



EXHIBIT 1

GENERAL TERMS AND CONDITIONS

All purchase orders issued by Watson Pharmaceuticals, Inc. and its affiliates which specifically adopt these General Terms and Conditions are made expressly subject to these General Terms and Conditions and, as such, these General Terms and Conditions apply to and form a part of all such purchase orders (collectively, the "Purchase Order").

1. ACCEPTANCE

The Purchase Order is for the purchase and sale of goods and/or services as set forth herein and is Buyer's offer to Seller. Buyer reserves the right to revoke the offer at any time prior to Seller's acceptance. Acceptance of the Purchase Order is expressly limited to the terms and conditions provided herein. Additional or inconsistent terms and conditions contained in any acknowledgement or other form of Seller are hereby rejected and shall not become part of any contract unless embodied in a separate writing signed by Buyer. Delivery or furnishing of goods or commencement of services and acceptance of the same by Buyer shall also constitute acceptance on all terms and conditions hereof. Acceptance shall also occur in the event Seller, prior to delivery of the goods or commencement of the services, acknowledges the Purchase Order in writing; provided however, that notwithstanding the contents of Seller's acknowledgement form, the only effect thereof shall be to accept the Purchase Order on the terms and conditions herein. The terms of any quotation referred to herein are incorporated in and made a part of the Purchase Order only to the extent and for the sole purpose of specifying the price, the nature and description of goods or services ordered, the terms as to payment, and time of delivery, and then only to the extent that such terms are consistent with the terms and conditions stated herein.

2. PRICE

Buyer shall not be billed at prices higher than those stated in the Purchase Order. If no price is stated, the price charged by Seller for goods or services covered hereby shall be the lowest prevailing market price on the date hereof; provided, however, that the price charged by Seller shall not exceed the last quotation received by Buyer from Seller prior to the date hereof or the price at which Buyer last purchased such goods or services from Seller, whichever is lower; and provided further that Seller agrees that any price reduction for such goods or services which becomes effective subsequent to acceptance of the Purchase Order, but prior to shipment of the goods or completion of the services, will be applicable to the Purchase Order.

3. INVOICES

Invoices submitted shall contain the Purchase Order number, item number, description of item(s), sizes, unit price, and extended totals in addition to any other information required hereby. Payment of any invoice shall not constitute acceptance and shall be subject to adjustments for errors, shortages, defects in the goods or services or other failure of the Seller to meet the requirements of the Purchase Order.

4. CERTIFICATION

In the event the goods purchased under the Purchase Order are chemicals or pharmaceuticals, the parties agree that as a condition precedent to Buyer's obligations under the Purchase Order, Seller shall furnish to Buyer with each shipment a certificate of origin of the goods which shall provide sufficient information to completely trace the title and possession of the goods from their manufacture to their delivery to Buyer, a certificate of analysis which shall indicate the complete chemical composition of the goods, and any and all other certifications and certificates reasonably requested or required. In addition to any other remedies available to Buyer under the Purchase Order or at law or equity, failure of the Seller to furnish any of the above at the time of delivery of the goods to Buyer shall relieve Buyer of all obligations under the Purchase Order.

5. CHANGES AND ADDITIONS

Buyer shall have the right, by written order, to make changes from time to time in the work to be performed or the materials to be furnished by Seller hereunder. If any change requested by the Buyer will cause an increase or decrease in the price set forth herein, or the time required for the performance, an equitable adjustment shall be made and the Purchase Order shall be modified accordingly in writing. Seller may not modify the drawings, specifications or other descriptions furnished or specified by Buyer for the performance under the Purchase Order without the prior express written approval of the Buyer. No changes in or addition to the Purchase Order shall be binding upon the Buyer without the express prior written approval of an authorized representative of the Buyer.

6. SHIPPING INSTRUCTIONS

All goods shall be shipped in accordance with shipping instructions set forth herein or otherwise specified by Buyer and, where freight is to be paid by Buyer, at the most advantageous rate to the Buyer. Shipping insurance shall be procured by Seller for benefit of Buyer as may be required by specified Freight Instructions set forth herein and in the cover amount requested by Buyer and mutually agreed to. Buyer shall not be responsible for any extra expense sustained by Seller due to its failure to comply with these instructions.

7. CONFIDENTIAL INFORMATION

Seller shall not disclose to any person, firm, corporation, association or other third party any materials, information or knowledge Buyer or its employees may disclose to Seller concerning Buyer's products, methods, or manufacturing processes, or other information communicated to Seller as proprietary or confidential, or otherwise use such information for other than the purpose contemplated hereby, unless Seller is authorized to do so in writing by an officer of Buyer; provided, however, that Seller shall have no obligation of non-use or



confidentiality with respect to any such materials, information or knowledge that (a) is in the public domain at the time of disclosure or which later becomes publicly available through no fault of the Seller; or (b) Seller already has in its possession at the time of Buyer's disclosure, as evidenced by written records. Seller shall cause each of its employees and agents who are involved in the performance of Seller's obligations under the Purchase Order to abide by the non-use and confidentiality obligations as set forth in this paragraph and Seller shall, nonetheless, be responsible and liable for any breach of the non-use and confidentiality obligation by its employees and agents.

8. WORK PRODUCT; INTELLECTUAL PROPERTY

"Work Product" shall mean any ideas, inventions, original works of authorship, developments, improvements, or processes, solely or jointly conceived, developed, or reduced to practice by Seller, which arise out of, relate to, or result from the services rendered hereunder. Seller hereby assigns to Buyer, all of Seller's right, title, and interest in and to any Work Product (including without limitation all intellectual property rights associated therewith), acknowledges, and agrees that such Work Product is the sole and exclusive property of Buyer. Seller further acknowledges that all original works of authorship defined as "Work Product" which are protectable by copyright are "works made for hire" within the meaning of Title 17 of the United States Code. Seller shall make prompt full written disclosure to Buyer of any Work Product. Seller shall, at Buyer's request and expense, execute documents and perform such acts as Buyer may deem necessary, to confirm in Buyer, all right, title and interest throughout the world, in and to any Work Product, and all patents, copyrights and other applicable statutory protections thereon, and to enable and assist Buyer in procuring, maintaining, enforcing and defending patents, copyrights and other statutory protections throughout the world on any such Work Product. Seller agrees to maintain adequate and current written records (in such format as may be specified by Buyer) of any conception, development or reduction to practice of any Work Product and all such written records will be available to and remain the sole property of Buyer at all times.

Seller agrees to save, defend and hold Buyer and those using and /or reselling the materials delivered under this order harmless from any cost, loss, expense and judgment arising out of or relating to any claim, suit or cause of action based upon actual or alleged infringement or contributory infringement of any United States or foreign patent or other intellectual property right by reason of manufacture, use, importation or sale of such material.

9. ASSIGNMENT

Seller shall not transfer, assign or subcontract all or any part of the obligations under the Purchase Order in any manner without first obtaining the prior express written consent of the Buyer.

10. NO ENDORSEMENT

Seller shall not advertise or publish (including denial or confirmation thereof) the fact that Seller has contracted to furnish to Buyer the materials and/or services hereby ordered or use the name or trademarks of the Buyer without the prior express written consent of the Buyer.

11. FORCE MAJEURE

In the event of the occurrence of war, invasion, fire, explosion, riot, strikes, acts of God, acts of government or governmental agencies or instrumentalities or other contingencies or causes beyond the control of either Buyer or Seller affecting the performance of either party, such performance shall be suspended until such contingencies or causes have been terminated. If either party's performance is suspended as a result of such contingencies or causes for a period of sixty (60) days or longer, either party shall have the right to cancel the Purchase Order upon written notice to the other party to that effect at any time thereafter.

12. TERMINATION AND BANKRUPTCY

Buyer may terminate the Purchase Order in whole or in part at any time upon Buyer's written notice to Seller (a) in Buyer's sole discretion; (b) for any default by Seller involving (i) Seller's failure to deliver goods or render services within the time specified by this order or (ii) Seller's failure to make progress in the performance of its obligations under this order reasonably satisfactory to Buyer; or (c) in the event Seller is insolvent or files for or is adjudged bankrupt. Buyer shall not be deemed to waive any rights or remedies it may have against Seller because of the exercise of such right to terminate. On receipt by Seller of such notice, Seller shall, to the extent specified therein, stop work hereunder and the placement of subcontracts, terminate work under open or outstanding subcontracts, and take all necessary action to protect property in Seller's possession in which Buyer has or may acquire an interest. Seller shall use reasonable efforts to diligently secure other purchaser(s) for all goods or services. **BUYER SHALL IN NO EVENT BE LIABLE TO SELLER OR OTHER THIRD PARTIES FOR INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF OR RELATED TO THE PURCHASE ORDER, WHETHER OR NOT BUYER WAS ADVISED OF THE POSSIBILITY OF SUCH DAMAGE OR WHETHER SUCH DAMAGE ARISES IN CONTRACT, TORT OR OTHERWISE.**

13. INDEMNIFICATION

Seller agrees to defend, indemnify, and hold Buyer, its direct or indirect subsidiaries or affiliates, its and their directors, employees, agents, shareholders and customers harmless from and against any and all liability, damage, loss, cost or expense (including attorneys' fees and costs), including, but not limited to those related to or arising from or based upon any (i) United States federal or state Food Drug and Cosmetics Act recall of goods, (ii) intellectual property disputes, (iii) actual or alleged defect in the goods or services, (iv) failure thereof to comply with specifications, the terms of the Purchase Order, or the express and implied warranties of Seller, (v) violation by the goods or in their manufacture, packaging, labeling, or sale of any federal, state or local statute, ordinance or administrative order, rule or regulations, or (vi) any error, act, omission by Seller. The provisions of this paragraph shall survive the delivery and acceptance of the payment for the goods or completion and acceptance of and payment for services hereunder, as the case may be. The provisions of this paragraph shall not apply to liability, damage, loss, cost or expense solely and directly caused by Buyer's gross negligence or intentional misconduct.



14. INSPECTION AND RIGHT OF REJECTION

All goods and/or services covered by the Purchase Order shall be subject to final inspection or testing (by sample or other means at Buyer's sole discretion) and approval of the Buyer after delivery or completion, notwithstanding prior payment. If any inspection or testing is required at the Seller's premises, Seller, at no additional charge to Buyer, shall provide reasonable facilities, access, and assistance for the safety and convenience of the Buyer. Buyer reserves the right to return to Seller, at Seller's expense, all or a portion of the goods delivered hereunder which do not meet the applicable specifications or the terms and conditions stated herein or to reject and demand from Seller reperformance of all services failing to meet the terms and conditions of this order. Seller shall pay all costs of storage, packaging, insuring and shipment of such rejected goods. Alternatively and at Buyer's sole discretion, Buyer may accept that portion of the goods delivered hereunder that conforms to applicable specifications and the terms and conditions of the Purchase Order and return the balance to Seller at Seller's expense. In such event, Buyer shall pay and only be liable for the proportionate amount of the total price stated herein that corresponds to the quantity accepted, regardless of whether such lesser quantity is ordinarily sold at a higher price. In the event payment has already been made, Seller shall promptly refund the amount of overpayment calculated in accordance with the above.

15. PACKAGING

All goods covered by the Purchase Order shall be suitably packaged, packed or otherwise prepared for shipment (a) consistent with good commercial practice and all applicable laws, rule and regulations and the terms of the Purchase Order; (b) to assure safe delivery and freedom from weather damage; and (c) so as to secure the lowest transportation rates and to meet the carrier's requirements. To the greatest extent practicable, orders and shipments shall be combined to make a minimum LTL or truckload shipment. Seller shall pay Buyer the amount of any damages resulting to the goods covered by the Purchase Order from improper or inadequate packaging. No charges will be allowed for packing or crating unless stated in the Purchase Order. Each container must be clearly marked to show quantity content, Buyer's Purchase Order Number, part number(s), and manufacturer's name and lot number. A packaging sheet shall accompany each container showing Buyer's order and part number(s).

16. MATERIAL SAFETY DATA SHEET

An appropriate Material Safety Data Sheet (MSDS) and labeling, as required by law, will precede or accompany each shipment. Further, Seller shall send to Buyer an updated MSDS and labeling as required by law. Sellers performing services on Buyer's property shall provide MSDSs for goods used by the Seller or its agents in advance of the performance of the services. All hazardous waste created by the Seller shall be disposed in a lawful manner and in compliance with all current regulatory requirements.

17. WARRANTIES

In addition to any standard warranty or express warranty offered by Seller, Seller specifically warrants that the goods ordered shall be merchantable and shall be fit for the purposes for which such goods are intended and ordinarily employed, or for Buyer's particular purpose if communicated to Seller or if Seller should have reason to know thereof. In addition to all warranties that may be prescribed by law, the Seller warrants that the goods shall conform to and comply with the terms hereof, the specifications, drawings, and other descriptions, and Seller's approved samples, and shall be free from defects in materials and workmanship. Seller also warrants to the extent that the goods are not manufactured pursuant to detailed designs furnished by Buyer, that they will be free from defects in design. Such warranties, including warranties prescribed by law, shall run to Buyer, its affiliates, assigns, and customers, and to users of the goods.

If the Purchase Order is for a performance of a service, Seller warrants (i) that all services performed hereunder shall conform to and comply with the terms hereof, the specifications, drawings or other descriptions of the services furnished or specified by Buyer, (ii) that all services shall be performed using only good quality materials and workmanship and shall be free from defects, and (iii) that all services performed hereunder shall be performed in a safe, skillful, good and workmanlike manner and conform to any and all applicable laws, rules, regulations, orders, ordinances and codes of federal, state and local governments.

Unless expressly or normally extending for a longer period, the foregoing warranties shall extend for a period of one (1) year after date of receipt of goods or services by Buyer, except for sterile goods where the warranty will extend to and include the period of final use and consumption of the goods if greater than one (1) year from the date of receipt by Buyer. Buyer may, at its option, either return for full credit or refund or require prompt correction or replacement of defective or non-conforming goods or parts thereof, which remedy shall be in addition to all other rights and remedies Buyer may have pursuant to the terms hereof or at law or in equity.

18. CONTINUING GUARANTEE

Seller further warrants that each article of food, drug, device, or cosmetic shipped or delivered pursuant to this purchase order shall not be, as of the date of such shipment or delivery, adulterated or misbranded within the meaning of the Federal Food Drug and Cosmetic Act, as amended, or any similar federal, state or municipal law, or goods which may not, under the provisions of sections 404, 505, or 512 of the Federal Food Drug and Cosmetic Act, as amended, be introduced into interstate commerce.

19. PAYMENT AND DISCOUNT

If this is an order for goods, upon submission of properly verified invoices or vouchers, Buyer shall pay Seller the price stipulated herein only for goods delivered and accepted. All discount periods shall commence on the date Buyer receives the goods or an acceptable invoice



therefor, whichever date is later. If this is an order for services, Buyer shall not be obligated to pay prior to completion of the services, acceptance by Buyer, and delivery to Buyer of executed lien waivers by Seller and all third parties acting under a subcontract, in form and substance satisfactory to Buyer. All payments shall be made in conformance with the payment terms set forth herein.

20. TAXES

Buyer shall not be liable for any local, state, federal or foreign taxes incurred as a result of the execution of the Purchase Order, or the commencement of production or services, or consummation of the transactions contemplated hereby, unless separately provided herein and billed as a separate item.

21. TITLE AND RISK OF LOSS

Title and risk of loss for services covered by the Purchase Order and embodied in tangible articles or reports shall pass to Buyer upon receipt of payment by Seller.

22. TIME OF PERFORMANCE

“TIME IS OF THE ESSENCE” on the Purchase Order and Buyer may, at the sole discretion of the Buyer, reject and/or cancel any or all goods not shipped or delivered or services not rendered and completed on or before the date specified herein.

23. CARE OF BUYER'S PROPERTY

If, in the performance of the Purchase Order, Buyer ships any of its property to Seller's plant or otherwise places such property in Seller's possession or control, whether to repair or for inspection or other purpose, such action shall constitute a bailment with Seller acting as bailee and Buyer acting as bailor. Seller shall assume all responsibility for loss or damage to such property while in Seller's custody or control, and Seller shall carry adequate insurance for such purpose.

24. COMPLIANCE WITH LAWS AND EQUAL OPPORTUNITY

Seller warrants that, in providing the goods and/or services specified herein, Seller will comply with all laws, statutes, rules, codes, executive orders and the regulations promulgated thereunder, as the same may be amended where applicable, including, but not limited to: (a) Fair Labor Standards Act 1938; (b) Vietnam Era Veterans Readjustment Assistance Act of 1974; (c) Rehabilitation Act of 1973; (d) Title VII of the Civil Rights Act of 1964; (e) Executive Order 11246; and (f) Public Law 95-507 of 1978. Any clause required to be set forth in a document of this type by such laws, statutes, rules, codes, regulations or executive orders shall be deemed to be incorporated herein by reference.

25. UTILIZATION OF SMALL BUSINESS CONCERNS

As a prime supplier to the federal government, Watson Pharmaceuticals, Inc. adheres to and encourages its prime suppliers to adhere to the Utilization of Small Business Concerns as outlined in the Code of Federal Regulations, Title 48, 52.219-9, and as stated below.

It is the policy of the United States that small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals (i.e., minorities), women, veterans, or service-disabled veterans, and HUBZone small business concerns shall have the maximum practicable opportunity to participate in performing contracts let by any Federal agency, including contracts and subcontracts for subsystems, assemblies, components and related services for major systems. It is further the policy of the United States that its prime contractors establish procedures to ensure the timely payment of amounts due pursuant to the terms of their subcontracts with the small business concerns referenced herein.

The Contractor hereby agrees to carry out this policy in the awarding of subcontracts to the fullest extent consistent with efficient contract performance. The Contractor further agrees to cooperate in any studies or surveys as may be conducted by the United States Small Business Administration or the awarding agency of the United States as may be necessary to determine the extent of the Contractor's compliance with this clause.

As stated in 15 U.S.C. 645 (d), any person who misrepresents a firm's status as a small, small disadvantaged, or women owned small business in order to obtain a contract to be awarded under the preference programs established pursuant to section 8(a), 8(d), 9, or 15 of the Small Business Act or any other provision of Federal law that specifically references section 8(d) for a definition of program eligibility, shall—

- (i) Be punished by imposition of fine, imprisonment, or both;
- (ii) Be subject to administrative remedies, including suspension and debarment; and
- (iii) Be ineligible for participation in programs conducted under the authority of the Act.

26. PERMITS

Unless otherwise specified in the Purchase Order, Seller shall be responsible for obtaining and paying for any and all building permits and any other permit(s) required by state or local authorities for the performance of the services or delivery of the goods specified herein, if any.



27. SAFETY AND CLEAN UP

If the Purchase Order requires a performance of a service, Seller shall provide and properly maintain warning signs, barricades, railings and other safeguards for the protection of both Seller's and Buyer's employees, agents, and the general public on, about or adjacent to the site where the work for the Purchase Order is being performed as required by Federal, state and local Occupational Safety and Health Statutes, regulations and ordinances, or as may be otherwise directed by the Buyer. In addition, Seller shall comply with all applicable Federal, state and local environmental protection and control statutes, regulations and ordinances. Further, Seller shall comply with all other applicable laws, ordinances, rules, regulations and orders of any public authority having jurisdiction for the safety of persons or property to protect them from damage, injury or loss. Seller shall, at all times, keep the site where services are being performed clean of rubbish and debris caused by its work to the satisfaction of the Buyer.

28. INSURANCE

Prior to commencing any services required hereunder, Seller shall furnish Buyer certificates of insurance with the following minimum limits and types of coverage (a) Workman's Compensation with coverage and limits as provided by statute, (b) employer's liability coverage with limits of not less than \$1,000,000; (c) Comprehensive General Liability with minimum limits of \$1,000,000 Per Occurrence / \$2,000,000 Aggregate, such coverage to include blanket contractual liability and "broad form" property damage endorsements; and (d) Comprehensive automobile liability with minimum Combined Single Limit of \$1,000,000. Policies for such insurance shall contain provisions providing full protection against liabilities assumed in the Purchase Order. All such insurance shall contain provisions permitting coverage to be cancelled only after thirty (30) days notice to Buyer. All policies of insurance shall contain an endorsement waiving all right of subrogation against Buyer and shall name Buyer as Additional Insured certificate holder.

29. INDEPENDENT CONTRACTOR

The Purchase Order is not intended to nor shall it imply or constitute the Seller as the employee, agent, partner or legal representative of the Buyer and Buyer shall not be responsible in any way for any obligations or liability incurred or assumed by Seller in the performance of the Purchase Order. In performing services hereunder, Seller shall maintain complete control over and have full responsibility for the acts of its employees and agents and shall have full responsibility for the performance of its employees, agents, and subcontractors. Seller shall be fully and solely responsible for payment of all compensation and applicable benefits and taxes due or relating to its employees, agents, partners, representatives, and subcontractors.

30. GOVERNING LAW; CONSENT TO JURISDICTION

The Purchase Order shall be governed by the laws of the State of California, without regard to conflicts of law principles. Each of the parties irrevocably consents that any legal action or proceeding under this Agreement shall be brought in any court of the State of California located within the Central District of California or in the United States District Court for the Central District of California, and each of the parties submits to the personal jurisdiction of such courts. Each party further irrevocably consents to the service of any complaint, summons, notice or other process by delivery thereof to it by any manner in which notices may be given pursuant to this Agreement. The applicability of the United Nations Convention for International Sale of Goods (UNCISG) is hereby expressly waived by the parties and the UNCISG shall, therefore, not apply to this Agreement or the production of goods or provision of services contemplated hereby.

31. SEVERABILITY

In the event that any one or more of the agreements, provisions or terms contained herein shall be declared invalid, illegal or unenforceable in any respect, the validity of the remaining agreements, provisions of terms contained herein shall in no way be affected, prejudiced or invalidated thereby.

32. AMENDMENT; WAIVER

Except as otherwise provided for herein, no changes, additions, or deletions to the Purchase Order shall be binding upon either party unless and until reduced to writing and signed by both parties. The waiver of any breach or default hereunder shall not constitute a waiver of any other right or remedy available hereunder or any other subsequent breach or default hereof.

33. SURVIVAL

All warranty, liability, indemnity, intellectual property, and confidentiality obligations and responsibilities assumed hereunder by the parties hereto during the term of the Purchase Order, together with any extensions thereto, shall survive the termination of the Purchase Order.

34. ENTIRE AGREEMENT

The Purchase Order and all agreements, exhibits and attachments referenced therein, shall constitute the full and entire understanding of the parties with respect to the subject matter hereof and shall supercede and replace any and all prior and contemporaneous writings and oral understandings relating to the subject matter thereof.