EXHIBIT 10.28  
  
  
 CONFIDENTIAL PORTIONS OF THIS  
 EXHIBIT MARKED [ ] HAVE BEEN  
 OMITTED AND FILED SEPARATELY  
 WITH THE SECURITIES AND  
 EXCHANGE COMMISSION  
  
  
 DISTRIBUTION AGREEMENT  
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 This Distribution Agreement (the "Agreement") is entered into as of  
 the 24th day of February, 1994 (the "Execution Date") by and 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 has two transdermal generic drug delivery products in  
 clinical testing, more fully described in Appendix I hereto as Product  
 "A" and Product "B" (the "Licensed Products"); and  
  
 WHEREAS, SANO has three other transdermal generic drug delivery  
 products at less advanced stages of development and testing, as more  
 fully described in Appendix II hereto, and may develop other transdermal  
 generic drug delivery products during the term of this Agreement  
 (collectively, the "Option Products"); and  
  
 WHEREAS, SANO desires to implement the program described in Exhibit  
 A with respect to the Licensed Products (the "Development Program"); and  
  
 WHEREAS, PPI desires to purchase certain rights with respect to the  
 distribution of the Licensed Products and the Option Products, subject to  
 the terms and conditions of this Agreement;  
  
 NOW, therefore, for good and valuable consideration, the receipt  
 and sufficiency of which is hereby acknowledged, the parties hereto agree  
 as follows:  
  
 ARTICLE I  
  
 TERMS AND CONDITIONS  
 --------------------  
 1.1 Definitions. As used in this Agreement, the following terms  
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 shall have 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.  
  
 (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  
  
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 Agreement, in substantial conformity with the program described in  
 Exhibit A.  
  
 (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 any Transdermal Generic Drug  
 Delivery System listed on Exhibit A hereto, or which may become a  
 Licensed Product pursuant to Article XII hereof.  
  
 (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.  
  
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 (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  
  
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 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 Island, Guam, Samoa and any other territory  
 which, on the Execution Date, is a United States 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,  
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 or performance by SANO hereunder, will not (a) violate or create a  
 default under (i) SANO's  
  
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 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. 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 successfully completed all  
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 phases of the Development Program scheduled on Exhibit A hereto for  
 completion on or prior to the Execution Date and has no knowledge of any  
 fact or circumstance which is reasonably likely to delay or prevent  
 completion of the Development Program, other than general conditions  
 related to the approval process; SANO does not hereby represent or  
 warrant that the Development Program will be completed in accordance with  
 the schedule set forth in the Development Program, or at all.  
  
 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  
  
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 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, extend  
 to not earlier than [December 31, 1996].  
  
 2.1.7 SANO represents and warrants to PPI that, to the 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 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). SANO further represents and  
 warrants that it is not aware of any claims of infringement against the  
 Licensed Products or of any requirement that it obtain licenses to  
 patents or other proprietary rights with respect thereto. SANO shall use  
 its reasonable efforts to have all its employees and, to the extent  
 reasonably practicable, its agents and consultants employed in or for any  
 Development Program, execute written agreements requiring  
  
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 assignment to SANO of any developments, discoveries, improvements and/or  
 inventions in any Licensed Product made by such employees under and  
 during the course of the Development Program.  
  
 ARTICLE III  
  
 OBLIGATIONS OF SANO  
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 3.1 Level of Effort. SANO shall use its reasonable efforts,  
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 including, without limitation, the employment of a sufficient number of  
 technically qualified officers and employees, to complete the Development  
 Program for each Licensed Product as set forth in Exhibit A.  
  
 3.2 Progress Reports. SANO shall, on a monthly basis, by the  
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 tenth day of 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  
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 (3) 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 Bioavailability Study; Use of Funds. SANO will commence a  
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 single dose bioavailability study with respect to the relevant Licensed  
 Product promptly upon its  
  
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 receipt of the payments specified in Section 7.1(a)(ii) and Section  
 7.1(b)(ii), respectively, and shall use such amounts in respect thereof,  
 to the extent necessary. All payments under Section 7.1 will be added to  
 SANO's general funds and will not be specifically set aside for the  
 development of any other product of SANO or to fund costs specific to the  
 distribution of a Licensed Product outside the United States.  
  
 3.5 Supply and Use of Information. The parties shall, as promptly  
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 as 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-  
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 clinical testing 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 sole expense.  
  
 3.7 Governmental Approvals. SANO shall file all appropriate  
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 requests and other filings with the appropriate government agencies  
 within the United States in order 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 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  
  
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 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  
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 its resources among its products to accommodate the Development Programs  
 for Licensed Products.  
  
 3.9 Title. SANO will protect and defend its rights to all  
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 Licensed 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  
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 and affiliates to comply with the restrictions and limitations imposed on  
 SANO hereunder with respect to Licensed Products and Option 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 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:  
  
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 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, 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  
  
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 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. The foregoing shall not apply to a  
 Licensed Product that is not then available from SANO for commercial sale  
 by PPI and is substantially behind the schedule set forth in the relevant  
 Development Program.  
  
 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 that PPI is then distributing pursuant to the  
 provisions of this Agreement, 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  
  
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 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 the Competitive Product. PPI shall have no rights  
 with respect to an Option Product as to which a Merger Partner has a  
 Competitive Product. PPI shall notify SANO promptly if any Merger  
 Partner has a Competitive Product with respect to an Option 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 out of 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  
  
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 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 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.  
  
 ARTICLE V  
  
 REPRESENTATIONS OF PPI AND PRI; OBLIGATIONS  
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 5.1 PPI and PRI represent and warrant 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  
  
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 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,  
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 or 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 or any material  
 portion of PPI's and PRI's assets.  
  
 5.1.3 Information. All data and other information relating to  
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 PPI 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  
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 continue 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 organization  
 and qualified sales persons to  
  
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 promote the sale of the Licensed Products in the United States.  
  
 5.2 PPI shall purchase the Products from SANO as contemplated in  
 Section 6.1 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. SANO shall not engage in  
 marketing and promotion of the Licensed Products unless reasonably  
 requested to do so by PPI.  
  
 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.  
  
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 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) will or may not  
  
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 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.  
  
 5.8 PPI shall consult with SANO from time to time with respect to  
 opportunities of which it becomes aware for the development of  
 transdermal applications for generic or proprietary drugs or of  
 opportunities for the development of ingredients in transdermal form. In  
 the event that PPI or its Affiliates intend to engage in the development  
 of a transdermal product, PPI or such Affiliate shall afford SANO the  
 opportunity to participate in such development, shall negotiate with SANO  
 on the terms of such participation, and shall not enter into an agreement  
 with any other manufacturer of transdermal delivery systems without  
 offering SANO the right of first refusal in accordance with the following  
 procedure: PPI shall notify SANO of the material terms and conditions on  
 which it proposes to enter into such agreement. Within 30 days of its  
 receipt of such notice, SANO shall notify PPI whether it wishes to enter  
 into such an agreement on such terms and conditions. If SANO notifies  
 PPI within such 30 days that it does wish to enter into such an  
 agreement, PPI and SANO shall prepare and enter into a definitive  
 agreement on substantially the terms and conditions set forth in the  
 notice. If SANO fails to so notify PPI within such 30 days, PPI may  
 enter into such an agreement with a third party on substantially the  
 terms and conditions set forth in the notice. The foregoing shall not be  
 deemed to require PPI (i) to divulge confidential information of other  
 manufacturers, (ii) to disclose to SANO the contents of confidential  
 proposals made to PPI by other Persons, or (iii) to refrain from dealing  
 with manufacturers of transdermal delivery systems under development by  
 such manufacturers that are not a  
  
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 Competitive Product with respect to any Licensed Product or Option  
 Products under active development.  
  
 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  
  
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 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  
 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 business days of an Availability Notice, SANO may, but  
 shall not be obligated to, cause the Licensed Products to be delivered to  
 PPI's  
  
 00  
  
   
 Xxxxxx Xxxxxx, Xxx Xxxx, 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  
   
 FEE PRICE AND PAYMENT TERMS  
 ---------------------------  
  
 7.1 Initial Fee Payment. As consideration for the rights herein  
 -------------------  
 granted, in addition to all payments hereinafter described, PRI shall  
 pay to SANO a fee (each, a "Licensed Product Fee") of [ ]  
 for each of the Licensed Products listed in Appendix I hereto, payable  
 by wire transfer or certified check, as follows:  
   
 (a) PRODUCT "A" - (i) [ ] upon execution of this Agreement.  
 - (ii) [ ] within seven days after receipt  
 of notice from SANO that it is  
 prepared to commence a single-  
 dose bioavailability study.  
  
 (b) PRODUCT "B" - (i) [ ] upon execution of this Agreement.  
 - (ii) [ ] within seven days after receipt  
 of notice from SANO that it is  
 prepared to commence a single-  
 dose bioavailability study.  
  
 7.2 Price. The price to PRI for each order, or part thereof  
 -----   
 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  
  
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 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 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.  
  
 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  
  
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 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.  
  
 (c) PPI's test results or basis for rejection shall be  
 conclusive unless  
  
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 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  
  
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 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  
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 9.1 Returns. If PPI, acting reasonably and in good faith, accepts  
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 from a 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  
  
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 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.  
  
 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 9.2(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.  
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 (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  
  
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 payment of costs 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  
  
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 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 wilful 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  
  
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 amounts paid or payable by it to third parties, other than re-procurement  
 costs [except to the extent contemplated in 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 wilfully breached such duty or obligation then PPI shall be  
 deemed to have wilfully breached such duty or obligation hereunder.  
 Similarly, whenever in this Agreement PPI is required to cause any of its  
 respective Affiliates to do or 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  
  
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 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  
  
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 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.  
  
 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  
  
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 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 [  
 ] 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.  
  
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 ARTICLE XI  
  
 ADDITIONAL CONSIDERATION, REPORTING AND VERIFICATION  
 ----------------------------------------------------  
  
 11.1 Additional Consideration. As additional consideration for  
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 SANO 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 Net  
 Sales (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" 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.  
 --------------------------------------------   
  
 (a) Approved Contracts. PPI shall provide to SANO, monthly,  
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 within 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  
  
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 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 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 C, 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  
  
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 (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, 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  
  
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 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  
  
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 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 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  
  
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 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  
  
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 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 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  
  
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 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  
  
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 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 and 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.  
  
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 ARTICLE XII  
  
 OPTION PRODUCTS  
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 12.1 Option Products. With respect to the Option Products,  
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 including for the purposes of this Section 12.1, any product developed by  
 SANO within ten years of the Effective Date which is a generic version of  
 an existing marketed transdermal drug, PPI shall have the option, in its  
 sole and absolute discretion, to include such products, on a product-by-  
 product basis, as Licensed Products hereunder, in accordance with the  
 following provisions.  
  
 12.2 Option Product Development Program. For each Option Product,  
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 SANO shall devise and communicate to PPI a clinical and product  
 development program and a related budget, setting forth (i) a proposed  
 schedule for pre-clinical and clinical activities required or reasonably  
 necessary to obtain governmental approvals for such Option Product, (ii)  
 the Licensed Product Fee for which it is willing to include such product  
 as a Licensed Product hereunder (which shall be reasonably related to the  
 Costs of product development and shall include only [ ]% [but not  
 more than [ ] ] of the costs of pre-clinical activities); (iii) the  
 developmental milestones that would trigger payment of appropriate  
 portions of such Licensed Product Fee, which payments shall reflect the  
 related expenditures involved in the pre-clinical activities (to the  
 limits set forth above) and the clinical testing program and (iv) any  
 special storage or shipping requirements (the "Option Product Development  
 Program"). SANO shall also advise PPI of a reasonable Product Sales  
 Threshold (as hereinafter defined) for the initial 24-month period after  
 the product is to be made available for commercial sale, that would be  
  
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 applicable to the product if it were included as a Licensed Product  
 hereunder. Within 30 days of its receipt of an Option Product  
 Development Program, PPI shall notify SANO whether it wishes to exercise  
 its option to have the relevant product included hereunder as a Licensed  
 Product. If PPI notifies SANO within such 30 days that it wishes to  
 exercise such option, the product will be treated for all purposes as a  
 Licensed Product hereunder, the Option Product Development Program shall  
 become a part of this Agreement and PPI shall become obligated to make  
 the payments described therein. If PPI fails to notify SANO of its  
 election to exercise such option within such 30 days, SANO may enter into  
 a license or distribution agreement with respect to such Option Product  
 with a third party on substantially the same terms as set forth in the  
 Option Product Development Program, and providing for payments for  
 products and additional consideration consistent with the provisions  
 hereof. SANO may not enter into such an agreement with a third party on  
 terms substantially different from those set forth in the relevant Option  
 Product Development Program and herein without first offering such terms  
 to PPI for a period of thirty days.  
  
 ARTICLE XIII  
  
 TERMS AND TERMINATION  
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 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  
  
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 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.  
  
 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  
  
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 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 Gross Profit (as that term is defined in Exhibit B annexed  
 hereto) attributable to 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  
  
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 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 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  
  
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 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 of its Affiliates.  
 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);  
  
 (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 "O Period") beginning on the date  
 (the "O Commencement Date") the first of any shipments of each  
 other Licensed Product, if any, hereunder is made available to PPI  
 hereunder, the aggregate Net Sales of any such other Licensed  
 Product for such Period is less than the Product Sales Threshold;  
 or  
  
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 (iv) in any twelve month period commencing on the second  
 and each subsequent anniversary of the A Commencement Date, the B  
 Commencement Date or any O 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;  
  
 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  
  
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 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 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  
  
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 Section 16.2 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 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  
  
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 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 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.  
  
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 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.  
  
 13.13 In the event that SANO terminates this Agreement 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 each Licensed Product as shall be equal to the net number of  
 units of such Licensed 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 Product as PPI  
 shall advise SANO in writing within ten business days of such  
 termination. Such Licensed Products 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 Licensed Products as if such  
 Licensed Products had been supplied by SANO during the term of this  
 Agreement.  
  
 13.14 If SANO has not received at least one approval of an ANDA  
 for a Licensed Product prior to November 30, 1996, PPI may terminate this  
 Agreement and neither party shall have any obligation hereunder (other  
 than applicable confidentiality provisions).  
  
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 ARTICLE XIV  
  
 RECALLS, ADMINISTRATIVE MATTERS AND CONFIDENTIALITY  
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 14.1 Recalls. In the event that it becomes necessary to conduct a  
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 recall, market withdrawal or field correction (hereafter collectively  
 referred to as "recall") of any 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 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  
  
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 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 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  
  
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 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 wilful material  
 breach by a party of any of its duties or obligations hereunder (in each  
 case, as contemplated in Section 10.1 hereof), neither  
  
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 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  
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 provide the 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.  
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 (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  
 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  
 adminis-  
  
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 trative 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  
  
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 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.  
  
 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.  
  
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 (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  
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 be in 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  
  
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 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 to 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,  
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 this 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  
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 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 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  
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 this 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 X. X. 00xx Xxxxxx  
 Xxxxx 00  
 Xxxxxxxxxx, Xxxxxxx 00000  
 Attn: President  
 Fax: 000-000-0000  
  
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 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  
  
 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.  
  
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 15.5 Governing Law and Consent to Jurisdiction.  
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 (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 jurisdiction of the state and federal  
 courts located in Miami, Florida. Notwithstanding the foregoing, each  
 party also agrees to the jurisdiction of any court in which any third  
 party claim may be brought.  
  
 15.6 Binding Agreement. This Agreement shall be binding upon the  
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 parties 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  
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 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  
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 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,  
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 any 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  
 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  
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 other 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  
  
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 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  
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 the full 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  
  
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 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  
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 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 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  
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 of Rights. PRI shall remain obligated under this Guarantee  
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 notwithstanding that, without any reservation of rights against PRI and  
 without notice to or further assent by PRI, any  
  
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 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  
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 that the 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  
  
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 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 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 remedies, whether  
 express, implied or available as a matter of law,  
  
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 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,  
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 or be 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  
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 (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  
  
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 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  
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 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/Xxxx X. Xxxxxx  
 -----------------  
 (Signature)  
  
 Name:Xxxx X. Xxxxxx  
 --------------  
  
 Title:Chairman  
 --------  
  
  
 PHARMACEUTICAL RESOURCES, INC.  
  
  
 By:/s/Xxxxxxx X. Xxxxxx  
 --------------------  
 (Signature)  
  
 Name:Xxxxxxx X. Xxxxxx  
 -----------------  
  
 Title:President & CEO  
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 PAR PHARMACEUTICAL, INC.  
  
  
 By:/s/Xxxxxxx X. Xxxxxx  
 --------------------  
 (Signature)  
  
 Name:Xxxxxxx X. Xxxxxx  
 -----------------  
   
 Title:President & CEO  
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 APPENDIX I  
  
 LICENSED PRODUCTS  
  
  
  
 Product "A"  
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 Product "B"  
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 APPENDIX II  
  
 OPTION PRODUCTS  
  
  
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 EXHIBIT A  
  
 DEVELOPMENT PROGRAM  
  
  
 [ ]  
  
   
 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).  
  
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 EXHIBIT C  
  
 [SALES SUMMARY FORM]