hereto and their  
 respective successors and permitted assigns, but neither this Agreement nor  
 any of the rights, interests or obligations hereunder may be assigned by  
 any party hereto without the prior written consent of the other party;  
 provided, that, (a) the Purchaser may assign its rights under this  
 Agreement, in whole or in part, to any subsidiary or related entity "Hevra  
 Kshura" of the Purchaser, within the meaning of the Israel Securities Act  
 5728-1968, as amended, so long as such (i) subsidiary or related party  
 shall assume and agree to be bound by all of the Purchaser's obligations  
 hereunder and (ii) the Purchaser shall not be relieved of its primary  
 liability to the Company for all of the Purchaser's obligations set forth  
 herein and (b) the Purchaser may assign all, but not less than all, of its  
 rights under this Agreement to any person or entity pursuant to a Permitted  
 Transfer so long as the transferee thereof shall assume and agree to be  
 bound by all of the Purchaser's obligations hereunder (a "Permitted  
 Assignment").  
  
 (b) The Company and the Purcahser hereby acknowledge and agree that, for  
 the purposes of the Rights Agreement, between the Company and Midlantic  
 Bank, N.A., dated August 6, 1991, as amended, only transferees and  
 assignees of Purchaser pursuant to Sections 16.2(a) or (b) of the  
 Agreement, as amended,   
  
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 shall constitute "permitted assigns" of Clal Pharmaceutical Industries Ltd.  
 under Section 1(a)(v) of such Rights Agreement. Purchaser shall inform all  
 transferees of Securities of this provision.  
  
6. Registration Rights Agreement. Section 8.1 of the Registration Rights  
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Agreement shall be amended in its entirety as follows:  
  
 8.1 Assignment. All terms and provisions of this Agreement shall be  
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 binding upon and inure to the benefit of the parties hereto and their  
 respective successors and permitted assigns, but neither this Agreement nor  
 any of the rights, interests or obligations hereunder may be assigned by  
 any party hereto without the prior written consent of the other party;  
 provided, that, (a) the Holder may assign this Agreement to any permitted  
 assignee under Section 16.2(a) of the Stock Purchase Agreement without the  
 Company's written consent so long as (i) such assignee shall agree to  
 assume and agree to be bound by all of the Holder's obligations hereunder  
 and (ii) the Holder shall not be relieved of its primary liability to the  
 Company for all of the Holder's obligations set forth herein and (b) the  
 Holder may assign all, but not less than all, of the rights under this  
 Agreement to a person or entity pursuant to a Permitted Transfer as defined  
 in the Stock Purchase Agreement so long as such assignee shall agree to  
 assume and agree to be bound by all of the Holder's obligations hereunder.  
  
 The Registration Rights Agreement shall also apply to the New Shares.  
  
This provision shall constitute an amendment of the Registration Rights  
Agreement pursuant to Section 8.4 thereof.  
  
7. Representations and Indemnification.  
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 7.1 Representations. The Company and the Purchaser each hereby represent  
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and warrant to the other as follows:  
  
 (a) It is a corporation duly organized, validly existing, and in good  
 standing under the laws of the jurisdiction of its formation. It has all  
 requisite corporate power and authority to conduct its business and to  
 enter into and perform its obligations under this Amendment in accordance  
 with the terms hereof.  
  
 (b) It has taken all required corporate actions to approve and adopt this  
 Amendment. This Amendment constitutes a duly authorized, valid and binding  
 agreement on it and enforceable against it in accordance with its terms.  
 Each person executing this Amendment on its behalf is duly authorized and  
 empowered to do so.  
  
 (c) The execution and delivery of this Amendment and the consummation of  
 the transactions as contemplated hereunder (i) do not, and will not,  
 violate or conflict with any statute, regulation, judgment, order, writ,  
 decree or injunction currently applicable to it or any of its property or  
 assets; and (ii) do not, and will not, violate or conflict with its charter  
 or By-laws and/or Memorandum and   
  
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 Articles of Association, or any existing mortgage, indenture, contract,  
 licensing agreement, financing statement or other agreement binding on it.  
  
 (d) All required consents and approvals, as well as any approvals or  
 consents of any governmental authorities or any other third parties in  
 connection with the execution and delivery of this Amendment or the  
 performance of the transactions contemplated hereunder, have been obtained  
 by it, except for such approvals required under New York Stock Exchange  
 rules. No contract or agreement binding upon it restricts its ability to  
 fulfill its obligations and responsibilities under this Amendment or to  
 carry out the activities contemplated herein.  
  
 (e) It is not a party to or, to the best of its knowledge, threatened with  
 any litigation or judicial or administrative proceeding that, if decided  
 adversely to it, would delay or preclude the consummation of the  
 transactions contemplated in this Amendment or have a material adverse  
 effect upon the transactions contemplated hereby.  
  
 7.2 Indemnification. The Company and the Purchaser each agree to  
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indemnify and hold harmless the other and their respective employees, agents and  
affiliates against all losses, liabilities, claims, damages, and expenses  
(including, but not limited to, reasonable counsel fees) resulting from or  
arising out of any actual or alleged misrepresentation or breach by it of any  
representation or warranty set forth in Section 8.1 hereof or otherwise set  
forth in this Amendment.  
  
8. Miscellaneous  
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 8.1 No Further Amendment. Except as amended herein, the terms and  
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provisions of the SPA and the Registration Rights Agreement are hereby ratified,  
confirmed and approved in all respects.  
  
 8.2 Assignment. All terms and provisions of this Amendment shall be  
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binding upon and inure to the benefit of the parties hereto and their respective  
successors and permitted assigns, but neither this Amendment nor any of the  
rights, interest or obligations hereunder may be assigned by any party hereto  
without the prior written consent of the other party, other than pursuant to a  
Permitted Assignment.  
  
  
 8.3 Entire Agreement. This Amendment and the other agreements referred to  
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herein or delivered pursuant hereto contain the entire agreement among the  
parties with respect to the subject matter hereof and supersedes all prior and  
contemporaneous arrangements or understandings with respect thereto.  
  
 8.4 Amendments; Waiver. This Amendment may not be amended or terminated,  
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and no provision hereof may be waived, except pursuant to a written instrument  
executed by each of the parties hereto.  
  
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 8.5 Counterparts. This Amendment may be executed in any number of  
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counterparts, and each such counterpart shall be deemed to be an original  
instrument, but all such counterparts together shall constitute but one  
agreement.  
  
 8.6 Headings. The headings of the Sections of this Amendment have been  
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inserted for convenience of reference only and shall not be deemed to be a part  
of this Amendment.  
  
 8.7 Governing Law. This Amendment shall be governed by and construed in  
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accordance with the laws of the State of New York applicable to contracts made  
and to be performed wholly therein.  
  
 8.8 Severability. If any term or provision hereof shall be invalid or  
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unenforceable, (a) the remaining terms and provisions hereof shall be  
unimpaired, (b) any such invalidity or unenforceability in any jurisdiction  
shall not invalidate or render unenforceable such provision in any other  
jurisdiction and (c) the invalid or unenforceable term or provision shall be  
deemed replaced by a term or provision as determined by a court to be valid and  
enforceable and to express the intention of the parties with respect to the  
invalid or unenforceable term or provision.  
  
 8.9 Consent to Jurisdiction. In connection with any dispute which may  
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arise under this Amendment or under any other agreement referred to herein, each  
of the parties hereby irrevocably submits to, consents to, and waives any  
objection to, the jurisdiction of the courts of the State of New York located in  
the County of New York or of the United States District Court for the Southern  
District of New York, and waives any objection to the laying of venue in such  
courts. Each such party admits that any such dispute may be resolved at least as  
conveniently in such a court as in any other court, and shall not seek dismissal  
or a change of venue on the ground that resolution of such a dispute in any such  
court shall not be convenient or in the interests of justice. The Purchaser  
hereby appoints Proskauer Rose LLP as its agent upon whom service of process may  
be made with the same force and effect as if such service shall have been made  
personally upon the Purchaser. The Company hereby appoints Xxxxxxx, Calamari &  
Xxxxxxx as its agent upon; whom service of process may be made with the same  
force and effect as if such service shall have been made personally upon the  
Company.  
  
  
IN WITNESS WHEREOF, each of the undersigned has caused this Third Amendment to  
Stock Purchase Agreement to be executed as of the date first written above.  
  
PHARMACEUTICAL RESOURCES, INC.  
  
By:/s/Xxxxxxx X. Xxxxxx, President  
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CLAL PHARMACEUTICAL INDUSTRIES LTD.  
  
By: /s/  
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By: /s/  
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AGREED AND ACCEPTED AS TO SECTION 2.1 ONLY  
  
  
PRI - RESEARCH, INC.  
  
By:/s/Xxxxxxx X. Xxxxxx, President  
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