

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934
(Amendment No. 1)*

LIGAND PHARMACEUTICALS INCORPORATED
(Name of Issuer)

COMMON STOCK, \$.001 PAR VALUE
(Title of Class of Securities)

53220K207
(CUSIP Number)

JAMES B. LOOTENS, ASSISTANT SECRETARY AND ASSOCIATE GENERAL COUNSEL,
ELI LILLY AND COMPANY, LILLY CORPORATE CENTER,
INDIANAPOLIS, INDIANA 46285 317-276-5835
(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

MAY 11, 1998
(Date of Event which Requires Filing
of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f), or 13d-1(g), check the following box [].

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7(b) for other parties to whom copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

(Continued on following pages)

CUSIP No.

53220K207

(1) Names of Reporting Persons: Eli Lilly and Company
S.S. or I.R.S. Identification 35-0470950
Nos. of Above Persons

(2) Check the Appropriate Box (a) _____
if a Member of a Group (b) _____
Not Applicable

(3) SEC Use Only

(4) Source of Funds Not Applicable

(5) Check if Disclosure of Legal Proceedings is Required Pursuant to Items 2(d) or 2(e) Not Applicable

(6) Citizenship or Place of Organization Indiana

Number of Shares (7) Sole Voting 2,176,279
Beneficially Owned Power
by Each Reporting (8) Shared Voting None
Person With Power
(9) Sole Dispositive 2,176,279
Power
(10) Shared Dispositive None
Power

(11) Aggregate Amount Beneficially Owned by Each Reporting Person 2,176,279

(12) Check if the Aggregate Amount In Row (11) Excludes Certain Shares Not Applicable

(13) Percent of Class Represented by Amount in Row (11) 5.6%

(14) Type of Reporting Person C0

Item 4. Purpose of Transaction

On May 11, 1998, the Issuer, a wholly-owned merger subsidiary of the Issuer, and Seragen, Inc. ("Seragen") entered into an Agreement and Plan of Reorganization under which it is proposed that Seragen become a wholly-owned subsidiary of the Issuer. Pursuant to this proposed merger (the "Merger"), Seragen common stock will be converted into a right to receive, among other things, common stock of the Issuer. Specifically, at the closing of the Merger Seragen shareholders will receive 0.035746 shares of Issuer common stock for each share of Seragen common stock (the "Closing Consideration"). Further, additional consideration (the "Milestone Consideration") of \$0.23 per share of common stock of Seragen will be paid by the Issuer six months following FDA approval of Seragen's investigational product DAB389IL-2 in the United States for cutaneous T-cell lymphoma if such approval is supported to any material extent by clinical and development efforts of Seragen prior to the consummation of the merger. The Milestone Consideration will, however, only be payable by the Issuer if the required FDA approval is obtained within two years of the Merger Closing. The Issuer may in its discretion pay the Milestone Consideration in the form of cash or the Issuer's common stock or a combination thereof. Any stock delivered as part of the Milestone Consideration will be valued on a trailing average market price for the ten trading days prior to issuance.

Eli Lilly and Company ("Lilly") currently holds 1,787,092 shares of Seragen common stock. Accordingly, Lilly would receive approximately 63,881 shares of the Issuer's common stock in connection with the Closing Consideration.

In addition, on May 11, 1998, Lilly and the Issuer entered into a Third Amendment to Option and Wholesale Purchase Agreement ("Third Amendment"). The original Option and Wholesale Purchase Agreement was filed as Exhibit B to the original Schedule 13D filed by Lilly on December 5, 1997. The Third Amendment amends and restates Section 1.3 of the Option and Wholesale Purchase Agreement. The primary effect of the Third Amendment is to modify the timing during which, at the Issuer's election, Lilly may become obligated to purchase \$20,000,000 of the Issuer's common stock. The Third Amendment is filed herewith as Exhibit B and is incorporated by reference herein.

Item 6. Contracts, Arrangements, Understandings or Relationships With Securities of the Issuer.

A copy of the Third Amendment to Option Agreement, as described in response to Item 4 above is filed herewith as Exhibit A and is incorporated herein by reference.

Also on May 11, 1998, Lilly and the Issuer entered into a letter agreement (the "Lockup Agreement") under which Lilly agreed that any shares of Issuer common stock it may receive pursuant to the Merger will be subject to the transfer restrictions set forth in Section 4.1 of the Stock Purchase Agreement dated November 25, 1997 between Lilly and the Issuer (a copy of which was filed as Exhibit A to the original Schedule 13D filed by Lilly on December 5, 1997). The Lockup Agreement is filed herewith as Exhibit B and is incorporated by reference herein.

Item 7. Material to be Filed as Exhibits.

Exhibit A. Third Amendment to Option and Wholesale Purchase Agreement dated as of May 11, 1998, between Lilly and the Issuer

Exhibit B. Letter Agreement dated May 11, 1998, between Lilly and the Issuer.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

ELI LILLY AND COMPANY

/s/ Edwin W. Miller

Edwin W. Miller
Vice President and Treasurer

Date: May 21, 1998

AMENDMENT NO. 3 TO OPTION AND WHOLESALE PURCHASE AGREEMENT

This Amendment is executed as of the 11th day of May, 1998 by and between Eli Lilly and Company ("Lilly") and Ligand Pharmaceuticals Incorporated ("Ligand").

WHEREAS, Lilly and Ligand have entered into an Option and Wholesale Purchase Agreement dated as of November 25, 1997, amended on February 23, 1998 and further amended on March 16, 1998 (the "Agreement"); and

WHEREAS, the parties now desire to amend the Agreement to limit the time period during which Section 1.3 of the Agreement will be operative.

NOW, therefore, in consideration of the foregoing, the mutual covenants set forth below and other consideration, receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Section 1.3 of the Agreement is hereby amended to read in its entirety as follows:

"1.3 CASH/ROYALTY OPTION. On or before the earlier of (i) January 31, 1999 or (ii) the Effective Date (as defined therein) of the Agreement between Ligand and Lilly dated May 11, 1998 (the "Subsequent Agreement") (collectively, (i) and (ii) shall be known as the "Cash/Royalty Termination Date"), Ligand may determine to exercise the Cash/Royalty Option (as defined below), by delivery of written notice to Lilly informing Lilly of its decision to exercise the Cash/Royalty Option (the "Cash/Royalty Notice"). Upon delivery of the Cash/Royalty Notice, this Agreement shall automatically terminate and the parties only surviving rights and obligations under this Agreement shall be as follows (collectively, (a) and (b) below shall be known as the "Cash/Royalty Option"):

(a) Subject to the terms and conditions set forth in the stock purchase agreement described in Section 4.6, Lilly shall purchase from Ligand, and Ligand shall sell and issue to Lilly, for Twenty Million Dollars (\$20,000,000), the number of shares of Ligand's voting common stock (the "Shares") equal to Twenty Million Dollars (\$20,000,000) divided by one hundred twenty percent (120%) of the average daily closing price for the Shares as reported by the National Association of Securities Dealers, Inc. on the twenty (20) consecutive trading days immediately preceding the date which is five (5) days prior to the date of the Cash/Royalty Notice; and

(b) Ligand shall have the right to designate either Targretin (as defined in that certain Development and License Agreement (Targretin) dated the date of this Agreement), Compound 268 or Compound 324 (each as defined in that certain Collaboration Agreement dated the date of this Agreement) for increased royalties, which right shall be exercised in the manner set forth and on the terms and conditions provided in Section 5.1(b) of the Targretin Agreement with respect to

Targretin, or Section 6.1(b) of the Collaboration Agreement with respect to Compound 268 or Compound 324.

The Cash/Royalty Option shall terminate if not exercised before the Cash/Royalty Termination Date and thereafter the only option available under this Agreement shall be the Ligand Option."

2. All other terms and conditions of the Agreement shall remain in full force and effect.

3. As of the date of this Amendment, Lilly and Ligand have entered into an Agreement (the "Lilly Agreement") which sets forth certain rights relating to the Product. In the event of inconsistency between this Amendment and the Lilly Agreement, the terms of the Lilly Agreement shall govern.

4. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one in the same.

[Remainder of Page Intentionally Left Blank]

LIGAND PHARMACEUTICALS
INCORPORATED

ELI LILLY AND COMPANY

By: _____
Title: _____

By: _____
Title: _____

Date: May __, 1998

Date: May __, 1998

[SIGNATURE PAGE TO AMENDMENT NO. 3 TO
OPTION AND WHOLESALE PURCHASE AGREEMENT]

May 11, 1998

Ligand Pharmaceuticals Incorporated
10275 Science Center Drive
San Diego, CA 92121

Ladies and Gentlemen:

The undersigned is a stockholder of Seragen, Inc., a Delaware corporation ("Seragen"). The undersigned understands that Seragen, Ligand Pharmaceuticals Incorporated, a Delaware corporation ("Ligand"), and Knight Acquisition Corporation, a Delaware Corporation ("Merger Sub"), have entered into an Agreement and Plan of Reorganization, dated as of May 11, 1998 (the "Reorganization Agreement"), which provides for the merger (the "Merger") of Merger Sub into Seragen. The undersigned also understands that Ligand, at its option, may provide some or all of the Merger Consideration (as defined in the Reorganization Agreement) in the form of shares of voting common stock, par value \$.001 per share, of Ligand (the "Common Stock"). The undersigned further understands that the issuance of the Common Stock pursuant to the terms of the Merger will be the subject of a registration statement under the Securities Act of 1933, as amended (the "Registration Statement"), which will be filed with the Securities and Exchange Commission and which will contain a prospectus relating to the Merger (the "Prospectus").

In consideration of the execution of the Reorganization Agreement by Ligand and Merger Sub, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the undersigned hereby agrees that from the date of issuance of the Common Stock pursuant to the Reorganization Agreement, if such issuance occurs, any shares of Common Stock issued pursuant to the Reorganization Agreement (the "Merger Shares") shall be subject to the transfer restrictions set forth in Section 4.1 of that certain Stock Purchase Agreement dated November 25, 1997 between the undersigned and Ligand (the "Purchase Agreement"), as if the Merger Shares were Shares (as defined in the Purchase Agreement), for the periods of time set forth in Section 4.1 of the Purchase Agreement.

It is understood and agreed that the foregoing agreement is provided as an inducement to, and may be relied upon by, Ligand, Seragen and Merger Sub in connection with (a) their consummation of the Merger and (b) their preparation and distribution of the Registration Statement and the Prospectus.

Seragen and Boston Equiserv, as transfer agent for Seragen, and Ligand and ChaseMellon Shareholder Services LLC, as the transfer agent for Ligand, are each hereby authorized to enforce the terms of this letter by refusing to permit transfers of Common Stock which Ligand concludes may violate the terms of this letter.

This letter may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute a single instrument.

Sincerely,

ELI LILLY AND COMPANY

Signature

Printed Name

Accepted and agreed to as of the date first written above:

LIGAND PHARMACEUTICALS INCORPORATED

By: -----

Title: -----