SECURITIES AND EXCHANGE COMMISSION

FORM S-3

Registration statement for specified transactions by certain issuers

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FILER

ALZA CORP

CIK:**4310**| IRS No.: **770142070** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **S-3** | Act: **33** | File No.: **033-53671** | Film No.: **94529088**
SIC: **2834** Pharmaceutical preparations

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4154945000

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 17, 1994

REGISTRATION NO. 33-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ALZA CORPORATION
(Exact name of registrant as specified in its charter)

<TABLE>
<S> <C>

DELAWARE	77-0142070
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

</TABLE>

950 Page Mill Road, P.O. Box 10950
Palo Alto, California 94303-0802
(415) 494-5000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

BRUCE C. COZADD
Vice President and Chief Financial Officer
ALZA Corporation
950 Page Mill Road, P.O. Box 10950
Palo Alto, California 94303-0802
(415) 494-5000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

WITH COPIES OF ALL ORDERS, NOTICES AND COMMUNICATIONS TO:

<TABLE>
<S> <C>

SARAH A. O'DOWD, Esq.	WILLIAM H. HINMAN, JR., Esq.
Heller, Ehrman, White & McAuliffe	Shearman & Sterling
525 University Avenue	555 California Street
Palo Alto, CA 94301	San Francisco, CA 94104
(415) 324-7000	(415) 616-1100

</TABLE>

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

If any of the securities on this Form are being offered pursuant to dividend or interest reinvestment plans, check the following box. / /

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. / /

CALCULATION OF REGISTRATION FEE

<TABLE>
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TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER LYON-TM- (1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE
<S>	<C>	<C>	<C>	<C>
Liquid Yield Option-TM- Notes Due 2014 (Zero Coupon -- Subordinated).....	$948,750,000(2)	39.106%	$371,018,175	$127,937
Common Stock, par value $.01 per share....	(3)	--	--	None

<FN>
- -TM- Trademark of Merrill Lynch & Co., Inc.
(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933.

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(2) Includes $123,750,000 principal amount at maturity of LYONs subject to the Underwriter's over-allotment option.
(3) Also being registered are such indeterminate number of shares of Common Stock as may be issuable upon conversion of the LYONs registered hereby.
</TABLE>

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

- ---
- ---

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED MAY 17, 1994

P R O S P E C T U S

$825,000,000

[LOGO]

LIQUID YIELD OPTION-TM- NOTES DUE 2014
(ZERO COUPON--SUBORDINATED)

The issue price of each Liquid Yield Option-TM- Note ("LYON"-TM-) to be issued by ALZA Corporation, a Delaware corporation ("ALZA"), will be $ (% of principal amount at maturity) (the "Issue Price"), and there will be no periodic payments of interest. The LYONs will mature on June , 2014. The Issue Price of each LYON represents a yield to maturity of % per annum (computed on a semi-annual bond equivalent basis) calculated from June , 1994. The LYONs will be subordinated to all existing and future Senior Indebtedness of ALZA, the principal amount of which as of April 30, 1994 was $1.7 million, excluding ALZA's $249.3 million principal amount of outstanding commercial paper, which will be retired with a portion of the proceeds from the sale of the LYONs. See "Capitalization" and "Description of LYONs -- Subordination of LYONs."

Each LYON will be convertible at the option of the Holder at any time on or prior to maturity, unless previously redeemed or otherwise purchased by ALZA. Upon conversion, ALZA may elect to deliver Common Stock, par value $.01 per share (the "Common Stock"), of ALZA at a conversion rate of shares per LYON (the "Conversion Rate") or cash equal to the market value of the shares of Common Stock into which the LYONs are convertible. The Conversion Rate will not be adjusted for accrued Original Issue Discount, but will be subject to adjustment upon the occurrence of certain events affecting the Common Stock. Upon conversion, the Holder will not receive any cash payment representing accrued Original Issue Discount; such accrued Original Issue Discount will be deemed paid by the Common Stock or cash received on conversion. See "Description of LYONs -- Conversion Rights." On May 13, 1994, the last reported sale price of the Common Stock on the New York Stock Exchange was $23 1/8 per share.

LYONs will be purchased by ALZA, at the option of the Holder, as of June , 1999, June , 2004 and June , 2009 (each, a "Purchase Date") for a Purchase Price per LYON of $, $ and $ (Issue Price plus accrued Original Issue Discount to such Purchase Date), respectively, representing a yield per annum to the Holder on each such Purchase Date of % (computed on a semi-annual bond equivalent basis). Subject to certain conditions, ALZA, at its option, may elect to pay the Purchase Price as of any particular Purchase Date in cash or shares of Common Stock, or in any combination thereof. See "Description of LYONs -- Purchase of LYONs at the Option of the Holder." In addition, as of 35 business days after the occurrence of any Change in Control of ALZA occurring on or prior to June , 1999, each LYON will be purchased for cash by ALZA, at the option of the Holder, for a Change in Control Purchase Price equal to the Issue Price plus accrued Original Issue Discount to the date set for such purchase. See "Description of LYONs -- Change in Control Permits Purchase of LYONs at the Option of the Holder."

The LYONs will not be redeemable by ALZA prior to June , 1999. Thereafter, the LYONs are redeemable for cash at any time at the option of ALZA, in whole or

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in part, at Redemption Prices equal to the Issue Price plus accrued Original Issue Discount to the date of redemption. See "Description of LYONs -- Redemption of LYONs at the Option of ALZA."

For a discussion of certain United States federal income tax considerations for Holders of LYONs, see "Certain United States Federal Income Tax Considerations."

Application has been made to list the LYONs on the New York Stock Exchange.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>
<CAPTION>

	PRINCIPAL AMOUNT AT MATURITY	PRICE TO PUBLIC	UNDERWRITING DISCOUNT (1)	PROCEEDS TO ALZA (2)
<S>	<C>	<C>	<C>	<C>
Per LYON	100%	%	%	%
Total (3)	$825,000,000	$	$	$

<FN>
(1) ALZA has agreed to indemnify the Underwriter against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
(2) Before deducting expenses payable by ALZA estimated at $400,000.
(3) ALZA has granted the Underwriter an option, exercisable within 30 days after the date of this Prospectus, to purchase up to an additional $123,750,000 aggregate principal amount at maturity of LYONs on the same terms as set forth above to cover over-allotments, if any. If the option is exercised in full, the total Principal Amount at Maturity, Price to Public, Underwriting Discount and Proceeds to ALZA will be $948,750,000, $, $ and $, respectively. See "Underwriting."
</TABLE>

The LYONs are offered by the Underwriter, subject to prior sale, when, as and if delivered to and accepted by the Underwriter, subject to approval of certain legal matters by counsel for the Underwriter and certain other conditions. The Underwriter reserves the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the LYONs will be made in New York, New York, on or about June , 1994.

- -TM- Trademark of Merrill Lynch & Co., Inc.

MERRILL LYNCH & CO.

The date of this Prospectus is June , 1994.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE LYONS OFFERED HEREBY OR THE COMMON STOCK OF ALZA, OR BOTH OF THEM, AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

AVAILABLE INFORMATION

ALZA is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected at the public reference facilities of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained at prescribed rates from the Commission at such address. Such reports, proxy statements and other information can also be inspected at the Commission's regional offices at 7 World Trade Center, 13th Floor, New York, New York 10048 and at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. In addition, such reports, proxy statements and other information concerning ALZA may be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

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ALZA has filed with the Commission a Registration Statement on Form S-3 under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the securities offered by this Prospectus. As permitted by the rules and regulations of the Commission, this Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to ALZA and the securities offered hereby, reference is made to the Registration Statement and the exhibits thereto, which may be examined without charge at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and copies of which may be obtained from the Commission upon payment of the prescribed fees.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, which have been filed by ALZA with the Commission, are hereby incorporated by reference in this Prospectus:

(a) ALZA's Annual Report on Form 10-K for the fiscal year ended December 31, 1993;

(b) ALZA's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994; and

(c) The description of the Common Stock contained in ALZA's registration statement on Form 8-A filed May 14, 1992 under the Exchange Act, including any amendment or reports filed for the purpose of updating such description.

All documents filed by ALZA pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the securities offered hereby shall be deemed to be incorporated by reference into this Prospectus and to be a part hereof from the respective dates of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein, or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein, modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Upon written or oral request directed to Corporate and Investor Relations, ALZA Corporation, 950 Page Mill Road, P.O. Box 10950, Palo Alto, California 94303-0802, telephone (415) 494-5222, ALZA will provide, without charge, to any person to whom this Prospectus is delivered, a copy of any document incorporated by reference in this Prospectus (not including exhibits to any such document except to the extent any such exhibits are specifically incorporated by reference in the information incorporated in this Prospectus).

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED BY THE DETAILED INFORMATION AND FINANCIAL STATEMENTS INCLUDED ELSEWHERE OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. UNLESS OTHERWISE INDICATED, THE INFORMATION IN THIS PROSPECTUS ASSUMES THAT THE UNDERWRITER'S OVER-ALLOTMENT OPTION IS NOT EXERCISED.

ALZA

ALZA is the recognized leader in the development of pharmaceutical products based on controlled drug delivery technologies. Since the company's founding in 1968, ALZA's research and development efforts have resulted in a broad range of proprietary therapeutic systems designed to improve the medical value and cost effectiveness of drug compounds by improving efficacy, minimizing side effects and/or providing greater patient compliance. Among the ALZA-developed products commercialized to date by client companies are Procardia XL-R-, for the treatment of both angina and hypertension, Volmax-R- (albuterol), an anti-asthmatic product, and Efidac/24-R-, an over-the-counter nasal decongestant product, all utilizing ALZA's OROS-R- oral therapeutic systems; and Transderm-Nitro-R- for the prevention and treatment of angina, Nicoderm-R-, an aid in smoking cessation, and Duragesic-R- for the management of chronic pain (such as cancer pain), utilizing various transdermal therapeutic systems. More than 60 additional products utilizing ALZA therapeutic systems are in various stages of development or clinical evaluation, a number of which are awaiting marketing clearance in the United States and/or other countries. ALZA recently announced United States Food and Drug Administration ("FDA") clearance of two products -- Glucotrol XL-R- and Actisite-R- (tetracycline HCl) periodontal fiber. Glucotrol XL-R-, developed jointly with Pfizer, Inc., is a product for the treatment of diabetes taken orally once a day. Actisite-R-, developed jointly with On-Site Therapeutics, Inc., is the first sustained-release, site-specific drug therapy cleared for marketing in the United States for the treatment of patients with adult periodontitis.

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Most of ALZA's product development activities have been undertaken pursuant to joint development and commercialization agreements, including agreements with many of the world's largest pharmaceutical companies. These agreements normally provide for the pharmaceutical company client to reimburse ALZA for ALZA's costs incurred in product development and clinical evaluation. The client receives marketing rights to the products and ALZA receives royalties on product sales. In some cases, ALZA has rights to co-promote the products developed. In many cases, ALZA manufactures all or a portion of the client's requirements of the product. ALZA's clients often take responsibility for obtaining necessary regulatory approvals and make all marketing and other commercialization decisions regarding the products. Therefore, most of the variables that affect ALZA's royalties and fees are not within ALZA's control. For the year ended December 31, 1993, royalties from sales of Procardia XL accounted for approximately 60% of ALZA's royalties and fees.

As part of ALZA's Target 2000 strategic plan, ALZA intends to increase significantly the development, manufacturing and marketing of its own products in addition to continuing its client-based business. In furtherance of this goal, ALZA formed Therapeutic Discovery Corporation ("TDC") and distributed "units," consisting of TDC shares and ALZA warrants, as a special dividend to ALZA stockholders in June 1993. TDC was formed to develop and commercialize, most likely through licensing to ALZA, products incorporating ALZA's drug delivery systems with various drug compounds. ALZA contributed $250 million in cash to TDC and will develop products on behalf of TDC under a development contract. ALZA has an option to license each product developed by TDC, and also has an option to purchase all of the TDC shares. The formation of TDC, and the development of products with TDC, are intended to result in a potential pipeline of products for marketing by ALZA.

With the approval and launch of the Testoderm-R- transdermal therapeutic system for the treatment of testosterone deficiencies in hypogonadal males, ALZA has begun to accelerate its marketing activities. ALZA introduced the Testoderm product in the United States in April 1994 through ALZA Pharmaceuticals, ALZA's sales and marketing group. ALZA Pharmaceuticals also has begun to co-promote the Duragesic transdermal fentanyl system with Janssen Pharmaceutica. With the Testoderm product, the

Duragesic co-promotion activities, other co-promotion arrangements and the opportunity to market the products developed by TDC, ALZA intends to increase the number of products it develops for marketing by ALZA Pharmaceuticals while continuing its business of developing products for third party clients.

ALZA's principal executive offices are located at 950 Page Mill Road, P.O. Box 10950, Palo Alto, California 94303-0802 and its telephone number is (415) 494-5000.

THE OFFERING

<TABLE>

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LYONs.....	$825,000,000 aggregate principal amount at maturity (excluding $123,750,000 aggregate principal amount at maturity subject to the Underwriter's over-allotment option) of LYONs due June , 2014. There will be no periodic interest payments on the LYONs. Each LYON will have an Issue Price of $ and a principal amount due at maturity of $1,000.
Yield to Maturity of LYONs.....	% per annum (computed on a semi-annual bond equivalent basis) calculated from June , 1994.
Conversion Rights.....	Each LYON will be convertible at the option of the Holder at any time on or prior to maturity, unless previously redeemed or otherwise purchased by ALZA. Upon conversion of a LYON, ALZA may elect to deliver shares of Common Stock, at a Conversion Rate of shares per LYON, or cash equal to the market value of the shares of Common Stock into which the LYONs are convertible. The Conversion Rate will not be adjusted for accrued Original Issue Discount, but will be subject to adjustment upon the occurrence of certain events affecting the Common Stock. Upon conversion, the Holder will not receive any cash payment representing accrued Original Issue Discount; such accrued Original Issue Discount will be deemed paid by the Common Stock or cash received by the Holder on conversion. See "Description of LYONs -- Conversion Rights."
Subordination.....	The LYONs will be subordinated in right of payment

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	to the prior payment in full of all existing and future Senior Indebtedness of ALZA, the principal amount of which as of April 30, 1994 totalled $1.7 million, excluding ALZA's $249.3 million principal amount of outstanding commercial paper, which will be retired with a portion of the proceeds from the sale of the LYONs. See "Capitalization" and "Description of LYONs -- Subordination of LYONs."
Original Issue Discount.....	Each LYON is being offered at an Original Issue Discount for United States federal income tax purposes equal to the excess of the principal amount at maturity over the amount of the Issue Price. Prospective purchasers of LYONs should be aware that, although there will be no periodic payments of interest on the LYONs, accrued Original Issue Discount will be includable, periodically, in a Holder's gross income for United States federal income tax purposes prior to conversion, redemption, other

	disposition or maturity of such Holder's LYONs, whether or not such LYONs are ultimately converted, redeemed, sold (to ALZA or otherwise) or paid at maturity. See "Certain United States Federal Income Tax Considerations -- Original Issue Discount."
Sinking Fund.....	None.
Optional Redemption.....	The LYONs will not be redeemable by ALZA prior to June , 1999. Thereafter, the LYONs are redeemable for cash at any time at the option of ALZA, in whole or in part, at Redemption Prices equal to the Issue Price plus accrued Original Issue Discount to the date of redemption. See "Description of LYONs -- Redemption of LYONs at the Option of ALZA."
Purchase at the Option of the Holder...	ALZA will purchase any LYON, at the option of the Holder, as of June , 1999, June , 2004 and June , 2009, for a Purchase Price of $, $ and $ (Issue Price plus accrued Original Issue Discount to such Purchase Date), respectively, representing a % yield per annum to the Holder on such date, computed on a semi-annual bond equivalent basis. Subject to certain exceptions, ALZA, at its option, may elect to pay the Purchase Price as of any such Purchase Date in cash or Common Stock, or any combination thereof. Because the Market Price of any Common Stock to be delivered in payment, in whole or in part, of the Purchase Price is determined prior to the applicable Purchase Date, Holders of LYONs bear the market risk with respect to the value of the Common Stock to be received from the date such Market Price is determined to such Purchase Date. In addition, as of 35 business days after the occurrence of a Change in Control of ALZA occurring on or prior to June , 1999, ALZA will also purchase for cash any LYON, at the option of the Holder, for a Change in Control Purchase Price equal to the Issue Price plus accrued Original Issue Discount to the Change in Control Purchase Date. The Change of Control purchase feature of the LYONs may in certain circumstances have an anti-takeover effect. See "Description of LYONs -- Purchase of LYONs at the Option of the Holder" and "-- Change in Control Permits Purchase of LYONs at the Option of the Holder."
Use of Proceeds.....	ALZA will use the net proceeds of this offering for the retirement at maturity of all of ALZA's outstanding commercial paper, which had an aggregate principal amount of $249.3 million as of April 30, 1994, and for general corporate purposes. See "Use of Proceeds."
Listing.....	Application has been made to list the LYONs on the New York Stock Exchange. The Common Stock is currently traded on the New York Stock Exchange under the symbol "AZA."

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SUMMARY CONSOLIDATED FINANCIAL DATA

Set forth below are summary consolidated financial data for ALZA as of the dates and for the periods indicated.

<TABLE>
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	THREE MONTHS ENDED MARCH 31,		YEARS ENDED DECEMBER 31,				
	1994	1993	1993	1992	1991	1990	1989
	(UNAUDITED)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
			(IN THOUSANDS, EXCEPT PER SHARE DATA AND RATIOS)				
STATEMENT OF OPERATIONS DATA:							
Total revenues	$ 68,165	$ 69,936(1)	$ 234,182 (1	$ 250,519	$ 162,349	$ 109,425	$ 92,687
Income (loss) before extraordinary item and cumulative effect of accounting change	15,617	20,769	42,869(2)	72,170	(62,076)(3)	24,654	18,774
Net income (loss)	15,617	27,342(4)	45,612(4)(5)	72,170	(62,076)	24,654	18,774
Income (loss) per share before extraordinary item and cumulative effect of accounting change	0.19	0.26	0.54(2)	0.90	(0.88)(3)	0.35(6)	0.27(6)
Net income (loss) per share	0.19	0.34(4)	0.57(4)(5)	0.90	(0.88)	0.35(6)	0.27(6)
BALANCE SHEET DATA:							
Working capital	$ 76,959(7)	$ 118,235	$ (87,767)(5)	$ 188,744	$ 227,950	$ 335,385	$ 130,329
Total assets	642,384	737,741	621,824	698,381	580,490	530,868	288,447
Commercial paper	249,370	--	249,520	--	--	--	--
7 1/2% zero coupon convertible subordinated debentures (5)	--	233,244	--	228,966	213,220	198,218	--
5 1/2% convertible subordinated debentures	--	--	--	--	--	75,000	75,000
Other long-term liabilities	32,437	25,141	28,969	22,723	23,607	19,474	10,357
Stockholders' equity	320,822(7)(8)	438,311	306,677(8)	407,543	322,854	219,605	186,636
OTHER DATA:							
Ratio of earnings to fixed charges (9)	7.6x	6.6x	3.9x	6.3x	--(10)	6.3x	5.4x
Pro forma ratio of earnings to fixed charges	(11)	--	(11)	--	--	--	--

<FN>

- ---

(1) Includes approximately $5.0 million of one-time investment gains realized on long-term investments liquidated in connection with ALZA's contribution to TDC. See "Prospectus Summary."

(2) Includes pre-tax charges and allowances of $28.1 million ($0.23 per share on an after-tax basis) related primarily to manufacturing activities.

(3) In 1991 ALZA incurred a one-time charge of $101.3 million relating to the purchase of in-process technology in connection with the acquisition of Bio-Electro Systems, Inc., a company acquired by ALZA in early 1992.

(4) In February 1992, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). ALZA adopted the provisions of SFAS 109 in its financial statements for the quarter ended March 31, 1993, increasing net income by $6.6 million ($0.08 per share). As permitted by SFAS 109, prior year financial statements have not been restated to reflect the change in accounting method.

(5) On November 15, 1993 ALZA redeemed all of its outstanding 7 1/2% zero coupon convertible subordinated debentures. In connection with this redemption, ALZA incurred a $3.8 million (net of income taxes) extraordinary refinancing charge. The 7 1/2% zero coupon convertible subordinated debentures were replaced with commercial paper which was classified as short term debt, thereby reducing working capital.

(6) Per share data for 1989 and 1990 have been restated to give retroactive effect to a two-for-one stock split effective November 1991.

(7) In May 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). ALZA adopted the provisions of the new standard for investments held as of or acquired after January 1, 1994. In accordance with SFAS 115, prior period financial statements have not been restated to reflect the change in accounting principle. Under SFAS 115, all available-for-sale securities were classified as current assets

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and a $2.3 million valuation allowance was established at March 31, 1994 for the difference between their cost and fair market value.

(8) Stockholders' equity decreased from December 31, 1992 to December 31, 1993 and from March 31, 1993 to March 31, 1994 due primarily to the TDC distribution. See "Prospectus Summary."

(9) The ratios of earnings to fixed charges were calculated by dividing the sum of (i) income (loss) before income taxes, extraordinary item and the cumulative effect of the accounting change and (ii) fixed charges (reduced by capitalized interest costs), by fixed charges. Fixed charges consist of interest (expensed and capitalized), amortization of debt issue expense and the estimated interest portion of rent expense.

(10) Earnings for the year ended December 31, 1991 were insufficient to cover fixed charges by approximately $43 million.

(11) The pro forma ratio of earnings to fixed charges assumes the 7 1/2% zero coupon convertible subordinated debentures and the commercial paper outstanding during the periods presented had been refinanced on a retroactive basis by the new LYONs.

</TABLE>

INVESTMENT CONSIDERATIONS

RELATIONSHIPS WITH CLIENT COMPANIES. ALZA's net income currently results primarily from royalties and fees paid by client companies. Royalties and fees are derived from sales by the clients of products incorporating ALZA technologies, and therefore vary from quarter to quarter as a result of changing levels of product sales by client companies. Because ALZA's clients make all marketing and other commercialization decisions with respect to such products (including, in many cases, taking responsibility for obtaining necessary regulatory approvals), most of the variables that affect ALZA's royalties and fees are not directly within ALZA's control. In addition, ALZA's royalties and fees could be adversely affected if the pressures for cost containment in the United States health care system were to result in lower selling prices for royalty-bearing products. During the quarter ended March 31, 1994, Procardia XL, marketed by Pfizer, Inc., accounted for approximately 60% of ALZA's royalties and fees.

RECENT AND PLANNED EXPANSION OF MARKETING AND MANUFACTURING ACTIVITIES. ALZA recently began marketing the Testoderm transdermal therapeutic system, and intends to expand its sales and marketing activities in the future, under co-promotion arrangements, under its arrangements with TDC, and under other arrangements with third parties (which could include the acquisition or license of products and/or technologies). While the activities with TDC and other third parties are intended to result in a valuable pipeline of products for marketing by ALZA, there can be no assurance that this will be the case. ALZA also has expanded and is continuing to expand its manufacturing facilities in anticipation of future manufacturing needs. Utilization of these facilities in any quarter depends on many factors, including client orders, product approvals, and product launches and sales, many of which are outside of ALZA's control. There can be no assurance that ALZA's expanded sales, marketing and manufacturing activities will be successful.

VOLATILITY OF SECURITIES PRICES. The market prices of ALZA's securities are subject to significant fluctuations in response to variations in quarterly operating results, announcements of new commercial products by ALZA or its competitors, developments or disputes concerning patent or proprietary rights, regulatory developments in both the United States and foreign countries, health care reform and regulation, and economic and other external factors. In addition, the pharmaceutical sector of the stock market has in recent years experienced significant price fluctuations. Such fluctuations, as well as economic conditions generally, may adversely affect the market price of ALZA's securities.

USE OF PROCEEDS

The aggregate net proceeds to ALZA from the sale of the LYONs offered hereby are estimated to be approximately $ million (or approximately $ million if the Underwriter's over-allotment option is exercised in full). ALZA will use a portion of the net proceeds to retire at maturity all of ALZA's outstanding commercial paper, which had an aggregate principal amount of $249.3 million as of April 30, 1994, and had maturities of less than 120 days and bore interest as of such date at rates ranging from 3.65% to 4.22% per annum. The remainder of the net proceeds will be used for general corporate purposes, which include working capital, acquisition of additional facilities and equipment, expansion of ALZA's pharmaceutical business (including its sales and marketing activities), possible expenditures under joint ventures, partnerships or other similar agreements, and the possible acquisition of assets, technologies, products and businesses to expand ALZA's existing operations. Pending such uses, ALZA will invest the net proceeds of the offering in marketable securities.

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PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

ALZA's Common Stock is traded on the New York Stock Exchange under the symbol AZA. Prior to June 1, 1992, the Common Stock was traded on the American Stock Exchange under the same symbol. The following table sets forth the high and low per share sales price for the Common Stock as reported on the composite tape for the applicable exchange for the quarters indicated. The last reported sale price for the Common Stock on the New York Stock Exchange on May 13, 1994 was $23 1/8. These prices do not include retail mark-ups, mark-downs or commissions.

<TABLE>
<CAPTION>

	HIGH	LOW
<S>	<C>	<C>
1992		
First Quarter	$55 3/4	$40 5/8
Second Quarter	$48 5/8	$38 7/8
Third Quarter	$50 3/8	$40 3/8
Fourth Quarter	$47 3/8	$33 1/2
1993		
First Quarter	$47 1/8	$25 1/4
Second Quarter	$35 1/8	$22 7/8
Third Quarter	$26 3/4	$19 1/4
Fourth Quarter	$29 1/2	$20 7/8
1994		
First Quarter	$30 3/4	$21
Second Quarter (through May 13)	$26	$20 1/4

</TABLE>

ALZA has never paid a cash dividend on its Common Stock and does not anticipate doing so in the foreseeable future.

CAPITALIZATION

The following table sets forth the capitalization and short-term debt of ALZA and its consolidated subsidiaries at March 31, 1994, and as adjusted to give effect to the sale of the LYONs offered by this Prospectus (assuming no exercise of the Underwriter's over-allotment option) and assuming the retirement at maturity of $249,370,000 aggregate principal amount of outstanding commercial paper from the net proceeds of the sale of the LYONs, in each case as if such events had occurred on March 31, 1994.

<TABLE>
<CAPTION>

	AS OF MARCH 31, 1994	
	ACTUAL	AS ADJUSTED(1)
	(UNAUDITED) (IN THOUSANDS)	
<S>	<C>	<C>
Short-term debt:		
Commercial paper	$ 249,370	$ --
Other short-term debt (2)	868	868
Total short-term debt	$ 250,238	$ 868
Long-term liabilities:		
LYONs offered hereby	$ --	$
Other long-term liabilities	32,437	32,437
Total long-term liabilities	32,437	
Stockholders' equity:		
Preferred Stock, $.01 par value; 100,000 shares authorized; none issued and outstanding	--	--
Common Stock, $.01 par value, 300,000,000 shares authorized; 81,674,400 shares issued and outstanding (3)	817	817
Additional paid-in capital	295,818	295,818
Unrealized losses on available-for-sale securities (unrealized loss of $3,891 less $1,598 tax effects) (4)	(2,293)	(2,293)
Retained earnings	26,480	26,480
Total stockholders' equity	320,822	320,822

</TABLE>

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Total capitalization.....	$ 353,259	$

<FN>
- ------------------------
(1) Adjusted to reflect: (i) the issuance of the LYONs assuming no exercise of the Underwriter's over-allotment option and (ii) the retirement at maturity of $249,370,000 of outstanding commercial paper from the net proceeds of the sale of the LYONs, in each case as if such events had occurred on March 31, 1994.
(2) Other short-term debt consists entirely of the current portion of long-term debt.
(3) Excludes 5,832,501 shares reserved for issuance pursuant to ALZA's stock option, stock purchase and other employee benefit plans, 1,000,000 shares reserved for issuance upon the exercise of outstanding warrants exercisable at $25 per share on or before January 31, 1996 and 966,697 shares reserved for issuance upon the exercise of outstanding warrants exercisable at $65 per share on or before December 31, 1999.
(4) In May 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). ALZA adopted the provisions of the new standard for investments held as of or acquired after January 1, 1994. In accordance with SFAS 115, prior period financial statements have not been restated to reflect the change in accounting principle. Under SFAS 115, all available-for-sale securities were classified as current assets and a $2.3 million valuation allowance was established at March 31, 1994 for the difference between their cost and fair market value.
</TABLE>

DESCRIPTION OF LYONS

The LYONs are to be issued under an indenture to be dated as of June 1, 1994 (the "Indenture") between ALZA and The Chase Manhattan Bank, N.A., as trustee (the "Trustee"). A copy of the form of Indenture is filed as an exhibit to the Registration Statement of which this Prospectus is a part. The following summaries of certain provisions of the LYONs and the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the LYONs and the Indenture, including the definitions therein of certain terms which are not otherwise defined in this Prospectus. Wherever particular provisions or defined terms of the Indenture (or of the Form of LYON which is a part thereof) are referred to, such provisions or defined terms are incorporated herein by reference. References herein are to sections in the Indenture and paragraphs in the Form of LYON.

GENERAL

The LYONs will be unsecured obligations of ALZA limited to $825,000,000 aggregate principal amount at maturity ($948,750,000 aggregate principal amount at maturity if the Underwriter's over-allotment option is exercised in full) and will mature on June , 2014. The principal amount at maturity of each LYON is $1,000 and will be payable at the office of the Paying Agent, which initially will be the Trustee, in The City of New York, and payment will be made at its office in New York, or any other office of the Paying Agent maintained for such purpose. (Sections 2.2, 2.3 and 4.5 and Form of LYON, paragraph 3.)

The LYONs are being offered at a substantial discount from their principal amount at maturity. There will be no periodic payments of interest. The calculation of the accrual of Original Issue Discount (the difference between the Issue Price and the principal amount at maturity of a LYON) in the period during which a LYON remains outstanding will be on a semi-annual bond equivalent basis using a 360-day year composed of twelve 30-day months; such accrual will commence on the issue date of the LYONs. (Form of LYON, paragraph 1.) Maturity, conversion, purchase by ALZA at the option of the Holder, or redemption of a LYON will cause Original Issue Discount and interest, if any, to cease to accrue on such LYON, under the terms and subject to the conditions of the Indenture. (Section 2.8.) ALZA may not reissue a LYON that has matured or been converted, purchased by ALZA at the option of a Holder, redeemed or otherwise canceled (except for registration of transfer, exchange or replacement thereof). (Section 2.10.) See "Certain United States Federal Income Tax Considerations -- Original Issue Discount."

The LYONs will be issued only in fully registered form, without coupons, in denominations of $1,000 principal amount at maturity or an integral multiple thereof. (Form of LYON, paragraph 11.) LYONs may be presented for conversion at the office of the Conversion Agent and for exchange or registration of transfer at the office of the Registrar, each of which initially will be the Trustee. (Section 2.3.) No service charge will be made for any registration of transfer or exchange of LYONs; however, ALZA may require payment by a Holder of a sum sufficient to cover any tax, assessment or other governmental charge payable in

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connection therewith. (Section 2.6.)

SUBORDINATION OF LYONS

Indebtedness evidenced by the LYONs will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all existing and future Senior Indebtedness. (Section 10.1 and Form of LYON, paragraph 8.) "Senior Indebtedness" means the principal of (and premium, if any) and unpaid interest on all present and future (i) indebtedness of ALZA for borrowed money, (ii) obligations of ALZA evidenced by bonds, debentures, notes or similar instruments, (iii) indebtedness incurred, assumed or guaranteed by ALZA in connection with the acquisition by it or a subsidiary of any business, properties or assets (except purchase money indebtedness classified as accounts payable under generally accepted accounting principles), (iv) obligations of ALZA as lessee under leases required to be capitalized on the balance sheet of the lessee under generally accepted accounting principles and leases of property or assets made as part of any sale and lease-back transaction to which ALZA is a party, (v) reimbursement obligations of ALZA in respect of letters of credit relating to indebtedness or other obligations of ALZA that qualify as indebtedness or obligations of the kind referred to in clauses (i) through (iv) above and (vi) obligations of ALZA under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or

obligations of others of the kinds referred to in clauses (i) through (v) above, in each case unless, in the instrument creating or evidencing the indebtedness or obligation or pursuant to which the same is outstanding, it is provided that such indebtedness or obligation is not superior in right of payment to the LYONs. (Section 1.1.)

By reason of such subordination, in the event of dissolution, insolvency, bankruptcy or other similar proceedings, upon any distribution of assets, (i) the holders of Senior Indebtedness will be entitled to be paid in full before payment may be made on the LYONs and the Holders of LYONs will be required to pay over their share of such distribution in respect of the LYONs to the holders of Senior Indebtedness until such Senior Indebtedness is paid in full and (ii) unsecured creditors of ALZA who are not Holders of LYONs or holders of Senior Indebtedness may recover less, ratably, than holders of Senior Indebtedness and may recover more, ratably, than the Holders of LYONs. (Section 10.2.)

No payment of the principal amount at maturity, Issue Price, accrued Original Issue Discount, Redemption Price, Change in Control Purchase Price or interest, if any, with respect to any LYONs may be made, nor may ALZA pay cash with respect to the Purchase Price or upon conversion of any LYON (other than cash in lieu of fractional shares) or acquire any LYONs except as set forth in the Indenture, if there shall have occurred and be continuing (i) a default in any payment with respect to any Senior Indebtedness of ALZA or (ii) an event of default with respect to any Senior Indebtedness of ALZA permitting the holders thereof to accelerate the maturity thereof. (Section 10.4.)

The LYONs will be effectively subordinated to all liabilities, including trade payables and capitalized lease obligations, if any, of ALZA's subsidiaries. Any right of ALZA to receive assets of any of its subsidiaries upon liquidation or reorganization of the subsidiary (and the consequent right of the Holders of the LYONs to participate in those assets) will be effectively subordinated to the claims of that subsidiary's creditors (including trade creditors), except to the extent that ALZA is itself recognized as a creditor of such subsidiary, in which case the claims of ALZA would still be subordinate to any security interests in the assets of such subsidiary and any indebtedness of such subsidiary senior to that held by ALZA.

As of April 30, 1994, the principal amount of Senior Indebtedness was $1.7 million, excluding ALZA's $249.3 million principal amount of outstanding commercial paper, which will be retired with a portion of the proceeds from the sale of the LYONs. There are no restrictions in the Indenture on the creation of additional indebtedness, including Senior Indebtedness.

CONVERSION RIGHTS

A Holder of a LYON may convert it at any time before the close of business on June , 2014; PROVIDED, HOWEVER, that if a LYON is called for redemption, the Holder may convert it at any time before the close of business on the Redemption Date. On conversion of a LYON, ALZA may elect to deliver shares of Common Stock or an amount of cash determined as described below. A LYON in respect of which a Holder has delivered a Purchase Notice or a Change in Control Purchase Notice exercising the option of such Holder to require ALZA to purchase such LYON may be converted only if such notice is withdrawn by a written notice of withdrawal delivered to the Paying Agent prior to the close of business on the Purchase Date or the Change in Control Purchase Date, as the case may be, in

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accordance with the terms of the Indenture. (Form of LYON, paragraph 9.)

The initial Conversion Rate is shares of Common Stock per LYON, subject to adjustment upon the occurrence of certain events described below. A Holder otherwise entitled to a fractional share of Common Stock will receive cash in lieu of such fractional share equal to the market value of such fractional share based on the Sale Price on the Trading Day immediately prior to the Conversion Date. A Holder may convert a portion of such Holder's LYON provided that the portion is $1,000 principal amount at maturity or an integral multiple thereof. (Sections 11.1 and 11.3 and Form of LYON, paragraph 9.)

On conversion of a LYON, a Holder must (i) complete and manually sign the conversion notice on the back of the LYON (or complete and manually sign a facsimile thereof) and deliver such notice to the Conversion Agent or any other office or agency maintained for such purpose, (ii) surrender the LYON to the Conversion Agent or such other office or agency by physical or book entry delivery, (iii) if required, furnish

appropriate endorsements and transfer documents and (iv) if required, pay all transfer or similar taxes. The date on which all of the foregoing requirements have been satisfied is the Conversion Date. (Section 11.2 and Form of LYON, paragraph 9.)

On conversion of a LYON, a Holder will not receive any cash payment representing accrued Original Issue Discount. ALZA's delivery to the Holder of the fixed number of shares of Common Stock (or cash in the applicable amount as provided below) into which the LYON is convertible (together with the cash payment, if any, in lieu of fractional shares) will satisfy ALZA's obligation to pay the principal amount at maturity of the LYON including the accrued Original Issue Discount attributable to the period from the Issue Date to the Conversion Date. Thus, the accrued Original Issue Discount is deemed to be paid in full rather than canceled, extinguished or forfeited. (Section 11.2.) The Conversion Rate will not be adjusted at any time during the term of the LYONs for such accrued Original Issue Discount.

In lieu of delivering shares of Common Stock upon notice of conversion of any LYON, ALZA may elect to pay the Holder surrendering a LYON an amount in cash equal to the Sale Price of a share of Common Stock on the Trading Day immediately prior to the Conversion Date multiplied by the Conversion Rate in effect on such Trading Day, subject to adjustment upon the occurrence of certain events described below; PROVIDED, that if such payment of cash is not permitted pursuant to the provisions of the Indenture or otherwise, ALZA will deliver shares of Common Stock (and cash in lieu of fractional shares) as set forth below. Upon conversion of any LYON, ALZA shall inform the Holder through the Conversion Agent of its election to deliver shares of Common Stock or to pay cash in lieu of delivery of such shares no later than two business days following the Conversion Date. If ALZA elects to deliver shares of Common Stock, such shares will be delivered through the Conversion Agent no later than the seventh business day following the Conversion Date. If ALZA elects to pay cash, such cash payment will be made to the Holder surrendering such LYON no later than the fifth business day following such Conversion Date. (Sections 11.1 and 11.2.) For a discussion of the tax treatment of a Holder receiving cash or Common Stock, see "Certain United States Federal Income Tax Considerations -- Disposition or Conversion."

ALZA may not pay cash upon conversion of any LYON (other than cash in lieu of fractional shares) if there has occurred and is continuing an Event of Default described under "Events of Default; Notice and Waiver" below (other than a default in such payment on such LYON). (Section 11.1.)

The "Sale Price" on any Trading Day means the closing sale price per share for the Common Stock (or, if no closing price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date as reported in the composite transactions for the principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional securities exchange, as reported by the National Association of Securities Dealers Automated Quotation System. A "Trading Day" means each day on which the securities exchange or quotation system which is used to determine the Sale Price is open for trading or quotation.

The Conversion Rate will be adjusted for dividends or distributions on Common Stock payable in Common Stock or other capital stock of ALZA; subdivisions, combinations or certain reclassifications of Common Stock; distributions to all holders of Common Stock of certain rights, warrants or options to purchase Common Stock expiring within 60 days after the record date for such distribution at a price per share less than the Sale Price at the time specified in the Indenture; and distributions to such holders of assets or debt securities of ALZA or certain rights, warrants or options to purchase securities

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of ALZA (excluding cash dividends or other cash distributions from current or retained earnings other than any Extraordinary Cash Dividend). However, no adjustment need be made if Holders may participate in the transactions on a basis and with notice that the Board of Directors of ALZA determines to be fair and appropriate or in certain other cases. In cases where the fair market value of the assets, debt securities or certain rights, warrants or options to purchase securities of ALZA distributed to stockholders exceeds the Average Sale Price of the Common Stock or such Average Sale Price exceeds the fair market value of the assets, debt securities or rights, warrants or options so distributed, by less than $1.00, rather than being entitled to an adjustment in the Conversion Rate, the Holder of a LYON upon conversion thereof will be

entitled to receive, in addition to the shares of Common Stock into which the LYON is convertible, the kind and amount of assets, debt securities or rights, warrants or options comprising the distribution that such Holder would have received if such Holder had converted such LYON immediately prior to the record date for determining the stockholders entitled to receive the distribution. The Indenture permits ALZA to increase the Conversion Rate from time to time for a period of time not less than 20 business days. (Sections 11.6, 11.7, 11.8, 11.9, 11.10, 11.12 and 11.14 and Form of LYON, paragraph 9.)

If ALZA is a party to a consolidation, merger or binding share exchange, or transfers all or substantially all of its assets, the right to convert a LYON into Common Stock may be changed into a right to convert into securities, cash or other assets of ALZA or another person. (Section 11.14.)

In the event of a taxable distribution to holders of Common Stock that results in an adjustment of the Conversion Rate or in the event the Conversion Rate is increased at the discretion of ALZA, the Holders of the LYONs may, in certain circumstances, be deemed to have received a distribution subject to United States federal income tax as a dividend. See "Certain United States Federal Income Tax Considerations -- Constructive Dividend."

REDEMPTION OF LYONS AT THE OPTION OF ALZA

No sinking fund is provided for the LYONs. The LYONs will not be redeemable by ALZA prior to June , 1999. Thereafter, ALZA may redeem the LYONs for cash as a whole at any time, or from time to time in part, upon not less than 30 days' nor more than 60 days' notice of redemption given by mail to the Holders of LYONs. (Sections 3.1 and 3.3 and Form of LYON, paragraphs 5 and 7.)

The following table shows Redemption Prices of a LYON on June , 1999, at each June thereafter prior to maturity, and at maturity on June , 2014, which prices reflect the accrued Original Issue Discount calculated to each such date. The Redemption Price of a LYON redeemed between such dates would include an additional amount reflecting the additional Original Issue Discount accrued since the next preceding date in the table to, but excluding, the Redemption Date. (Form of LYON, paragraph 5.)

<TABLE>
<CAPTION>

REDEMPTION DATE	(1) LYON ISSUE PRICE	(2) ACCRUED ORIGINAL ISSUE DISCOUNT AT	%	(3) REDEMPTION PRICE (1)+(2)
<S>	<C>	<C>		<C>
June , 1999				
June , 2000				
June , 2001				
June , 2002				
June , 2003				
June , 2004				
June , 2005				
June , 2006				
June , 2007				
June , 2008				
June , 2009				
June , 2010				
June , 2011				
June , 2012				
June , 2013				
At maturity				$ 1,000.00

</TABLE>

If less than all of the outstanding LYONs are to be redeemed, the Trustee shall select the LYONs to be redeemed in principal amounts at maturity of $1,000 or integral multiples thereof by lot, PRO RATA or by another method the Trustee considers fair and appropriate. If a portion of a Holder's LYONs is selected for partial redemption and such Holder converts a portion of such LYONs, such

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converted portion shall be deemed to be of the portion selected for redemption. (Section 3.2.)

PURCHASE OF LYONS AT THE OPTION OF THE HOLDER

On June , 1999, June , 2004 and June , 2009 (each, a "Purchase Date") ALZA will become obligated to purchase, at the option of the Holder thereof, any outstanding LYON for which a written Purchase Notice has been delivered by the Holder to the Paying Agent or to any other office or agency maintained for such purpose at any time from the opening of business on the date that is 20 business days prior to such Purchase Date until the close of business on such Purchase Date and for which such Purchase Notice has not been withdrawn, subject to certain additional conditions. The Purchase Price payable in respect of a LYON shall be equal to the Issue Price plus accrued Original Issue Discount to the Purchase Date, with respect to each Purchase Date, as set forth in the table below. ALZA, at its option, may elect to pay the Purchase Price with respect to any particular Purchase Date in cash or Common Stock, or any combination thereof. (Section 3.8 and Form of LYON, paragraph 6.) For a discussion of the tax treatment of a Holder receiving cash, Common Stock, or any combination thereof, see "Certain United States Federal Income Tax Considerations -- Disposition or Conversion."

ALZA will be required to give notice (the "ALZA Notice") on a date not less than 20 business days prior to any Purchase Date to all Holders at their addresses shown in the register of the Registrar (and to beneficial owners if required by applicable law) stating, among other things, (i) whether ALZA will pay the Purchase Price of LYONs in cash or Common Stock, or any combination thereof (and, if a combination, specifying the percentage of the Purchase Price to be paid in each of cash and Common Stock), and (ii) the procedures that Holders must follow to require ALZA to purchase LYONs from such Holder. (Section 3.8.)

The Purchase Notice given by each Holder electing to require ALZA to purchase LYONs shall state (i) the certificate numbers of the LYONs to be delivered by such Holder for purchase by ALZA, (ii) the portion of the principal amount at maturity of LYONs to be purchased, which portion must be $1,000 or an integral multiple thereof, (iii) that such LYONs are to be purchased by ALZA pursuant to the applicable provisions of the LYONs and (iv) in the event ALZA elects, pursuant to the ALZA Notice, to pay the Purchase Price with respect to the applicable Purchase Date in Common Stock (in whole or in part) but such Purchase Price is ultimately to be paid in cash because any of the other conditions to payment of the Purchase Price in Common Stock is not satisfied by such Purchase Date, as described below, whether such Holder elects (a) to withdraw such Purchase Notice as to some or all of the LYONs to which it relates (stating the principal amount at maturity and certificate numbers of the LYONs as to which such withdrawal shall relate) or (b) to receive cash in respect of the Purchase Price for all LYONs subject to such Purchase Notice. If the Holder fails to indicate such Holder's choice with respect to the election described in clause (iv) above in the Purchase Notice, such Holder shall be deemed to have elected to receive cash in respect of the Purchase Price for all LYONs subject to such Purchase Notice in such circumstances. (Section 3.8.)

Any Purchase Notice may be withdrawn by the Holder by a written notice of withdrawal delivered to the Paying Agent or to any other office or agency maintained for such purpose prior to the close of business on the Purchase Date. The notice of withdrawal shall state the principal amount at maturity and the certificate numbers of the LYONs as to which the withdrawal notice relates and the principal amount at maturity, if any, which remains subject to the Purchase Notice. (Section 3.10.)

The table below shows the Purchase Prices of a LYON as of the specified Purchase Dates:

<TABLE>
<CAPTION>

PURCHASE DATE	PURCHASE PRICE
<S>	<C>
June , 1999	
June , 2004	
June , 2009	

</TABLE>

If ALZA elects to pay the Purchase Price, in whole or in part, in shares of Common Stock, the number of shares of Common Stock to be delivered in respect of the portion of the Purchase Price to be paid in Common Stock shall be equal to such portion of the Purchase Price divided by the Market Price of a share of Common Stock. However, no fractional shares of Common Stock will be delivered upon any purchase by ALZA of LYONs through the delivery of such Common Stock in payment, in whole or in part, of the

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Purchase Price. Instead, ALZA will pay cash based on the Market Price for all fractional shares of Common Stock. (Section 3.8.) See "Certain United States Federal Income Tax Considerations -- Disposition or Conversion."

The "Market Price" means the average of the Sale Prices of the Common Stock for the five Trading Day period ending on the third Trading Day prior to the applicable Purchase Date, appropriately adjusted to take into account the occurrence during the seven Trading Days preceding such Purchase Date of certain events that would result in an adjustment of the Conversion Rate with respect to the Common Stock. Because the Market Price of the Common Stock is determined prior to the applicable Purchase Date, Holders of LYONs bear the market risk with respect to the value of the Common Stock to be received from the date such Market Price is determined to such Purchase Date. ALZA may elect to pay in Common Stock only if the information necessary to calculate the Market Price is reported in THE WALL STREET JOURNAL or another daily newspaper of national circulation. (Section 3.8.)

Upon determination of the actual number of shares of Common Stock issuable in accordance with the foregoing provisions, ALZA will publish such determination in THE WALL STREET JOURNAL or another daily newspaper of national circulation. (Section 3.8.)

ALZA's right to purchase LYONs, in whole or in part, with Common Stock is subject to ALZA satisfying various conditions, including (i) the registration of the Common Stock under the Securities Act and the Exchange Act, if applicable, and (ii) any necessary qualification or registration under applicable state laws or the availability of an exemption from such qualification and registration and compliance with other applicable federal securities laws. If such conditions are not satisfied with respect to a Holder or Holders by the Purchase Date, ALZA will pay the Purchase Price of the LYONs of such Holder or Holders in cash. (Section 3.8.) See "Certain United States Federal Income Tax Considerations -- Disposition or Conversion." ALZA may not change the form of consideration (or components thereof) to be paid once ALZA has given the ALZA Notice to Holders of LYONs, except as described in the second sentence of this paragraph. (Section 3.8.)

ALZA will comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act which may then be applicable and will file Schedule 13E-4 or any other schedule required thereunder in connection with any offer by ALZA to purchase LYONs at the option of Holders. (Section 3.13.)

Payment of the Purchase Price for a LYON for which a Purchase Notice has been delivered and not validly withdrawn is conditioned upon delivery of such LYON (together with necessary endorsements) to the Paying Agent or to any other office or agency maintained for such purpose at any time (whether prior to, on or after the Purchase Date) after delivery of such Purchase Notice. (Section 3.8.) Payment of the Purchase Price for a LYON will be made promptly following the later of the Purchase Date or the time of delivery of such LYON. (Section 3.10.) If the Paying Agent holds, in accordance with the terms of the Indenture, money or securities sufficient to pay the Purchase Price of such LYON on the business day following the Purchase Date, then, on and after the Purchase Date, such LYON will cease to be outstanding and Original Issue Discount on such LYON will cease to accrue and will be deemed paid, whether or not such LYON is delivered to the Paying Agent or to any other office or agency maintained for such purpose, and all other rights of the Holder will terminate (other than the right to receive the Purchase Price upon delivery of the LYON). (Section 2.8.)

ALZA's ability to purchase LYONs with cash may be limited by the terms of its then-existing borrowing agreements. No LYONs may be purchased for cash pursuant to the provisions described above if there has occurred and is continuing an Event of Default described under "Events of Default; Notice and Waiver" below (other than a default in the payment of the Purchase Price with respect to such LYONs). (Section 3.10.)

CHANGE IN CONTROL PERMITS PURCHASE OF LYONS AT THE OPTION OF THE HOLDER

In the event of any Change in Control of ALZA occurring on or prior to June , 1999, each Holder of LYONs will have the right, at the Holder's option, subject to the terms and conditions of the Indenture, to

require ALZA to become obligated to purchase all or any part (provided that the principal amount at maturity must be $1,000 or an integral multiple thereof) of the Holder's LYONs on the date that is 35 business days after the occurrence of such Change in Control (the "Change in Control Purchase Date") at a cash price equal to the Issue Price plus accrued Original Issue Discount to the Change in Control Purchase Date (the "Change in Control Purchase Price"). (Section 3.9 and Form of LYON, paragraph 6.) See "Certain United States Federal Income Tax

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Considerations -- Disposition or Conversion."

Within 15 business days after the Change in Control, ALZA is obligated to give notice regarding the Change in Control to the Trustee and to all Holders of LYONs at their addresses shown in the register of the Registrar (and to beneficial owners if required by applicable law), which notice shall state, among other things, (i) the date of such Change in Control and, briefly, the events causing such Change in Control, (ii) the last date by which the Change in Control Purchase Notice must be given, (iii) the Change in Control Purchase Date, (iv) the Change in Control Purchase Price, (v) briefly, the conversion rights of the LYONs, (vi) the name and address of the Paying Agent and the Conversion Agent, (vii) the Conversion Rate and any adjustments thereto, (viii) that LYONs as to which a Change in Control Purchase Notice has been given may be converted into Common Stock only if the Change in Control Purchase Notice has been withdrawn in accordance with the terms of the Indenture, (ix) a brief description of these rights and the procedures the Holder must follow to exercise these rights, and (x) the procedures for withdrawing a Change in Control Purchase Notice. ALZA will cause a copy of such notice to be published in THE WALL STREET JOURNAL or another daily newspaper of national circulation. (Section 3.9.)

To exercise this right, the Holder must deliver written notice (a "Change in Control Purchase Notice") to the Paying Agent or to any other office or agency maintained for such purpose of the exercise of such right prior to the close of business on the Change in Control Purchase Date. The Change in Control Purchase Notice shall state (i) the certificate numbers of the LYONs to be delivered by the Holder thereof for purchase by ALZA, (ii) the portion of the principal amount at maturity of LYONs to be purchased, which portion must be $1,000 or an integral multiple thereof, and (iii) that such LYONs are to be purchased by ALZA pursuant to the applicable provisions of the LYONs. (Section 3.9.)

Any Change in Control Purchase Notice may be withdrawn by the Holder by a written notice of withdrawal delivered to the Paying Agent or to any other office or agency maintained for such purpose prior to the close of business on the Change in Control Purchase Date. The notice of withdrawal shall state the principal amount at maturity and the certificate numbers of the LYONs as to which the withdrawal notice relates and the principal amount at maturity, if any, that remains subject to a Change in Control Purchase Notice. (Section 3.10.)

Payment of the Change in Control Purchase Price for a LYON for which a Change in Control Purchase Notice has been delivered and not validly withdrawn is conditioned upon delivery of such LYON (together with necessary endorsements) to the Paying Agent or to any other office or agency maintained for such purpose, at any time (whether prior to, on or after the Change in Control Purchase Date) after the delivery of such Change in Control Purchase Notice. (Section 3.9.) Payment of the Change in Control Purchase Price for such LYON will be made promptly following the later of the Change in Control Purchase Date or the time of delivery of such LYON. (Section 3.10.) If the Paying Agent holds, in accordance with the terms of the Indenture, money sufficient to pay the Change in Control Purchase Price of such LYON on the business day following the Change in Control Purchase Date, then, on and after such date, such LYON shall cease to be outstanding and Original Issue Discount on such LYON will cease to accrue and will be deemed paid, whether or not such LYON is delivered to the Paying Agent or to any other office or agency maintained for such purpose, and all other rights of the Holder shall terminate (other than the right to receive the Change in Control Purchase Price upon delivery of the LYON). (Section 2.8.)

Under the Indenture, a "Change in Control" of ALZA is deemed to have occurred at such time as (i) any person (including its Affiliates and Associates) other than ALZA, its subsidiaries or their employee benefit plans, files a Schedule 13D or 14D-1 (or any successor schedule, form or report under the Exchange Act) disclosing that such person has become the Beneficial Owner of 50% or more of ALZA's Voting Stock, or (ii) there shall be consummated any consolidation or merger of ALZA in which ALZA is not the continuing or surviving corporation or pursuant to which the Voting Stock of ALZA would be converted into cash, securities or other property, in each case other than a consolidation or merger of ALZA in which the holders of the Voting Stock of ALZA immediately prior to the consolidation or merger have, directly or indirectly, at least a majority of the Voting Stock of the surviving corporation immediately after the consolidation or merger. (Section 3.9.)

"Voting Stock" means, with respect to any person, capital stock of such person having general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of such person (irrespective of whether or not at the time capital stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency). (Section 3.9.)

ALZA will comply with the provisions of Rule 13e-4, Rule 14e-1 and any other

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tender offer rules under the Exchange Act which may then be applicable and will file Schedule 13E-4 or any other schedule required thereunder in connection with any offer by ALZA to purchase LYONs at the option of Holders upon a Change in Control. (Section 3.13.) The Change in Control purchase feature of the LYONs may in certain circumstances make more difficult or discourage a takeover of ALZA and, thus, the removal of incumbent management. The Change in Control purchase feature, however, is not the result of management's knowledge of any specific effort to accumulate shares of Common Stock or to obtain control of ALZA by means of a merger, tender offer, solicitation or otherwise, or part of a plan by management to adopt a series of anti-takeover provisions. Instead, the Change in Control purchase feature is a standard term contained in other LYONs offerings that have been marketed by the Underwriter and the terms of such feature result from negotiations between ALZA and the Underwriter.

If a Change in Control were to occur, there can be no assurance that ALZA would have sufficient funds to pay the Change in Control Purchase Price for all LYONs tendered by the Holders thereof. In addition, ALZA's ability to purchase LYONs with cash may be limited by the terms of its then-existing borrowing agreements. Payment of the Change in Control Purchase Price will be subordinated to the repayment of Senior Indebtedness. See "Subordination of LYONs." A default by ALZA on its obligation to pay the Change in Control Purchase Price would result in an Event of Default and could result in acceleration of the maturity of other indebtedness of ALZA at the time outstanding pursuant to cross-default provisions. See "Events of Default; Notice and Waiver." No LYONs may be purchased if there has occurred and is continuing an Event of Default described under "Events of Default; Notice and Waiver" below (other than a default in the payment of the Change in Control Purchase Price with respect to such LYONs). (Section 3.10.)

MERGERS AND SALES OF ASSETS BY ALZA

The Indenture provides that ALZA may not consolidate with or merge into any other person or sell, lease or otherwise transfer all or substantially all of its assets to any other person, unless, among other things, (i) the resulting, surviving or transferee person (if other than ALZA) is organized and existing under the laws of the United States, any state thereof or the District of Columbia and such person expressly assumes all obligations of ALZA under the LYONs and the Indenture and (ii) ALZA or such successor person shall not immediately thereafter be in default under the Indenture. Upon the assumption of ALZA's obligations by such a person in such circumstances, subject to certain exceptions, ALZA shall be discharged from all obligations under the LYONs and the Indenture. (Section 5.1.) Certain of the foregoing transactions occurring on or prior to June , 1999 could result in a Change in Control of ALZA permitting each Holder to require ALZA to purchase the LYONs of such Holder as described above. (Section 3.9.)

EVENTS OF DEFAULT; NOTICE AND WAIVER

The Indenture provides that if an Event of Default specified therein shall have occurred and be continuing, either the Trustee or the Holders of not less than 25% in aggregate principal amount at maturity of the LYONs then outstanding may declare the Issue Price of the LYONs plus the Original Issue Discount

on the LYONs accrued to the date of such declaration to be immediately due and payable. In the case of certain events of bankruptcy or insolvency, the Issue Price of the LYONs plus the Original Issue Discount accrued thereon to the occurrence of such event shall automatically become and be immediately due and payable. See "Subordination of LYONs." If any LYONs are declared due and payable before their stated maturity, the holders of Senior Indebtedness then outstanding shall be entitled to receive payment in full of all amounts due or to become due on or with respect to all Senior Indebtedness, or provision shall be made for payment of such amounts, before the Holders of LYONs are entitled to receive any payment on account of the LYONs. (Section 10.3.) Under certain circumstances, the Holders of a majority in aggregate principal amount at maturity of the outstanding LYONs may rescind any such acceleration with respect to the LYONs and its consequences. (Section 6.2.) Interest shall accrue and be payable on demand upon a default in the payment of principal amount at maturity, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price, Change in Control Purchase Price or cash or shares of Common Stock to be delivered on conversion of LYONs, in each case to the extent that payment of such interest shall be legally enforceable. (Form of LYON, paragraph 1.)

Under the Indenture, an Event of Default is defined as any of the following: (i) default in payment of the principal amount at maturity, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price or Change in Control Purchase Price with respect to any LYON when such becomes due and payable (whether or not payment is prohibited by the provisions of the Indenture), (ii) failure by ALZA to deliver shares of Common Stock or pay cash in lieu thereof when such Common Stock or cash is required to be delivered or paid, as the case may be, following conversion of a LYON, (iii) failure by ALZA to comply with any

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of its other agreements in the LYONs or the Indenture upon the receipt by ALZA of notice of such default by the Trustee or by Holders of not less than 25% in aggregate principal amount at maturity of the LYONs then outstanding and ALZA's failure to cure such default within 60 days after receipt by ALZA of such notice, (iv) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed of ALZA or any Consolidated Subsidiary, which default shall have resulted in such indebtedness, in an aggregate principal amount exceeding $25,000,000, becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable without such indebtedness being discharged or such acceleration having been rescinded or annulled, or there having been deposited in trust a sum of money sufficient to discharge such indebtedness within a period of 30 days after the giving of a Notice of Default by the Trustee or by Holders of not less than 25% in aggregate principal amount at maturity of the LYONs then outstanding, or (v) certain events of bankruptcy or insolvency. (Section 6.1.)

The Trustee shall give notice to Holders of the LYONs of any continuing default known to the Trustee within 90 days after the occurrence thereof; provided, that the Trustee may withhold such notice if it determines in good faith that withholding the notice is in the interests of the Holders. (Section 7.5.)

The Holders of a majority in aggregate principal amount at maturity of the outstanding LYONs may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that such direction shall not be in conflict with any law or the Indenture and subject to certain other limitations. (Section 6.5.) Before proceeding to exercise any right or power under the Indenture at the direction of such Holders, the Trustee shall be entitled to receive from such Holders reasonable security or indemnity satisfactory to it against any cost, liability or expense which might be incurred by it in complying with any such direction. No Holder of any LYON will have any right to pursue any remedy with respect to the Indenture or the LYONs, unless (i) such Holder shall have previously given the Trustee written notice of a continuing Event of Default, (ii) the Holders of at least 25% in aggregate principal amount at maturity of the outstanding LYONs shall have made a written request to the Trustee to pursue such remedy, (iii) such Holder or Holders have offered to the Trustee reasonable security or indemnity satisfactory to the Trustee, (iv) the Holders of a majority in aggregate principal amount at maturity of the outstanding LYONs have not given the Trustee a direction inconsistent with such request within 60 days after receipt of such request and (v) the Trustee shall have failed to comply with the request within such 60-day period. (Section 6.6.)

Notwithstanding the foregoing, the right of any Holder (i) to receive payment of the principal amount at maturity, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price or Change in Control Purchase Price with respect to any LYON and any interest in respect of a default in the payment of any such amounts on such LYON, on or after the due date expressed in such LYON or (ii) to institute suit for the enforcement of any such payments or conversion or (iii) to convert LYONs (including, without limitation, the right to receive cash in lieu of Common Stock upon conversion if ALZA has elected to pay cash with respect thereto) shall not be impaired or adversely affected without such Holder's consent. (Section 6.7.) The Holders of at least a majority in aggregate principal amount at maturity of the outstanding LYONs may waive an existing default and its consequences, other than (i) any default in any payment on the LYONs, (ii) any default with respect to the conversion rights of LYONs or (iii) any default in respect of certain covenants or provisions in the Indenture which may not be modified without the consent of the Holder of each LYON as described in "Modification" below. (Section 6.4.)

ALZA will be required to furnish to the Trustee annually a statement as to any default by ALZA in the performance and observance of its obligations under the Indenture. (Section 4.3.)

MODIFICATION

Modification and amendment of the Indenture or the LYONs may be effected by ALZA and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount at maturity of the LYONs then outstanding. Without the consent of each Holder affected thereby, however, no amendment may, among other things, (i) reduce the principal amount at maturity, Issue Price, Purchase Price, Change in Control Purchase Price, Redemption Price or the amount of cash payable in respect of conversion upon ALZA's election to pay cash with respect thereto, or extend the stated maturity of any LYON or alter the manner or rate of accrual of Original Issue Discount or interest, or make any LYON payable in money or securities other than that stated in the LYON, (ii) reduce the principal amount at maturity of LYONs whose Holders must consent to an amendment or any waiver under the Indenture, (iii) modify the Indenture provisions relating to such amendments or waivers, (iv) make any change that adversely

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affects the right to convert any LYON or the right to require ALZA to purchase a LYON (including, without limitation, the right to receive cash in lieu of Common Stock upon conversion or purchase other than elimination of ALZA's option to pay cash in lieu of delivering shares of Common Stock upon conversion as described below), (v) modify the provisions of the Indenture relating to the subordination of the LYONs in a manner that adversely affects the rights of any Holder of the LYONs, or (vi) impair the right to institute suit for the enforcement of any payment with respect to, or conversion of, the LYONs. (Section 9.2.) In addition, no amendment may be made to the subordination provisions of the Indenture that adversely affects the rights of any holder of Senior Indebtedness then outstanding, unless the holders of such Senior Indebtedness (as required pursuant to the terms of such Senior Indebtedness) consent to such change. (Section 9.2.)

Without the consent of any Holder of LYONs, ALZA and the Trustee may amend the Indenture to (i) cure any ambiguity, omission, defect or inconsistency, provided that such amendment does not materially adversely affect the rights of any Holder, (ii) provide for the assumption by a successor corporation of the obligations of ALZA under the Indenture, (iii) provide for uncertificated LYONs in addition to certificated LYONs so long as such uncertificated LYONs are in registered form for United States federal income tax purposes, (iv) eliminate ALZA's option to pay cash in lieu of delivering shares of Common Stock upon conversion of LYONs (other than cash in lieu of fractional shares and except with respect to elections already made), (v) make any change that does not adversely affect the rights of any Holder of LYONs or (vi) make any change to comply with the Trust Indenture Act of 1939, as amended, or any requirement of the Commission in connection with the qualification of the Indenture under such act. (Section 9.1.)

DISCHARGE OF THE INDENTURE

ALZA may satisfy and discharge its obligations under the Indenture by delivering to the Trustee for cancellation all outstanding LYONs or by depositing with the Trustee, after the LYONs have become due and payable, cash (or, if permitted by the terms of the Indenture, other securities) sufficient to pay at stated maturity all of the outstanding LYONs and paying all other sums payable under the Indenture by ALZA.

INFORMATION CONCERNING THE TRUSTEE

The Chase Manhattan Bank, N.A. is the Trustee under the Indenture. ALZA and its subsidiaries may maintain deposit accounts and conduct other banking transactions with the Trustee in the ordinary course of business.

CLAIMS IN BANKRUPTCY

If ALZA becomes the subject of a voluntary or involuntary case under the United States Bankruptcy Code, the claim of any Holder of a LYON may, under the Bankruptcy Code, be limited to the Issue Price of the LYON plus that portion of the Original Issue Discount that is deemed to have accrued from the date of issue to the date of the commencement of the bankruptcy case. In addition, the Holders of the LYONs will be subordinated in right of payment to Senior Indebtedness and effectively subordinated to indebtedness and other obligations of ALZA's subsidiaries. See "Subordination of LYONs."

DESCRIPTION OF CAPITAL STOCK

DESCRIPTION OF CAPITAL STOCK. ALZA's authorized capital stock consists of 300,000,000 shares of Common Stock par value $.01 per share, and 100,000 shares of Preferred Stock, par value $.01 per share (the "Preferred Stock"). No Preferred Stock is outstanding as of the date of this Prospectus. For recent prices of Common Stock, see "Price Range of Common Stock and Dividend Policy."

On March 31, 1994 there were 81,674,400 shares of Common Stock outstanding. In addition there were 1,966,697 shares of Common Stock reserved for issuance upon exercise of outstanding warrants and 5,832,501 shares of Common Stock reserved for issuance under option and other incentive plans. shares have been reserved for issuance upon conversion of the LYONs.

Holders of Common Stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders. Subject to any superior rights of Preferred Stock, holders of Common Stock are entitled to share, on a pro rata basis, in all assets remaining after payment of or provision for liabilities. The shares of Common Stock are not subject to redemption. ALZA has the corporate power to repurchase Common Stock.

ALZA's Board of Directors has authority to fix or alter the rights, preferences, privileges, restrictions and other terms of any series of Preferred Stock, the number of shares constituting any such series and the designation thereof. ALZA has no present plans to issue any shares of Preferred Stock.

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ALZA has a classified Board of Directors with directors serving staggered terms of three years each. Directors may not be removed by the stockholders without cause. Special meetings of the stockholders may be called only by the Board of Directors, the Chairman of the Board or the President. Nominations for election of directors may be made by the Board of Directors or by any stockholder of record entitled to vote for directors, provided that any stockholder nominating a candidate for director must deliver written notice to the Secretary of ALZA not later than the close of business 60 days in advance of the stockholders' meeting or 10 days after the date on which the notice of meeting is first given to stockholders, whichever is later. The stockholder's notice must set forth certain information concerning the stockholder and the stockholder's nominee. No nominations for director shall be presented to any stockholders' meeting if not made in compliance with such procedures. ALZA's bylaws also require that advance notice be given and certain other procedures be followed with regard to any other business to be brought by a stockholder before a meeting of stockholders. Such procedures include the delivery of notice of such proposal to the Secretary of ALZA not later than the close of business 60 days in advance of the meeting or 10 days after the date on which the notice of meeting is first given to stockholders, whichever is later. The notice must set forth certain information concerning the stockholder and the proposed business, including any material interest of the stockholder in that business. The provisions of ALZA's Certificate of Incorporation and bylaws governing the number and classification of the Board of Directors and certain related matters cannot be amended without the approval of at least 75% of the Board of Directors or the affirmative vote of not less than 80% of the voting power of the outstanding shares of voting capital stock. The affirmative vote of at least 80% of the voting power of the outstanding shares of voting capital stock is required to approve certain business combinations.

The provisions of ALZA's Certificate of Incorporation granting the Board of Directors the authority to issue Preferred Stock with such terms as the Board may determine, classifying ALZA's Board, preventing stockholders from calling special meetings of ALZA's stockholders, and requiring supermajority votes in the event of certain business combinations may inhibit any change in control of ALZA.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following summary of material United States federal income tax considerations is for general information only. The summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as in effect and existing on the date hereof and all of which are subject to change at any time. The tax treatment of a Holder of the LYONs may vary depending upon the Holder's particular situation. Certain Holders (including insurance companies, tax-exempt organizations, individual retirement and other tax-deferred accounts, financial institutions, broker-dealers, foreign corporations, and individuals who are not citizens or residents of the United States) may be subject to special rules not discussed below. This summary does not discuss the tax considerations of subsequent purchasers of LYONs and is limited to investors who hold LYONs as capital assets. Accordingly, purchasers of LYONs should consult their own tax advisors as to the particular tax consequences to them of acquiring, holding, converting or otherwise disposing of the LYONs, including the applicability and the effect of any state, local or foreign tax laws and recent changes in applicable tax laws.

ALZA has been advised by Mayer, Brown & Platt, special federal income tax counsel to ALZA, that in the opinion of such counsel the LYONs will be treated as indebtedness for United States federal income tax purposes. The following discussion of tax considerations assumes that the LYONs will be treated as indebtedness.

ORIGINAL ISSUE DISCOUNT

The LYONs are being issued at a substantial discount from their principal amount at maturity. For federal income tax purposes, the difference between the issue price (the first price at which a substantial amount of the LYONs are sold for money) and the principal amount at maturity of each LYON constitutes Original Issue Discount. Holders of the LYONs will be required to include Original Issue Discount in income periodically over the term of the LYONs before the receipt of the cash, Common Stock or other payments attributable to such income.

A Holder of a LYON must include in gross income for federal income tax purposes the sum of the daily portions of Original Issue Discount with respect to the LYON for each day during the taxable year or portion of a taxable year on which such Holder holds the LYON ("Accrued Original Issue Discount"). The daily portion is determined by allocating to each day of the accrual period a PRO RATA portion of an amount equal to the adjusted issue price of the LYON at the beginning of the accrual period multiplied by the yield to maturity of the LYON

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(determined by compounding at the close of each accrual period and adjusted for the length of the accrual period). Under the Code, the accrual period will be each six month period which ends on the day in each calendar year corresponding to the maturity date of the LYON or the date six months before such maturity date. The information returns provided to holders and the Internal Revenue Service (the "Service") by the Company regarding the accrual of OID will be based on these six month accrual periods. Treasury regulations, however, permit a Holder to select an accrual period of any length and to vary the length of the accrual period over the term of the debt instrument, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the final day of an accrual period or on the first day of an accrual period. The adjusted issue price of the LYON at the start of any accrual period is the issue price of the LYON increased by the Accrued Original Issue Discount for each prior accrual period. Under these rules, Holders will have to include in gross income increasingly greater amounts of Original Issue Discount in each successive accrual period. ALZA will be required to furnish annually to the Service and to certain noncorporate Holders information regarding the amount of Original Issue Discount attributable to that year.

DISPOSITION OR CONVERSION

A Holder's basis for determining gain or loss on the sale or other disposition of a LYON will be increased by any Accrued Original Issue Discount includable in such Holder's gross income. Gain or loss

upon a sale or other disposition (including a sale to ALZA or receipt of cash from ALZA on conversion) of a LYON, except as described below, will generally be capital gain or loss, which will be long term if the LYON has been held for more than one year.

A Holder's conversion of a LYON for Common Stock is generally not a taxable event (except with respect to cash received in lieu of a fractional share). A Holder's obligation to include in gross income the daily portions of Original Issue Discount with respect to a LYON will prospectively terminate on the date of conversion. The Holder's basis in the Common Stock received on conversion of a LYON will be the same as the Holder's basis in the LYON at the time of conversion (exclusive of any tax basis allocable to a fractional share).

If the Holder elects to exercise the option to tender the LYONs to ALZA on a Purchase Date and ALZA issues Common Stock in satisfaction of the Purchase Price, such exchange is generally not a taxable event for federal income tax purposes, and therefore, neither gain nor loss would be recognized, except as described below with regard to fractional shares. In such event, a Holder's tax basis in the Common Stock received in the exchange will be the same as the Holder's tax basis in the LYON tendered to ALZA in exchange therefor (exclusive of any tax basis allocable to a fractional share). If the original Holder elects to exercise his or her option to tender the LYONs to ALZA on a Purchase Date and ALZA delivers cash and Common Stock in satisfaction of the Purchase Price, the Holder would recognize neither gain nor loss. In such event, the Holder's tax basis in the Common Stock received in the exchange will be the same as the Holder's tax basis in the LYON tendered to ALZA in exchange therefor, exclusive of any basis allocable to fractional shares as described below, increased by the amount of gain recognized on the exchange (other than gain recognized with respect to a fractional share) and decreased by the amount of cash received in the exchange.

The holding period for the Common Stock received in the conversion or exchange will include the holding period for the LYON tendered to ALZA in exchange therefor, except that the holding period of Common Stock allocable to Accrued Original Issue Discount may commence on the day following the date of conversion. Gain or loss upon a sale or other disposition of the Common Stock received on conversion or exchange of a LYON will be capital gain or loss if the Common Stock is a capital asset in the hands of the Holder.

If the Holder elects to exercise his or her option to tender the LYONs to ALZA on a Purchase Date and ALZA delivers cash in satisfaction of the Purchase Price or if a Holder elects to exercise his or her option to tender the LYON to ALZA for cash on a Change in Control Purchase Date, such an exchange would be a taxable sale. Also, if the holder elects to exercise the conversion option and ALZA delivers cash equal to the value of the shares of the Common Stock, such an exchange would be a taxable sale. The Holder would recognize capital gain or loss upon the sale, measured by the difference between the amount of cash transferred by ALZA to the Holder and the Holder's basis in the LYON.

Under the current advance ruling policy of the IRS, cash received in lieu of a fractional share of Common Stock upon conversion or purchase of a LYON should be treated as a payment in exchange for the fractional share interest in such Common Stock. Accordingly, if the Common Stock is a capital asset in the hands of the Holder, the receipt of cash in lieu of a fractional share of Common Stock should generally result in capital gain or loss, if any (measured by the difference between the cash received for the fractional share and the Holder's

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tax basis in a fractional share).

CONSTRUCTIVE DIVIDEND

If at any time ALZA makes a distribution of property to stockholders that would be taxable to such stockholders as a dividend for United States federal income tax purposes (for example, distributions of evidences of indebtedness or assets of ALZA, but generally not stock dividends or rights to subscribe for Common Stock) and, pursuant to the antidilution provisions of the LYONs, the Conversion Rate of the LYONs is increased, such increase may be deemed to be the payment of a taxable dividend to Holders of the LYONs.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") has agreed, subject to the terms and conditions of the Purchase Agreement, to purchase $825,000,000 aggregate principal amount at maturity of the LYONs from ALZA. The Underwriter has advised ALZA that it proposes to offer the LYONs directly to the public at the offering price set forth on the cover page of this Prospectus. After the initial public offering, the offering price may be changed. The LYONs are offered subject to receipt and acceptance by the Underwriter and to certain other conditions, including the right to reject orders in whole or in part.

ALZA has granted the Underwriter an option for 30 days after the date of this Prospectus to purchase up to an additional $123,750,000 aggregate principal amount at maturity of LYONs to cover over-allotments, if any, at the initial public offering price less the underwriting discount as set forth on the cover page of this Prospectus, plus accrued Original Issue Discount, if any, accrued from the Issue Date, computed on a semi-annual bond equivalent basis.

ALZA has agreed to indemnify the Underwriter against certain civil liabilities, including liabilities under the Securities Act, and to contribute to payments the Underwriter may be required to make in respect thereof.

ALZA has agreed with the Underwriter not to sell, offer to sell, grant any option for the sale of, or otherwise dispose of or transfer any securities similar to the LYONs or any Common Stock or any securities convertible into or exercisable or exchangeable for such securities or Common Stock for a period of 90 days after the date of this Prospectus without the prior written consent of the Underwriter other than Common Stock issuable upon the exchange of LYONs offered hereby, Common Stock issued or sold pursuant to employee benefit plans and dividend reinvestment plans, Common Stock issued upon exercise of currently outstanding options or warrants, or certain privately issued restricted securities.

Application has been made to list the LYONs on the New York Stock Exchange.

The Underwriter has previously marketed (and anticipates continuing to market) securities of other issuers under the trademark "LYONs." The LYONs offered by ALZA hereby contain certain terms and provisions which are different from such other previously marketed LYONs, the terms and provisions of which also vary. See "Description of LYONs."

From time to time the Underwriter and certain of its affiliates have performed, and may in the future perform, investment banking or financial advisory services for ALZA.

LEGAL MATTERS

The validity of the issuance of the LYONs offered hereby will be passed upon for ALZA by Heller, Ehrman, White & McAuliffe, Palo Alto, California, ALZA's counsel. Shearman & Sterling, San Francisco, California, will act as counsel to the Underwriter. Mayer, Brown & Platt, Chicago, Illinois, will act as special counsel to the Underwriter and as special United States federal income tax counsel to ALZA. At April 30, 1994, Julian N. Stern, a member of Heller, Ehrman, White & McAuliffe who is also a director and the Secretary of ALZA, owned beneficially 158,645 shares of Common Stock (including options and warrants) and other attorneys in that firm owned, in the aggregate, 700 shares of Common Stock (including warrants).

EXPERTS

The consolidated financial statements and financial statement schedules of ALZA Corporation and subsidiaries, appearing or incorporated by reference in ALZA's Annual Report (Form 10-K) for the year ended December 31, 1993, have been audited by Ernst & Young, independent auditors, as set forth in their reports thereon incorporated herein by reference. Such consolidated financial statements and financial statement schedules are incorporated herein by reference in reliance upon such reports given upon the authority of such firm as experts in

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accounting and auditing.

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NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ALZA OR THE UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF ALZA SINCE THE DATE HEREOF.

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<TABLE>
<CAPTION>

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$825,000,000

[LOGO]
LIQUID YIELD OPTION-TM- NOTES
DUE 2014
(ZERO COUPON--SUBORDINATED)

PROSPECTUS

MERRILL LYNCH & CO.

JUNE , 1994

-TM- Trademark of Merrill Lynch & Co., Inc.

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PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The expenses in connection with the issuance and distribution of the securities being registered, other than underwriting discounts and commissions, are estimated as follows:

<TABLE>

<S>	<C>
Securities and Exchange Commission Registration Fee	$ 127,937
New York Stock Exchange Listing Fee	1,500
Blue Sky Fees and Expenses*	20,000
NASD Registration Fee	30,500
Legal Fees and Expenses*	50,000

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Accounting Fees and Expenses*.....	40,000
Printing and Engraving Expenses*.....	35,000
Trustee and Registrar Fees and Expenses*.....	5,000
Rating Agencies' Fees*.....	60,000
Miscellaneous*.....	30,063
Total.....	$ 400,000

<FN>
- ------------------------
* Estimated
</TABLE>

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 102 of the Delaware General Corporation Law allows a corporation to eliminate the personal liability of directors of a corporation to the corporation or to any of its stockholders for monetary damage for a breach of his fiduciary duty as a director, except in the case where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit. ALZA's Certificate of Incorporation contains a provision that eliminates directors' personal liability as set forth above.

Section 145 of the Delaware General Corporation Law, as amended, provides that a corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer, employee or agent of the corporation or is or was serving at its request in such capacity in another corporation or business association against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

In addition, Article 9 of ALZA's Certificate of Incorporation provides as follows:

LIMITATION OF LIABILITY AND INDEMNIFICATION OF DIRECTORS.

(a) ELIMINATION OF CERTAIN LIABILITY OF DIRECTORS. No director of the corporation shall be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law or (iv) for any transaction from which the director derived an improper personal benefit.

(b) INDEMNIFICATION AND INSURANCE.

(1) RIGHT TO INDEMNIFICATION. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or

investigative (a "proceeding"), because he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise (including service with respect to employee benefit plans), whether the basis of the proceeding is alleged action in an official capacity as a director, officer, employee or agent or in any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than that law permitted the corporation to provide before such amendment), against all expense, liability and loss (including attorneys' fees, judgments, penalties, fines, Employee Retirement Income Security Act of 1974 excise taxes or penalties, and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith; provided, however, that the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if the proceeding (or part thereof) was authorized by the Board of Directors

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of the corporation. Such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators. The right to indemnification conferred by this Section shall be a contract right which may not be retroactively amended and shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service with respect to an employee benefit plan) in advance of the final disposition of the proceeding shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if ultimately it shall be determined that such director or officer is not entitled to be indemnified under this Section or otherwise. The corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the corporation with the same scope and effect as the indemnification of directors and officers.

(2) NONEXCLUSIVITY OF RIGHTS. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, bylaw, agreement, vote of stockholders or disinterested directors, or otherwise.

(3) INSURANCE. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or another corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

ALZA has directors and officers liability insurance which would indemnify the directors and officers of ALZA against damages arising out of certain kinds of claims which might be made against them based on their negligent acts or omissions while acting in their capacity as such.

ITEM 16. EXHIBITS.

<TABLE>
<C> <S>

1.1	Form of Purchase Agreement between the Registrant and the Underwriter
4.1	Form of Certificate for Liquid Yield Option Note (included in Exhibit 4.2)
4.2	Form of Indenture between the Registrant and The Chase Manhattan Bank, N.A. as Trustee, relating to the LYONs
5.1	Opinion of Heller, Ehrman, White & McAuliffe as to legality of LYONs and Common Stock
8.1	Opinion of Mayer, Brown & Platt with respect to certain tax matters
12.1	Computation of Ratios of Earnings to Fixed Charges
23.1	Consent of Ernst & Young, Independent Auditors
23.2	Consent of Heller, Ehrman, White & McAuliffe (included in its opinion filed as Exhibit 5.1 to this Registration Statement)
23.3	Consent of Mayer, Brown & Platt (included in its opinion filed as Exhibit 8.1 to this Registration Statement)
24.1	Power of Attorney (included on page II-4)
25.1	Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 on Form T-1 of The Chase Manhattan Bank, N.A. to act as Trustee under the Indenture

</TABLE>

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, as amended (the "Securities Act"), each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934, as amended) that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 15 above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the

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Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Palo Alto, State of California, on the 16th day of May, 1994.

ALZA CORPORATION

_____/s/ ERNEST MARIO_____
Dr. Ernest Mario
CHIEF EXECUTIVE OFFICER

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Ernest Mario, Jane E. Shaw and Bruce C. Cozadd, or any of them, each with the power of substitution, his or her attorney-in-fact, to sign any amendments to this Registration Statement and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitute or substitutes, may do or choose to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated:

<TABLE>
<CAPTION>

SIGNATURE	TITLE	DATE
<C>	<S>	<C>
/s/ ALEJANDRO ZAFFARONI Dr. Alejandro Zaffaroni	Co-Chairman of the Board and Director	May 16, 1994
/s/ ERNEST MARIO Dr. Ernest Mario	Co-Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	May 16, 1994
William G. Davis	Director	, 1994
/s/ MARTIN S. GERSTEL Martin S. Gerstel	Director	May 16, 1994
/S/ ROBERT J. GLASER Dr. Robert J. Glaser	Director	May 16, 1994
/s/ DEAN O. MORTON Dean O. Morton	Director	May 16, 1994
/s/ RUDOLPH A. PETERSON	Director	May 16, 1994

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Rudolph A. Peterson /s/ JANE E. SHAW Jane E. Shaw	Director	May 16, 1994
/s/ ISAAC STEIN Isaac Stein	Director	May 16, 1994
/s/ JULIAN N. STERN Julian N. Stern	Director	May 16, 1994
/s/ BRUCE C. COZADD Bruce C. Cozadd	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	May 16, 1994

INDEX TO EXHIBITS

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S&S DRAFT
05/10/94

ALZA CORPORATION

(a Delaware corporation)

$_____ Principal Amount At Maturity

Liquid Yield OptionTM Notes due 2014
(Zero Coupon -- Subordinated)

PURCHASE AGREEMENT

May __, 1994

MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, N.Y. 10281-1209

Dear Sirs:

ALZA Corporation, a Delaware corporation (the "Company"), confirms its agreement with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") with respect to the sale by the Company and the purchase by the Underwriter of $_____ aggregate principal amount at maturity of its Liquid Yield OptionTM Notes due 2014 (Zero Coupon -- Subordinated) (the "LYONsTM") and with respect to the grant by the Company to the Underwriter of the option described in Section 2(b) hereof to purchase all or any part of an additional $_____ aggregate principal

_____

22062

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amount at maturity of its LYONs solely to cover over-allotments. The aforesaid

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$_____ aggregate principal amount at maturity of LYONs (the "Initial Securities") to be purchased by the Underwriter and all or any part of the $_____ aggregate principal amount at maturity of the LYONs subject to the over-allotment option described in Section 2(b) hereof (the "Option Securities") are collectively referred to herein as the "Securities." The Securities are to be issued pursuant to an indenture, in substantially the form filed as an exhibit to the Registration Statement, to be dated as of May __, 1994 (the "Indenture") between the Company and The Chase Manhattan Bank, N.A., as trustee (the "Trustee").

The Securities are convertible into shares of Common Stock, par value $.01 per share (the "Common Stock"), of the Company at any time before the close of business on the maturity date of the Securities. Upon each of the fifth, tenth and fifteenth anniversaries of the issuance date of the Securities, each holder of the Securities has the option to require the Company to purchase such Securities by paying, at the option of the Company, the issue price of the Securities plus the accrued original issue discount to the date of purchase in cash or in shares of Common Stock, or in any combination thereof.

Prior to the purchase and public offering of the Securities by the Underwriter, the Company and the Underwriter shall enter into an agreement substantially in the form of Exhibit A hereto (the "Pricing Agreement"). The Pricing Agreement may take the form of an exchange of any standard form of written telecommunication between the Company and the Underwriter and shall specify such applicable information as is indicated in Exhibit A hereto. The offering of the Securities will be governed by this Agreement, as supplemented by the Pricing Agreement. From and after the date of the execution and delivery of the Pricing Agreement, this Agreement shall be deemed to incorporate the Pricing Agreement.

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (No. 33-_____) and a related preliminary prospectus for the registration of the Securities, and the shares of Common Stock to be issued upon conversion of the Securities, under the Securities Act of 1933, as amended (the "1933 Act"), has filed such amendments thereto, if any, and such amended preliminary prospectuses as may have been required to the date hereof, and will file such additional amendments thereto and such amended prospectuses as may hereafter be required. Such registration statement (as amended, if applicable), in the form declared effective by the Commission, and the prospectus constituting a part thereof (including in each case all documents, if any, to the extent incorporated or deemed to be incorporated by reference therein and the information, if any, deemed to be part of the registration statement pursuant to Rule 430A(b) of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations")), as from time to time amended or supplemented pursuant to the 1933 Act, the Securities Exchange Act of 1934, as amended (the "1934 Act"), or otherwise,

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are hereinafter referred to as the "Registration Statement" and the "Prospectus", respectively, except that if any revised prospectus shall be provided to the Underwriter by the Company for use in connection with the offering of the Securities which differs from the Prospectus on file at the Commission at the time the Registration Statement becomes effective (whether or not such revised prospectus is required to be filed by the Company pursuant to Rule 424(b) of the 1933 Act Regulations), the term "Prospectus" shall refer to such revised prospectus from and after the time it is first provided to the Underwriter for such use. All references in this Agreement to financial statements and schedules and other information which is "contained," "included" or "stated" in the Registration Statement or the Prospectus (and all other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information which is incorporated by reference in, or deemed to be a part of, the Registration Statement or the Prospectus, as the case may be; and all references in this Agreement to amendments or supplements to the Registration Statement or the Prospectus shall be deemed to mean and include the filing of any document under the 1934 Act after the date of this Agreement which is or is deemed to be incorporated by reference in the Registration Statement or the Prospectus, as the case may be.

The Company understands that the Underwriter proposes to make a public offering of the Securities as soon as the Underwriter deems advisable after the Registration Statement becomes effective, the Pricing Agreement has been executed and delivered and the Indenture has been qualified under the Trust Indenture Act of 1939, as amended (the "1939 Act").

SECTION 1. REPRESENTATIONS AND WARRANTIES.

(a) The Company represents and warrants to, and agrees with, the Underwriter as of the date hereof and as of the date of the Pricing Agreement (such latter date being hereinafter referred to as the "Representation Date") as follows:

(i) The Company meets the requirements for use of Form S-3 under the 1933 Act, and at the time the Registration Statement becomes effective and at the Representation Date, the Registration Statement will comply in all material respects with the requirements of the 1933 Act, the 1933 Act Regulations, the 1939 Act and the rules and regulations of the Commission under the 1939 Act (the "1939 Act Regulations"), and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus, at the Representation Date (unless the term "Prospectus" refers to a prospectus which has been provided to the Underwriter by the Company for use in connection with the offering of the Securities which differs from the Prospectus on file at the Commission at the time the Registration Statement becomes effective, in which case at the time it is first provided to the Underwriter for

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such use) and at the Closing Time referred to in Section 2 hereof, will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or Prospectus made in reliance upon and in conformity with information furnished to the Company in writing by the Underwriter expressly for use in the Registration Statement or the Prospectus.

(ii) The documents incorporated or deemed to be incorporated by reference in the Prospectus, at the time they were filed with the Commission complied, or at the time they hereafter are filed with the Commission will comply, in all material respects with the requirements of the 1934 Act and the rules and regulations of the Commission under the 1934 Act (the "1934 Act Regulations"), and, when read together with the other information in the Prospectus, at the time the Registration Statement and any amendments thereto became or become effective and at the Closing Time, did not and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(iii) The accountants who certified the financial statements and supporting schedules included in the Registration Statement are independent public accountants as required by the 1933 Act Regulations.

(iv) The financial statements included in the Registration Statement and the Prospectus present fairly the financial position of the Company and its consolidated subsidiaries as at the dates indicated and the results of their operations for the periods specified; except as otherwise stated in the Registration Statement, said financial statements have been prepared in conformity with generally accepted accounting principles applied on a consistent basis; the supporting schedules included in the Registration Statement present fairly the information required to be stated therein; and the Company's ratios of earnings to fixed charges included in the Prospectus under the caption "Prospectus Summary -- Summary Consolidated Financial Data" and in Exhibit 12.1 to the Registration Statement have been calculated in compliance with Item 503(d) of Regulation S-K of the Commission.

(v) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as otherwise stated therein, (A) there has been no material adverse change in the condition,

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financial or otherwise, or in the earnings or business affairs of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, (B) there have been no transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its subsidiaries considered as

one enterprise, and (C) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(vi) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and to enter into and perform its obligations under this Agreement, the Pricing Agreement and the Indenture; and the Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a material adverse effect on the condition, financial or otherwise, or the earnings or business affairs of the Company and its subsidiaries considered as one enterprise.

(vii) Each subsidiary of the Company has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its organization, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a material adverse effect on the condition, financial or otherwise, or the earnings or business affairs of the Company and its subsidiaries considered as one enterprise; all of the issued and outstanding capital stock of each such corporate subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity.

(viii) The authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectus under "Capitalization" (except for subsequent issuances, if any, pursuant to warrants, options or employee

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benefit plans; the shares of issued and outstanding Common Stock have been duly authorized and validly issued and are fully paid and non-assessable; the Common Stock conforms to the statements relating thereto contained in the Prospectus; and the issuance of the Securities and the Common Stock is not subject to preemptive or other similar rights.

(ix) Neither the Company nor any of its subsidiaries is in violation of its charter or bylaws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any material contract, indenture, mortgage, loan agreement, note, lease or other instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any of its subsidiaries is subject, except for such defaults that would not have a material adverse effect on the condition (financial or otherwise), earnings or business affairs of the Company and its subsidiaries, considered as one enterprise; and the execution, delivery and performance of this Agreement, the Pricing Agreement, the Indenture and the Securities, and the consummation of the transactions contemplated herein and therein and compliance by the Company with its obligations hereunder and thereunder have been duly authorized by all necessary corporate action and do not and will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, any contract, indenture, mortgage, loan agreement, note, lease or other instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company or any of its subsidiaries is subject, except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not have a material adverse effect on the condition (financial or otherwise), earnings or business affairs of the Company and its subsidiaries, considered as one enterprise, nor will such action entitle the holders of any Senior Indebtedness (as such term is defined in the Indenture) to accelerate the maturity thereof, nor will such action result in any violation of the provisions of the charter, bylaws or other corresponding organizational documents of the Company or any of its subsidiaries or any applicable law, administrative regulation or administrative or court decree.

(x) No labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is imminent, and the Company is not aware (without independent investigation) of any existing or imminent labor disturbance by the employees of any of its

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principal suppliers, manufacturers or contractors which might be expected to result in any material adverse change in the condition, financial or otherwise, or in the earnings or business affairs of the Company and its subsidiaries considered as one enterprise.

(xi) There is no action, suit or proceeding before or by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company or any of its subsidiaries, threatened, against the Company or any of its subsidiaries, which is required to be disclosed in the Registration Statement (other than as disclosed therein), or which might result in any

material adverse change in the condition, financial or otherwise, or in the earnings or business affairs of the Company and its subsidiaries considered as one enterprise, or which might materially and adversely affect the properties or assets thereof or which might materially and adversely affect the consummation of the transactions contemplated by this Agreement; all pending legal or governmental proceedings to which the Company or any of its subsidiaries is a party or of which any of their respective property or assets is the subject which are not described in the Registration Statement (other than applications for product approvals before the United States Food and Drug Administration and health regulatory authorities in foreign countries and applications for patents or trademarks before the United States Patent and Trademark Office and similar authorities in foreign countries), including ordinary routine litigation incidental to the business, are, considered in the aggregate, not material; and there are no contracts or documents of the Company or any of its subsidiaries which are required to be filed as exhibits to the Registration Statement by the 1933 Act or by the 1933 Act Regulations which have not been so filed.

(xii) Except as disclosed in the Prospectus, each of the Company and its subsidiaries owns or possesses the patents, patent licenses, trademarks, service marks and trade names necessary to carry on its business as presently conducted, and neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of any unfavorable decision, ruling or finding, would result in any material adverse change in the condition, financial or otherwise, or in the earnings or business affairs of the Company and its subsidiaries considered as one enterprise.

(xiii) No authorization, approval or consent of any court or governmental authority or agency is necessary in connection with the offering, issuance or sale of the Securities hereunder or the consummation

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by the Company of any of the other transactions contemplated hereby, except such as have been obtained to the extent required as of the date hereof and will have been obtained prior to the Closing Time.

(xiv) The Securities have been duly authorized, and, at the Closing Time, will have been duly executed, by the Company and, when authenticated in the manner provided for in the Indenture and delivered against payment of the purchase price therefor specified herein and in the Pricing Agreement, will constitute valid and binding obligations of the Company, subject as to enforcement (i) to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance and other laws of general applicability relating to or affecting creditors' rights and (ii) to general principles of equity whether such enforcement is considered in a proceeding in equity or at law.

(xv) The shares of Common Stock issuable upon conversion of the Securities at the initial Conversion Rate (as defined in the Indenture) have been, and, prior to the issuance of any shares of Common Stock issuable at the Company's option upon purchase of the Securities at the option of any holder thereof, such shares will have been, duly authorized and validly reserved for issuance upon such conversion or purchase, as the case may be, and such shares, when issued and delivered upon such conversion or purchase in the manner provided for in the Indenture, will be validly issued, fully paid and non-assessable; and the issuance of such shares upon such conversion or purchase will not be subject to preemptive or other similar rights.

(xvi) The Securities and the Common Stock conform in all material respects to the respective statements relating thereto contained in the Prospectus.

(xvii) The Indenture, when executed and delivered by the Company (assuming the due authorization, execution and delivery thereof by the Trustee), will constitute a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, subject as to enforcement (i) to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance and other laws of general applicability relating to or affecting creditors' rights and (ii) to general principles of equity, whether such enforcement is considered in a proceeding at equity or at law. The Indenture conforms in all material respects to the description thereof contained in the Prospectus.

(xviii) The Company and its subsidiaries have good and marketable

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title to all of their respective properties, in each case free and clear of all liens, encumbrances and defects, except (A) customary liens and encumbrances arising in the ordinary course of the Company's business, (B) as stated in the prospectus or (C) such as do not materially affect the value of such properties in the aggregate to the Company and its subsidiaries considered as one enterprise and do not materially interfere with the use made and proposed to be made of such properties.

(xix) The Company and its subsidiaries possess such material certificates, authorities or permits issued by the appropriate state, federal or foreign regulatory agencies or bodies necessary to conduct the business now operated by them, and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would materially and adversely affect the condition, financial or otherwise, or the earnings or business affairs of the Company and its subsidiaries considered as one enterprise.

(xx) To the knowledge of the Company, no event has occurred nor is any action threatened or pending which would result in a Change in Control (as defined in the Indenture).

(xxi) Except as contemplated by this Agreement, no distribution by the Company or any of its affiliates, and no distribution that could be attributed to the Company (as the result of distributions by an "affiliated purchaser" within the meaning of Rule 10b-6 under the 1934 Act or otherwise), of Securities or shares of Common Stock (collectively, the "Subject Securities"), any securities of the same class and/or series as the Subject Securities, or any securities immediately convertible into or exchangeable for any right to acquire any Subject Security is now in progress or pending or will have commenced at any time prior to the completion of the distribution of the Securities, except for distributions (i) pursuant to employee benefit plans and dividend reinvestment plans, (ii) upon exercise of currently outstanding warrants or options or (iii) made as gifts by officers or directors of the Company.

(xxii) This Agreement has been, and, at the Representation Date, the Pricing Agreement will have been, duly executed and delivered by the Company.

(b) Any certificate designated as such signed by any officer of the Company and delivered to the Underwriter or to counsel for the Underwriter shall

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be deemed a representation and warranty by the Company to the Underwriter as to the matters covered thereby.

SECTION 2. SALE AND DELIVERY TO UNDERWRITER; CLOSING.

(a) On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell to the Underwriter, and the Underwriter agrees to purchase from the Company, the Initial Securities at the price per $1,000 principal amount at maturity set forth in the Pricing Agreement.

(1) If the Company has elected not to rely upon Rule 430A under the 1933 Act Regulations, the initial public offering price, the initial conversion rate, the yield to maturity of the Securities, and the purchase price (per $1,000 principal amount at maturity) to be paid by the Underwriter for the Securities have each been determined and set forth in the Pricing Agreement, dated the date hereof, and an amendment to the Registration Statement and the Prospectus will be filed before the Registration Statement becomes effective.

(2) If the Company has elected to rely upon Rule 430A under the 1933 Act

Regulations, the purchase price (per $1,000 principal amount at maturity) to be paid by the Underwriter for the Securities shall be an amount equal to the initial public offering price, less an amount per Security to be determined by agreement between the Underwriter and the Company. The initial public offering price (per $1,000 principal amount at maturity) of the Securities shall be a fixed price to be determined by agreement between the Underwriter and the Company. The initial Conversion Rate applicable to the Securities and the yield to maturity of the Securities likewise shall be determined by agreement between the Company and the Underwriter. The initial public offering price, initial Conversion Rate, the purchase price and yield to maturity, when so determined, shall be set forth in the Pricing Agreement. In the event that such prices, yield and Conversion Rate have not been agreed upon and the Pricing Agreement has not been executed and delivered by the parties thereto by the close of business on the fourth business day following the date of this Agreement, this Agreement shall terminate forthwith, without liability of any party to any other party, unless otherwise agreed to by the Company and the Underwriter.

(b) In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company hereby grants an option to the Underwriter to purchase from it any or

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all of the Option Securities (in multiples of $1,000 principal amount at maturity) at the same price (per $1,000 principal amount at maturity) as is to be paid by the Underwriter for the Initial Securities on the terms set forth in the Pricing Agreement, plus accrued Original Issue Discount (as defined in the Indenture), if any, from the date of issuance of the Initial Securities, computed on a semi-annual bond-equivalent basis. The option hereby granted will expire automatically 30 days after (i) the date the Registration Statement becomes effective, if the Company has elected not to rely upon Rule 430A under the 1933 Act Regulations or (ii) the Representation Date, if the Company has elected to rely upon Rule 430A under the 1933 Act Regulations, and may be exercised in whole or in part (but only once) only for the purpose of covering over-allotments which may be made in connection with the offering and distribution of the Initial Securities upon notice by the Underwriter to the Company at least three business days prior to the Date of Delivery (as defined below), or at least two business days prior to the delivery of the Initial Securities, setting forth the number of Option Securities as to which the Underwriter is then exercising the option and the time and date of payment and delivery for such Option Securities. Any such time and date of delivery (a "Date of Delivery") shall be determined by the Underwriter but shall not be later than seven full business days after the exercise of such option, nor in any event prior to the Closing Time, as hereinafter defined, unless otherwise agreed by the Underwriter and the Company.

(c) Delivery of the Initial Securities shall be made at the offices of the Underwriter in New York City, and payment of the purchase price for the Initial Securities shall be made at the offices of Heller, Ehrman, White & McAuliffe, 525 University Avenue,

Suite 1100, Palo Alto, California, or in each case at such other place as shall be agreed upon by the Underwriter and the Company, at 7:00 A.M., (Palo Alto time) on the fifth business day following the date the Registration Statement becomes effective (or, if the Company has elected to rely upon Rule 430A, the fifth business day after execution of the Pricing Agreement), or such other time not later than ten business days after such date as shall be agreed upon by the Underwriter and the Company (such time and date of payment and delivery being herein called the "Closing Time"). In addition, in the event that any or all of the Option Securities are purchased by the Underwriter, payment of the purchase price for, and delivery of certificates for, such Option Securities shall be made at the above-mentioned offices of Heller, Ehrman, White & McAuliffe and the Underwriter, respectively, or at such other place as shall be agreed upon by the Underwriter and the Company, on the Date of Delivery as specified in the notice from the Underwriter to the Company. Payment shall be made to the Company by certified or official bank check or checks drawn in New York Clearing House or similar next day funds payable to the order of the Company, against delivery to

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the Underwriter of certificates for the Securities to be purchased by it. Certificates evidencing the Initial Securities and the Option Securities, if any, shall be registered in such names and in such denominations as the Underwriter may request in writing at least two business days before the Closing Time or the Date of Delivery, as the case may be. The certificates for the Initial Securities or the Option Securities, if any, will be made available for examination and packaging by the Underwriter not later than 10:00 A.M. (New York City time), on the last business day prior to the Closing Time or the Date of Delivery, as the case may be.

SECTION 3. CERTAIN COVENANTS OF THE COMPANY. The Company covenants with the Underwriter as follows:

(a) The Company will notify the Underwriter immediately, and confirm the notice in writing, (i) of the effectiveness of the Registration Statement and any amendment thereto (including any post-effective amendment) and, if Rule 430A of the 1933 Act Regulations is being relied upon, of the filing of the amended Prospectus pursuant to Rule 430A and Rule 424(b)(1), (ii) of the receipt of any comments from the Commission, (iii) of any request by the Commission for any amendment to the Registration Statement or any amendment or supplement to the Prospectus or for additional information, and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible moment.

(b) The Company will not at any time file or make any amendment to the Registration Statement (including any post-effective amendment) or any amendment or

supplement to the Prospectus (including any revised prospectus which the Company proposes for use by the Underwriter in connection with the offering of the Securities which differs from the prospectus on file at the Commission at the time the Registration Statement becomes effective, whether or not such revised prospectus is required to be filed pursuant to Rule 424(b) of the 1933 Act Regulations), whether pursuant to the 1933 Act, the 1934 Act or otherwise, of which the Underwriter shall not have previously been advised and furnished a copy a reasonable amount of time prior to its proposed filing, or to which the Underwriter or counsel for the Underwriter shall reasonably object.

(c) The Company will deliver to the Underwriter two signed copies of

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the Registration Statement as originally filed and of each amendment thereto (including exhibits filed therewith or incorporated by reference therein and documents incorporated or deemed incorporated by reference therein) as the Underwriter may reasonably request and will also deliver to the Underwriter as many conformed copies of the Registration Statement as originally filed and of each amendment thereto (without exhibits) as the Underwriter may reasonably request.

(d) The Company will furnish to the Underwriter, from time to time during the period when the Prospectus is required to be delivered under the 1933 Act or the 1934 Act, such number of copies of the Prospectus (as amended or supplemented) as the Underwriter may reasonably request for the purposes contemplated by the 1933 Act or the 1934 Act or the respective applicable rules and regulations of the Commission thereunder.

(e) If any event shall occur or condition exist as a result of which it is necessary, in the opinion of counsel for the Underwriter or counsel for the Company, to amend the Registration Statement or amend or supplement the Prospectus in order that the Prospectus will not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Company will promptly prepare and file with the Commission, subject to Section 3(b) hereof, such amendment or supplement as may be necessary to correct such untrue statement or omission, and the Company will furnish to the Underwriter a reasonable number of copies of such amendment or supplement. The Company agrees to notify the Underwriter to suspend use of the Prospectus as promptly as practicable after the occurrence of such an event or the existence of such a condition, and the Underwriter hereby agrees to suspend use of the Prospectus until the Company has amended or supplemented the Prospectus to correct such misstatement or omission.

(f) The Company will use its best efforts, in cooperation with the

Underwriter, to qualify the Securities and the shares of Common Stock issuable upon conversion of the Securities for offering and sale under the applicable securities laws of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, that the Company shall not be obligated to qualify as a foreign corporation in any jurisdiction in which it is not so qualified. In each jurisdiction in which the Securities or such shares of Common Stock have been so qualified, the Company will file such statements and reports as may be required by the laws of such jurisdiction to continue such qualification in effect for so long as may be required in connection with the distribution of the

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Securities or such shares of Common Stock.

(g) The Company will make generally available to its security holders as soon as practicable, but not later than 90 days after the close of the period covered thereby, an earnings statement (in form complying with the provisions of Rule 158 of the 1933 Act Regulations) covering a twelve month period beginning not later than the first day of the Company's fiscal quarter next following the "effective date" (as defined in said Rule 158) of the Registration Statement.

(h) The Company will use the net proceeds received by it from the sale of the Securities in the manner specified in the Prospectus under "Use of Proceeds".

(i) If, at the time that the Registration Statement becomes effective, any information shall have been omitted therefrom in reliance upon Rule 430A of the 1933 Act Regulations, then immediately following the execution of the Pricing Agreement, the Company will prepare, and file or transmit for filing with the Commission in accordance with such Rule 430A and Rule 424(b) of the 1933 Act Regulations, copies of an amended Prospectus, or, if required by such Rule 430A, a post-effective amendment to the Registration Statement (including an amended Prospectus), containing all information so omitted.

(j) The Company, during the period when the Prospectus is required to be delivered under the 1933 Act or the 1934 Act, will file all documents required to be filed with the Commission pursuant to Section 13, 14 or 15 of the 1934 Act within the time periods required by the 1934 Act and the 1934 Act Regulations of which the Underwriter shall have previously been advised and furnished a copy, and to which the Underwriter or its counsel shall not have reasonably objected.

(k) For a period of five years after the Closing Time, the Company will furnish to the Underwriter copies of all reports and communications delivered to the Company's stockholders or to holders of the Securities as a class and will also furnish copies of all reports (excluding exhibits) filed with the Commission on forms 8-K, 10-

Q and 10-K, and all other reports and information furnished to its stockholders generally, not later than the time such reports are first furnished to its stockholders generally.

(l) The Company will use its best efforts to effect the listing of the Securities and the shares of Common Stock issuable upon conversion or

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purchase of the Securities on the New York Stock Exchange (the "NYSE") (and, in the case of such shares of the Common Stock, any other stock exchange on which the Common Stock is listed) and to cause the Securities to be registered under the 1934 Act.

(m) The Company will reserve and keep available at all times, free of preemptive rights, sufficient shares of Common Stock for issuance upon conversion of all the Securities.

(n) The Company has complied and will comply with all the provisions of Florida H.B. 1771, codified as Section 517.075 of the Florida statutes, and all regulations promulgated thereunder relating to issuers doing business in Cuba.

(o) During a period of 90 days from the date of the Pricing Agreement, the Company will not, without the Underwriter's prior written consent, directly or indirectly, sell, offer to sell, grant any option for the sale of, or otherwise dispose of or transfer, any securities similar to the Securities or any Common Stock or any security convertible into or exchangeable or exercisable for any Securities or any such similar securities or Common Stock except for securities (i) sold to the Underwriter pursuant to this Agreement, (ii) issued or sold pursuant to employee benefit plans and dividend reinvestment plans, (iii) issued upon exercise of currently outstanding warrants or options, or (iv) issued or sold in a transaction exempt from the registration requirements of the 1933 Act; PROVIDED, HOWEVER, that in the case of clause (iv), such securities may not (A) exceed, or be convertible into or exchangeable or exercisable for more than, fifteen percent (15%) of the fully diluted equity interest in the company and (B) be eligible for the PORTAL trading system of the National Association of Securities Dealers, Inc.

SECTION 4. PAYMENT OF EXPENSES. The Company will pay all expenses incident to the performance of its obligations under this Agreement, including (i) the printing and filing of the Registration Statement as originally filed and of each amendment thereto, (ii) the printing or reproduction of this Agreement, the Pricing Agreement and the Indenture, (iii) the preparation, issuance and delivery of the certificates for the Securities to the Underwriter, (iv) the fees and disbursements of the Company's counsel and accountants, (v) the qualification of the Securities and the shares of Common Stock issuable upon conversion

or purchase of the Securities under state securities laws in accordance with the provisions of Section 3(f) hereof, including filing fees and the fees and

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disbursements of counsel for the Underwriter in connection therewith and in connection with the preparation of the Blue Sky Survey and any Legal Investment Survey, (vi) the printing and delivery to the Underwriter of copies of the Registration Statement as originally filed and of each amendment thereto, of each preliminary prospectus, and of the Prospectus and any amendments or supplements thereto, (vii) the printing and delivery to the Underwriter of copies of the Blue Sky Survey and any Legal Investment Survey, (viii) the fees and expenses of the Trustee, including the fees and disbursements of counsel for the Trustee in connection with the Indenture; (ix) any fees payable in connection with the rating of the Securities; (x) the fee of the National Association of Securities Dealers, Inc. in connection with its review of corporate financings with respect to the Securities and the fees and disbursements of counsel to the Underwriter in connection therewith; and (xi) the fees and expenses incurred in connection with the listing on the NYSE of the Securities and shares of Common Stock issuable upon conversion or purchase of the Securities (and, in the case of such shares of Common Stock, the fees and expenses incurred in connection with the listing of such shares of Common Stock on each other stock exchange on which the Common Stock is listed).

If this Agreement is terminated by the Underwriter in accordance with the provisions of Section 5 or Section 10(a)(i) hereof, the Company shall reimburse the Underwriter for all of its out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Underwriter.

SECTION 5. CONDITIONS OF UNDERWRITER'S OBLIGATIONS. The obligations of the Underwriter hereunder are subject to the accuracy of the representations and warranties of the Company herein contained, to the performance by the Company of its obligations hereunder, and to the following further conditions:

(a) The Registration Statement shall have become effective not later than 5:30 P.M. on the date hereof, or at such later time and date as may be approved by the Underwriter; and at the Closing Time no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission. If the Company has elected to rely upon Rule 430A of the 1933 Act Regulations, the initial public offering price, the yield to maturity of the Securities and initial Conversion Rate of the Securities and any price-related information previously omitted from the effective Registration Statement pursuant to such Rule 430A shall have been transmitted to the Commission for filing pursuant to Rule 424(b) of the 1933 Act Regulations within the prescribed time period, and prior to the Closing Time the Company shall have provided evidence satisfactory to the Underwriter of such timely filing, or a post-effective amendment providing such information shall have been promptly filed and

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declared effective in accordance with the requirements of Rule 430A of the 1933 Act Regulations.

(b) At the Closing Time, the Underwriter shall have received:

(1) A signed opinion of Heller, Ehrman, White & McAuliffe, counsel to the Company, dated as of the Closing Time, in form and substance satisfactory to counsel for the Underwriter, to the effect that:

(i) The Company has been duly incorporated and is validly existing and in good standing under the laws of the State of Delaware.

(ii) The Company has all requisite corporate power and corporate authority to enter into and perform this Agreement, the Pricing Agreement and the Indenture, to own, lease and operate its properties and to carry on its business as, to the knowledge of such counsel, it is now conducted.

(iii) The Company is duly qualified to do business and is in good standing in the State of California.

(iv) The Indenture has been duly authorized by all necessary corporate action on the part of the Company and has been duly executed and delivered on behalf of the Company.

(v) Assuming the due authorization, execution and delivery thereof by the Trustee, the Indenture is a valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject as to enforcement (i) to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance and other laws of general applicability relating to or affecting creditors' rights and (ii) to general principles of equity, whether such enforcement is considered in a proceeding in equity or at law.

(vi) The form of certificate representing the Securities is in the form contemplated by the Indenture; the Securities have been duly authorized by all necessary corporate action on the part of the Company and, when executed by the Company and authenticated by or on behalf of the Trustee in the manner provided for in the Indenture (assuming the due authorization, execution and delivery of the Indenture by the Trustee) and delivered against payment of the purchase price therefor

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specified herein and in the Pricing Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject as to enforcement (i) to bankruptcy, insolvency, reorganization, arrangement, moratorium, fraudulent conveyance and other laws of general applicability relating to or affecting creditors' rights and (ii) to general principles of equity, whether such enforcement is considered in a proceeding in equity or at law and, except as set forth above, will be entitled to the benefits of the Indenture; and the issuance of the Securities is not subject to any preemptive rights or other rights of first refusal arising by operation of law or under the Certificate of Incorporation or bylaws of the Company.

(vii) The shares of Common Stock issuable upon conversion of the Securities at the initial Conversion Rate (as defined in the Indenture) have been duly authorized and validly reserved by the Company for issuance upon such conversion and, when issued and delivered upon such conversion in the manner provided in the Indenture, will be validly issued, fully paid and nonassessable; and the issuance of such shares upon such conversion is not presently subject to any preemptive rights or other rights of first refusal arising by operation of law or under the Certificate of Incorporation or bylaws of the Company.

(viii) The Indenture has been qualified under 1939 Act.

(ix) This Agreement and the Pricing Agreement have been duly authorized by all necessary corporate action on the part of the Company and have been duly executed and delivered on behalf of the Company.

(x) The Securities, the Common Stock and the Indenture conform in all material respects to the descriptions thereof contained in the Prospectus.

(xi) The form of certificate used to evidence the Common Stock is in due and proper form and complies with applicable provisions of the Delaware General Corporation Law.

(xii) The Registration Statement is effective under the 1933 Act and, to such counsel's knowledge, no stop order suspending the

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effectiveness of the Registration Statement has been issued under the 1933 Act or proceedings therefor initiated or threatened by the Commission.

(xiii) At the time the Registration Statement became effective and at the Representation Date, the Registration Statement (other than the financial statements and supporting schedules included therein, as to which no opinion need be rendered) complied as to form in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations.

(xiv) The information in the Prospectus under the captions "Description of LYONs," other than the information in the last paragraph under the heading "Conversion Rights," to the extent that it constitutes matters of law, summaries of legal matters, documents or proceedings, or legal conclusions, has been reviewed by such counsel and is correct in all material respects.

(xv) No government consents, approvals, authorizations, registrations, declarations or filings, or order of any court of which such counsel has knowledge, are required in connection with the offering, issuance or sale of the Securities to the Underwriter, except such as may be required under the 1933 Act, the 1933 Act Regulations, the 1934 Act, the 1934 Act Regulations, the 1939 Act, the 1939 Act Regulations or state securities laws for the offering and sale of the Securities and the qualification of the Indenture under the 1939 Act.

(xvi) Neither the execution and delivery of this Agreement, the Pricing Agreement or the Indenture by the Company nor the performance of this Agreement, the Pricing Agreement or the Indenture by the Company (A) conflicts with any provision of the Certificate of Incorporation or bylaws of the Company or (B) violates any law applicable to the Company.

(xvii) Neither the issuance and delivery of the Securities or the Common Stock issuable upon conversion of the Securities nor the purchase of the Securities by the Company (A) conflicts with any provision of the Certificate of Incorporation or bylaws of the Company or (B) violates any law applicable to the Company.

The opinion expressed in subsection (xv) of this Section 5(b)(1) shall

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not be construed to relate to, and no opinion need be rendered as to, federal or state laws or regulations applicable to health, drugs and cosmetics. The opinion expressed in subsections (xvi)(B) and (xvii)(B) shall not be construed to relate to, and no opinion need be rendered as to, federal or state securities laws, patent laws or regulations or federal or state laws or regulations applicable to health, drugs or cosmetics. In giving the opinion required by subsection (b)(1) of this Section, Heller, Ehrman, White & McAuliffe shall additionally state that nothing has come to their attention that would lead them to believe (A) that the Registration Statement or any amendment thereto (other than the financial statements and supporting schedules and other financial data included therein, and other than the information contained under the caption "Certain United States Federal Income Tax Considerations" in the Registration Statement, as to which no belief need be expressed), at the time the Registration Statement or any such amendment became effective, contained an untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading or that (B) that the Prospectus or any amendment or supplement thereto (other than the financial statements and supporting schedules and other financial data included therein, and other than the information contained under the caption "Certain United States Federal Income Tax Considerations" in the Prospectus, as to which no belief need be expressed), at the Representation Date (unless the term "Prospectus" refers to a prospectus which has been provided to the Underwriter by the Company for use in connection with the offering of the Securities which differs from the Prospectus on file at the Commission at the time the Registration Statement becomes effective, in which case at the time it is first provided to the Underwriter for such use) or at the Closing Time, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(2) A signed opinion of Peter D. Staple, Esq., Vice President and General Counsel of the Company, dated as of the Closing Time, in form and substance satisfactory to counsel for the Underwriter, to the effect that:

(i) To the knowledge of such counsel, the Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a material adverse effect on the condition, financial or otherwise,

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or the earnings or business affairs of the Company and its subsidiaries considered as one enterprise.

(ii) The authorized, issued and outstanding capital stock of the Company is as set forth in the Prospectus under "Capitalization" (except for subsequent issuances, if any, pursuant to employee benefit plans and dividend reinvestment plans or issued upon exercise of currently outstanding warrants or options, in each case as the same may be referred to in the Prospectus), and the shares of issued and outstanding Common Stock have been duly authorized and validly issued and are fully paid and non-assessable.

(iii) Each subsidiary of the Company has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, has corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus and, to such counsel's knowledge, is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify would not have a material adverse effect on the condition, financial or otherwise, or the earnings or business affairs of the Company and its subsidiaries considered as one enterprise; all of the issued and outstanding capital stock of each such subsidiary has been duly authorized and validly issued, is fully paid and non-assessable and, to such counsel's knowledge, is owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity.

(iv) The information in the Company's Annual Report on Form 10-K filed with the Commission pursuant to the 1934 Act for the year ended December 31, 1993 under the caption "Item 3. Legal Proceedings", as supplemented by the information in the Company's Quarterly Report on Form 10-Q filed with the Commission pursuant to the 1934 Act for the quarter ended March 31, 1994 under the caption "Part II: Other Information - Item 1. Legal Proceedings," to the extent that it constitutes matters of law, summaries of legal documents or proceedings, or legal conclusions, has been reviewed by such counsel and is correct in all material respects.

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(v) To such counsel's knowledge, there are no contracts, indentures, mortgages, loan agreements, notes, leases or other instruments required to be described or referred to in the Registration Statement or to be filed as exhibits thereto other than those described or referred to therein or filed or incorporated by reference as exhibits thereto; the descriptions thereof or references thereto are correct; and no default exists in the due performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, lease or other instrument so described, referred to, filed or incorporated by reference, which would result in any material adverse change in the condition, financial or otherwise, or in the earnings or business affairs of the Company.

(vi) The execution and delivery of this Agreement, the Pricing Agreement and the Indenture on behalf of the Company, the performance of this Agreement, the Pricing Agreement and the Indenture on behalf of the Company, and the issuance and delivery of the Securities or the Common Stock issuable upon conversion thereof by the Company or the purchase of the Securities by the Company do not and will not (A) conflict with any provision of the Certificate of Incorporation or Bylaws of the Company or any of its subsidiaries, (B) violate any law, administrative regulation or administrative or court decree applicable to the Company or any of its subsidiaries or (C) result in a breach or violation of or constitutes a default under, or results in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, any term of any material agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the properties or assets of the Company are subject.

(vii) Each document filed pursuant to the 1934 Act and incorporated or deemed to be incorporated by reference in the Prospectus complied, when so filed, as to form in all material respects with the 1934 Act and the 1934 Act Regulations.

(viii) Such counsel does not know of any contracts or documents of a character required to be described or referred to in the Registration Statement or to be filed as exhibits to the

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Registration Statement that are not described, referred to or filed as required.

(ix) Except as disclosed in the Prospectus, each United States

patent and registered trademark referred to in the Prospectus as owned by the Company has been issued by the United States Patent and Trademark Office.

(x) To the knowledge of such counsel, except as disclosed in the Prospectus, (A) the products being sold by the Company (other than products merely packaged by the Company for third parties) do not infringe any patent, patent right, trademark, trade name or commercial name of a third party and (B) the products (exclusive of drug) being sold by third parties embodying technologies licensed from the Company do not infringe any patent or patent right of any third party.

(xi) Except as disclosed in the Prospectus, such counsel does not know of any pending or threatened legal or governmental proceeding relating to patents or proprietary know-how used by the Company or others to which the Company is a party or to which any of the properties of the Company are the subject which, if adversely decided, could result in any material adverse change in the condition, financial or otherwise, or in the earnings or business affairs of the Company and its subsidiaries considered as one enterprise.

(xii) Neither of the issuance of the Securities or the shares of Common Stock issuable upon conversion of the Securities are subject to any preemptive rights or other rights of first refusal arising by operation of law, under the Certificate of Incorporation or bylaws of the Company or, to such counsel's knowledge, otherwise.

(3) The favorable opinion of Shearman & Sterling, counsel for the Underwriter, dated as of Closing Time, to the effect that the opinions delivered pursuant to Sections 5(b)(1) and (2) appear on their face to be appropriately responsive to the requirements of this Agreement except, specifying the same, to the extent waived by the Underwriter, and with respect to the adequacy of the disclosure contained in the Registration Statement and the Prospectus, the documents incorporated by reference therein and such other related

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matters as the Underwriter may require.

(4) The favorable opinions, dated as of the Closing Time, of Mayer, Brown & Platt, special counsel to the Underwriter and special tax counsel to the Company, with respect to the validity of the Securities and the Indenture and to the effect that (i) the opinion of such counsel set forth in the Prospectus under the caption "Certain United States Federal Income Tax

Considerations," is confirmed and (ii) the information in the Prospectus under the caption "Certain United States Federal Income Tax Considerations," while not purporting to discuss all tax matters relating to the Securities, to the extent that it constitutes a summary of federal income tax matters relating to the Securities, is correct in all material respects.

(c) At the Closing Time, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Registration Statement and the Prospectus, any material adverse change in the condition, financial or otherwise, or in the earnings or business affairs of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, and the Underwriter shall have received a certificate of the President or a Vice President of the Company and of the chief financial or chief accounting officer of the Company, dated as of the Closing Time, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1 hereof are true and correct with the same force and effect as though expressly made at and as of the Closing Time, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time, (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been initiated or threatened by the Commission, and (v) to such officers' knowledge, there are no contracts, indentures, mortgages, loan agreements, notes, leases or other instruments required to be described or referred to in the Registration Statement or to be filed as exhibits thereto other than those described or referred to therein or filed or incorporated by reference as exhibits thereto.

(d) At the time of the execution of this Agreement, the Underwriter shall have received from Ernst & Young a letter dated such date (the "First E & Y Letter"), in form and substance satisfactory to the Underwriter.

(e) At the Closing Time, the Underwriter shall have received from Ernst & Young a letter, dated as of the Closing Time, confirming, on the basis of a review in accordance with the procedures set forth in the First

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E & Y Letter, that nothing has come to their attention from the date of the most recent financial statements of the Company filed with the Commission, audited or interim, as the case may be, to a date not more than five days prior to the Closing Time which would require any change in the First E & Y Letter if it were required to be dated and delivered at the Closing Time, except in each case as described in the second such letter.

(f) Subsequent to the execution of this Agreement, no downgrading shall have occurred in the rating accorded any of the Company's debt securities by

Standard & Poor's Corporation or Moody's Investors Service, and neither such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating accorded any of the Company's debt securities, if in the reasonable judgment of the Underwriter any such development is so material and adverse as to make it impracticable or inadvisable to consummate the sale and delivery of the Securities by the Underwriter as contemplated in the Prospectus.

(g) At the Closing Time, the Securities and the Common Stock issuable upon conversion thereof shall have been approved for listing on the NYSE upon notice of issuance.

(h) At the Closing Time, and at the Date of Delivery, if any, counsel for the Underwriter shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Securities as herein contemplated and related proceedings, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Securities as herein contemplated shall be satisfactory in form and substance to the Underwriter and counsel for the Underwriter.

(i) In the event that the Underwriter exercises its option provided in Section 2(b) hereof to purchase all or any portion of the Option Securities and the Date of Delivery is not the same as the Closing Time, the representations and warranties of the Company contained herein and the statements in any certificates furnished by the Company hereunder shall be true and correct as of the Date of Delivery, and, at the Date of Delivery, the Underwriter shall have received:

(1) A certificate, dated the Date of Delivery, of the President

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or a Vice President of the Company and the chief financial or chief accounting officer of the Company confirming that the certificate delivered at the Closing Time pursuant to Section 5(c) hereof remains true and correct as of the Date of Delivery.

(2) The favorable opinion of Heller, Ehrman, White & McAuliffe, counsel to the Company, in form and substance satisfactory to counsel for the Underwriter, dated the Date of Delivery, relating to the Option Securities to be purchased on the Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b)(1) hereof.

(3) The favorable opinion of Peter D. Staple, Esq., Vice President and General Counsel of the Company, in form and substance satisfactory to counsel for the Underwriter, dated the Date of Delivery, and to the same effect as the opinion required by Section 5(b)(2) hereof.

(4) The favorable opinion of Shearman & Sterling, counsel for the Underwriter, dated the Date of Delivery, relating to the Option Securities to be purchased on the Date of Delivery and otherwise to the same effect as the opinion required by Section 5(b)(3) hereof.

(5) The favorable opinions of Mayer, Brown & Platt, special counsel to the Underwriter and special tax counsel to the Company, dated the Date of Delivery, to the same effect as the opinion required by Section 5(b)(4) hereof.

(6) A letter from Ernst & Young, in form and substance satisfactory to the Underwriter and dated the Date of Delivery, substantially the same in form and substance as the letter furnished to the Underwriter pursuant to Section 5(e) hereof, except that the "specified date" in the letter furnished pursuant to this Section 5(i)(6) shall be a date not more than five days prior to the Date of Delivery.

If any of the conditions specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Underwriter by notice to the Company at any time at or prior to the Closing Time, and such termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 6 and 7 hereof shall survive such termination.

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SECTION 6. INDEMNIFICATION.

(a) The Company agrees to indemnify and hold harmless the Underwriter and each person, if any, who controls the Underwriter within the meaning of Section 15 of the 1933 Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment thereto), including the information deemed to be part of the Registration Statement pursuant to Rule 430A(b) of the 1933 Act Regulations, if applicable, and all documents incorporated therein by reference, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the

statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or of any claim whatsoever based, in each case, upon any such untrue statement or omission, or any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including, subject to Section 6(c) hereof, the fees and disbursements of counsel chosen by the Underwriter), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based, in each case, upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

PROVIDED, HOWEVER, that this indemnity agreement shall not apply to any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by the Underwriter, or any person controlling the Underwriter, expressly for use in the

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Registration Statement (or any amendment thereto) or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto); and PROVIDED, FURTHER, that the Company shall not be liable to the Underwriter under the indemnity agreement in this subsection (a) with respect to any preliminary prospectus to the extent that any such loss, liability, claim, damage or expense of the Underwriter results from the fact that the Underwriter sold Securities to a person to whom there was not sent or given, at or prior to the written confirmation of such sale, a copy of the Prospectus as then amended or supplemented (excluding documents incorporated by reference therein) in any case where such delivery is required by the 1933 Act if the Company has previously furnished copies thereof to the Underwriter and the loss, liability, claim, damage or expense of the Underwriter results from an untrue statement or omission or alleged untrue statement or omission of a material fact contained in the preliminary prospectus which was corrected in the Prospectus (or the Prospectus as amended or supplemented).

(b) The Underwriter agrees to indemnify and hold harmless the Company,

its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act, against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto) or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by the Underwriter expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the Prospectus (or any amendment or supplement thereto).

(c) Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability which it may have otherwise than on account of this indemnity agreement. An indemnifying party may participate at its own expense in the defense of any such action. If it so elects within a reasonable time after receipt of such notice, an indemnifying party, jointly with any other indemnifying parties receiving such notice, may assume the defense of such action with counsel chosen by it and approved by the indemnified parties defendant in such action, provided that, if such indemnified party or parties reasonably determine that there may be legal defenses available to them which are different from or in addition to those available to such indemnifying party

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or parties, then such indemnifying party or parties shall not be entitled to assume such defense. If the indemnifying party or parties are not entitled to assume the defense of such action as a result of the proviso to the preceding sentence, counsel for the indemnifying party or parties shall be entitled to conduct the defense of such indemnifying party or parties and counsel for the indemnified party or parties shall be entitled to conduct the defense of such indemnified party or parties. If an indemnifying party is entitled to so assume the defense of such action and does in fact assume the defense of such action, the indemnifying parties shall not be liable for any fees and expenses of counsel for the indemnified parties incurred thereafter in connection with such action. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to any local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances.

SECTION 7. CONTRIBUTION. In order to provide for just and equitable contribution in circumstances in which the indemnity agreement provided for in Section 6 hereof is for any reason held to be unenforceable by the indemnified parties although applicable in accordance with its terms, the Company and the Underwriter shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by

said indemnity agreement incurred by the Company and the Underwriter, as incurred, in such proportions that the Underwriter is responsible for that portion represented by the percentage that the underwriting discount appearing on the cover page of the Prospectus bears to the initial public offering price appearing thereon and the Company is responsible for the balance; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section, each person, if any, who controls the Underwriter within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as the Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as the Company.

SECTION 8. CONDITION OF COMPANY'S OBLIGATION. The obligations of the Company hereunder are subject to the condition that the Company shall have received the favorable opinion, dated as of the Closing Time, of Mayer, Brown & Platt, special tax counsel to the Company, to the effect that (i) the opinion of such counsel set forth in the Prospectus under the caption "Certain United States Federal Income Tax Considerations" is confirmed and (ii) the information

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in the Prospectus under the caption "Certain United States Federal Income Tax Considerations", while not purporting to discuss all tax matters relating to the Securities, to the extent that it constitutes a summary of federal income tax matters relating to the Securities, is correct in all material respects.

SECTION 9. REPRESENTATIONS, WARRANTIES AND AGREEMENTS TO SURVIVE DELIVERY. The representations, warranties, indemnities, agreements and other statements of the Company or its officers set forth in this Agreement and the Pricing Agreement, or contained in certificates of officers of the Company submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter or controlling person, or by or on behalf of the Company, and shall survive delivery of the Securities to, and payment for the Securities by, the Underwriter. The indemnities of the Underwriter set forth in this Agreement and the Pricing Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Company, its directors, officers or controlling persons, or by or on behalf of the Underwriter, and shall survive delivery of the Securities by, and payment for the Securities to, the Company.

SECTION 10. TERMINATION OF AGREEMENT.

(a) The Underwriter may terminate this Agreement, by notice to the Company, at any time at or prior to the Closing Time (i) if there has been, since the date of this Agreement or since the respective dates as of which information is given in the

Registration Statement, any material adverse change in the condition, financial or otherwise, or in the earnings or business affairs of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or any outbreak of hostilities or escalation thereof, or other calamity or crisis the effect of which is such as to make it, in the judgment of the Underwriter, impracticable to market the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading in the Common Stock has been suspended by the Commission, or if trading generally on either the American Stock Exchange or the New York Stock Exchange has been suspended, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices for securities have been required, by either of said Exchanges or by order of the Commission or any other governmental authority, or if a banking moratorium has been declared by either Federal, New York or California authorities.

(b) If this Agreement is terminated pursuant to this Section, such

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termination shall be without liability of any party to any other party except as provided in Section 4 hereof, and provided further that Sections 6, 7 and 9 hereof shall survive such termination.

SECTION 11. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriter shall be directed to it at 101 California Street, San Francisco, California 94111, attention of D. Casey Safreno, Vice President; notices to the Company shall be directed to it at 950 Page Mill Road, Palo Alto, California 94303, attention of Peter D. Staple, Vice President and General Cousnel, with a copy to Heller, Ehrman, White & McAuliffe, 525 University Avenue, Palo Alto, California 94301, Attention: Sarah A. O'Dowd.

SECTION 12. PARTIES. This Agreement and the Pricing Agreement are made solely for the benefit of the Company and the Underwriter, and, to the extent expressed, any person controlling the Company or the Underwriter within the meaning of Section 15 of the 1933 Act, and the directors of the Company and its officers who have signed the Registration Statement, and their respective executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. The term "successors and assigns" shall not include any purchaser, as such purchaser, of Securities from the Underwriter.

SECTION 13. GOVERNING LAW AND TIME. This Agreement and the Pricing Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in said State. Unless otherwise set forth herein, specified times of day refer to New York City time.

SECTION 14. AMENDMENTS. No amendment or waiver of any provision of this Agreement, nor any consent or approval to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the parties hereto.

SECTION 15. COUNTERPARTS. This Agreement may be executed in one or more counterparts and when a counterpart has been executed by each party, all such counterparts taken together shall constitute one and the same agreement.

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If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Underwriter and the Company in accordance with its terms.

Very truly yours,

ALZA CORPORATION

By

Title:

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By

Authorized Signatory

22062

EXHIBIT A

ALZA CORPORATION

(a Delaware corporation)

$ Principal Amount at Maturity

Liquid Yield Option -TM- Notes due 2014
(Zero Coupon -- Subordinated)

, 1994

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MERRILL LYNCH & CO.
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Merrill Lynch World Headquarters
North Tower
World Financial Center
New York, N.Y. 10281-1209

Dear Sirs:

Reference is made to the Purchase Agreement dated May __, 1994 (the "Purchase Agreement") relating to the purchase by Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Purchaser") of the above Liquid Yield Option -TM- Notes due 2014 (Zero Coupon -- Subordinated) (the "Securities") of ALZA Corporation (the "Company").

Pursuant to Section 2 of the Purchase Agreement, the Company agrees with the Underwriter as follows:

1. The initial issue price per $1,000 principal amount at maturity of Securities shall be $_____, reflecting a yield to maturity of ____% per annum (computed on a semi-annual bond equivalent basis).

_____

TM Trademarks of Merrill Lynch & Co., Inc. 21811

2. The initial conversion rate per $1,000 principal amount at maturity of Securities shall be _____ shares of the Company's Common Stock, par value $0.01 per share, per $1,000 principal amount at maturity of Securities.

3. The purchase price per $1,000 principal amount at maturity of Securities to be paid by the Underwriter shall be $_____, being an amount equal to the initial public offering price set forth above, less $____ per $1,000 principal amount at maturity of Securities.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Purchaser and the Company in accordance with its terms.

Very truly yours,

ALZA CORPORATION

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By

Title:

CONFIRMED AND ACCEPTED,
as of the date first above written:

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED

By

Authorized Signatory

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- ----------

ALZA CORPORATION

Liquid Yield Option -TM- Notes due 2014
(Zero Coupon -- Subordinated)

INDENTURE

Dated as of June 1, 1994

The Chase Manhattan Bank, N.A.
Trustee

- ----------

-TM-Trademark of Merrill Lynch & Co., Inc.

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CROSS-REFERENCE TABLE*

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(a)(3)	N.A.
(a)(4)	N.A.
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(b)	7.11
(c)	N.A.
312(a)	2.5
(b)	12.3
(c)	12.3
313(a)	7.6
(b)(1)	N.A.

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<FN>

N.A. means Not Applicable.

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* NOTE: THIS CROSS REFERENCE TABLE SHALL NOT, FOR ANY PURPOSE, BE DEEMED TO BE PART OF THE INDENTURE.

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INDENTURE, dated as of June 1, 1994, between ALZA CORPORATION, a Delaware corporation ("COMPANY"), and The Chase Manhattan Bank, N.A., a national banking association incorporated and existing under the laws of The United States of America, as trustee (the "TRUSTEE").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's Liquid Yield Option -TM- Notes due 2014 (Zero Coupon -- Subordinated) (the "SECURITIES"):

ARTICLE 1

DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.1. DEFINITIONS.

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"AFFILIATE" of any specified person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "CONTROL", when used with respect to any specified person, means the power to direct or cause the direction of the management and policies of such person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "CONTROLLING" and "CONTROLLED" have meanings correlative to the foregoing.

"BOARD OF DIRECTORS" or "BOARD" means, with respect to any matter, either the board of directors of the Company or any committee of such board duly authorized, with respect to such matter, to exercise the powers of such board.

"BUSINESS DAY" means each day of the year on which banking institutions in The City of New York are not required or authorized to close.

"CAPITAL STOCK" for any corporation means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) capital stock issued by that corporation.

"CASH" or "CASH" means such coin or currency of The United States of America as at any time of payment is legal tender for the payment of public and private debts.

-TM-Trademark of Merrill Lynch & Co., Inc.

"COMMON STOCK" means the Common Stock, par value $.01 per share, of the Company as it exists on the date of this Indenture or any other shares of capital stock of the Company into which such common stock shall be reclassified or changed.

"COMPANY" means the party named as the "Company" in the first paragraph of this Indenture until a successor replaces it pursuant to the applicable provisions of this Indenture and, thereafter, shall mean such successor. The foregoing sentence shall likewise apply to any subsequent such successor or successors.

"COMPANY REQUEST" or "COMPANY ORDER" means a written request or order signed in the name of the Company by either of its Co-Chairmen of the Board, its President or any Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"CONSOLIDATED SUBSIDIARY" means, at any date, any Subsidiary the accounts of which are consolidated with those of the Company as of such date for public financial reporting purposes.

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"DEFAULT" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"HOLDER" or "SECURITYHOLDER" means a person in whose name a Security is registered on the Registrar's books.

"INDENTURE" means this Indenture as amended or supplemented from time to time in accordance with the terms hereof.

"ISSUE DATE" of any Security means the date on which the Security was originally issued or deemed issued as set forth on the face of the Security.

"ISSUE PRICE" of any Security means, in connection with the original issuance of such Security, the initial issue price at which the Security is sold as set forth on the face of the Security.

"OFFICER" means either Co-Chairman of the Board, the President, any Vice President, the Treasurer, the Secretary, any Assistant Treasurer or Assistant Secretary of the Company.

"OFFICERS' CERTIFICATE" means a written certificate containing the information specified in Sections 12.4 and 12.5, signed in the name of the Company by either Co-Chairman of the Board, its President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"OPINION OF COUNSEL" means a written opinion containing the information specified in Sections 12.4 and 12.5, if applicable, rendered by legal counsel who may be an employee of, or counsel to, the Company.

"ORIGINAL ISSUE DISCOUNT" of any Security means the difference between the Issue Price and the Principal Amount of the Security as set forth on the face of the Security.

"PERSON" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PRINCIPAL" or "PRINCIPAL AMOUNT" of a Security means the principal amount due at the Stated Maturity of the Security as set forth on the face of the Security.

"REDEMPTION DATE" or "REDEMPTION DATE" shall mean the date specified for redemption of any of the Securities in accordance with the terms of the Securities and this Indenture.

"REDEMPTION PRICE" or "REDEMPTION PRICE" shall have the meaning set forth in paragraph 5 of the Securities.

"SEC" means the Securities and Exchange Commission.

"SECURITIES" means any of the Company's Liquid Yield Option -TM-

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Notes due 2014 (Zero Coupon -- Subordinated), as amended or supplemented from time to time in accordance with the terms hereof, issued under this Indenture.

"SECURITYHOLDER" or "HOLDER" means a person in whose name a Security is registered on the Registrar's books.

"SENIOR INDEBTEDNESS" means the principal of (and premium, if any) and unpaid interest on all present and future (i) indebtedness of the Company for borrowed money, (ii) obligations of the Company evidenced by bonds, debentures, notes or similar instruments, (iii) indebtedness incurred, assumed or guaranteed by the Company in connection with the acquisition by it or a Subsidiary of any business, properties or assets (except purchase-money indebtedness classified as accounts payable under generally accepted accounting principles), (iv) obligations of the Company as lessee under leases required to be capitalized on the balance sheet of the lessee under generally accepted accounting principles and leases of property or assets made as part of any sale and lease-back transaction to which the Company is a party, (v) reimbursement obligations of the Company in respect of letters of credit relating to indebtedness or other obligations of the Company that qualify as indebtedness or

obligations of the kind referred to in clauses (i) through (iv) above, and (vi) obligations of the Company under direct or indirect guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (v) above, in each case unless in the instrument creating or evidencing the indebtedness or obligation or pursuant to which the same is outstanding it is provided that such indebtedness or obligation is not superior in right of payment to the Securities.

"SENIOR INDEBTEDNESS DEFAULT" means the happening of an event of default with respect to any Senior Indebtedness, as defined therein or in the instrument under which the same is outstanding which, if occurring prior to the stated maturity of such Senior Indebtedness, permits any holder thereof thereupon to accelerate the maturity thereof.

"STATED MATURITY" when used with respect to any Security, means the date specified in such Security as the fixed date on which the Principal of such Security is due and payable.

"SUBSIDIARY" means (i) a corporation, a majority of whose Capital Stock with voting power, under ordinary circumstances, to elect directors is, at the date of determination, directly or indirectly owned by the Company, by one or more Subsidiaries of the Company or by the Company and one or more Subsidiaries of the Company or (ii) a partnership in which the Company or a Subsidiary of the Company is at the date of determination, a general partner of such partnership, or (iii) any other person (other than a corporation or a partnership) in which the Company, a Subsidiary of the Company or the Company and one or more Subsidiaries of the Company, directly or indirectly, at the date of determination, has (x) at least a majority ownership interest

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or (y) the power to elect or direct the election of a majority of the directors or other governing body of such person.

"TIA" means the Trust Indenture Act of 1939 as in effect on the date of this Indenture, except as provided in Section 9.3.

"TRADING DAY" means each day on which the securities exchange or quotation system which is used to determine the Sale Price is open for trading or quotation.

"TRUST OFFICER" means any officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

"TRUSTEE" means the party named as the "Trustee" in the first paragraph of this Indenture until a successor replaces it pursuant to the applicable provisions of this Indenture and, thereafter, shall mean such successor.

SECTION 1.2. OTHER DEFINITIONS.

TERM	DEFINED IN SECTION
"ASSOCIATE"	3.9(a)
"AVERAGE SALE PRICE"	11.1
"BANKRUPTCY LAW"	6.1
"BENEFICIAL OWNER"	3.9(a)
"CHANGE IN CONTROL"	3.9(a)
"CHANGE IN CONTROL PURCHASE DATE"	3.9(a)
"CHANGE IN CONTROL PURCHASE NOTICE"	3.9(c)
"CHANGE IN CONTROL PURCHASE PRICE"	3.9(a)
"COMPANY NOTICE DATE"	3.8(c)
"CONVERSION AGENT"	2.3
"CONVERSION DATE"	11.2
"CONVERSION RATE"	11.1
"CUSTODIAN"	6.1
"EVENT OF DEFAULT"	6.1
"EXCHANGE ACT"	3.8(c)
"EX-DIVIDEND TIME"	11.1
"EXTRAORDINARY CASH DIVIDEND"	11.8
"LEGAL HOLIDAY"	12.8
"MARKET PRICE"	3.8(e)
"NOTICE OF DEFAULT"	6.1
"OVER-ALLOTMENT OPTION"	2.2
"PAYING AGENT"	2.3
"PURCHASE DATE"	3.8(a)
"PURCHASE NOTICE"	3.8(a)
"PURCHASE PRICE"	3.8(a)
"REGISTRAR"	2.3
"RULE 13E-4"	3.8(c)
"SALE PRICE"	3.8(d)
"SECURITIES ACT"	3.8(d)
"TIME OF DETERMINATION"	11.1
"VOTING STOCK"	3.9

SECTION 1.3. INCORPORATION BY REFERENCE OF TRUST INDENTURE ACT. Whenever this Indenture refers to a provision of the TIA,

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such provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"COMMISSION" means the SEC.

"INDENTURE SECURITIES" means the Securities.

"INDENTURE SECURITY HOLDER" means a Securityholder.

"INDENTURE TO BE QUALIFIED" means this Indenture.

"INDENTURE TRUSTEE" or "INSTITUTIONAL TRUSTEE" means the Trustee.

"OBLIGOR" on the indenture securities means the Company.

All other TIA terms used in this Indenture that are defined by the TIA or defined by TIA reference to another statute or regulation have the meanings assigned to them by such definitions.

SECTION 1.4. RULES OF CONSTRUCTION. Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles as in effect from time to time in The United States of America;

(3) "or" is not exclusive;

(4) "including" means including, without limitation; and

(5) words in the singular include the plural, and words in the plural include the singular.

ARTICLE 2

THE SECURITIES

SECTION 2.1. FORM AND DATING. The Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A, which is a part of this Indenture. The Securities may have notations, legends or endorsements required by law, stock exchange rule or usage (provided that any such notation, legend or endorsement required by usage is in a form acceptable to the Company and the Trustee). Each Security shall be dated the date of its authentication.

SECTION 2.2. EXECUTION AND AUTHENTICATION. The Securities shall be executed by the Company by either of its Co-Chairmen of the Board, its President or one of its Vice Presidents, under its corporate seal reproduced thereon attested by its Secretary or one of its Assistant Secretaries. The signature of any of these

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officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper Officers of the

Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the Issue Date of such Securities.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein duly executed by the Trustee by manual signature of an authorized signatory, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

The Trustee shall authenticate and make available for delivery Securities for original issue in an aggregate Principal Amount of up to $___,000,000 upon a Company Order without any further action by the Company; PROVIDED, HOWEVER, that in the event that the Company sells any Securities pursuant to the over-allotment option (the "OVER-ALLOTMENT OPTION") granted pursuant to Section 2 of the Purchase Agreement, dated _____, 1994, between the Company and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated, then the Trustee shall authenticate and deliver Securities for original issue in an aggregate Principal Amount of up to $___,000,000 plus up to $___,___,000 aggregate Principal Amount of Securities sold pursuant to the Over-allotment Option upon a Company Order without any further action by the Company. The aggregate Principal Amount of Securities outstanding at any time may not exceed the amount set forth in the foregoing sentence, subject to the proviso set forth therein, except as provided in Section 2.7.

SECTION 2.3. REGISTRAR, PAYING AGENT AND CONVERSION AGENT. The Company shall maintain an office or agency where Securities may be presented for registration of transfer or for exchange ("Registrar"), an office or agency where Securities may be presented for purchase or payment ("PAYING AGENT") and an office or agency where Securities may be presented for conversion ("CONVERSION AGENT"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may have one or more co-registrars, one or more additional paying agents and one or more additional conversion agents. The term Paying Agent includes any additional paying agent. The term Conversion Agent includes any additional conversion agent.

The Company shall enter into an appropriate agency agreement with any Registrar, Paying Agent, Conversion Agent or co-registrar (with the consent of the Trustee) other than the Trustee. The agreement shall implement the provisions of this Indenture that relate to such agent. The Company shall notify the Trustee and the Holders of the name and address of any such

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agent and of any change in the office or agency referred to in Section 4.5. If the Company fails to maintain a Registrar, Paying Agent or Conversion Agent, the Trustee shall act as such and shall be entitled to appropriate compensation therefor pursuant to Section 7.7. The Company or any Subsidiary or an Affiliate of either of them may act as Paying Agent, Registrar, Conversion Agent or co-registrar.

The Company initially appoints the Trustee as Registrar, Conversion Agent and Paying Agent in connection with the Securities.

SECTION 2.4. PAYING AGENT TO HOLD MONEY AND SECURITIES IN TRUST. Except as otherwise provided herein, prior to or on each due date of payments in respect of any Security, the Company shall deposit with the Paying Agent a sum of money or, if permitted by the terms hereof, securities sufficient to make such payments when so becoming due. The Company shall require each Paying Agent (other than the Trustee) to agree in writing that the Paying Agent shall hold in trust for the benefit of Securityholders or the Trustee all money and securities held by the Paying Agent for the making of payments in respect of the Securities and shall notify the Trustee of any default by the Company in making any such payment. At any time during the continuance of any such default, the Paying Agent shall, upon the written request of the Trustee, forthwith pay to the Trustee all money and securities so held in trust. If the Company, a Subsidiary or an Affiliate of either of them acts as Paying Agent, it shall segregate the money and securities held by it as Paying Agent and hold it as a separate trust fund. The Company at any time may require a Paying Agent to pay all money and securities held by it to the Trustee and to account for any money and securities disbursed by it. Upon doing so, the Paying Agent shall have no further liability for the money and securities.

SECTION 2.5. SECURITYHOLDER LISTS. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Securityholders. If the Trustee is not the Registrar, the Company shall furnish or cause to be furnished to the Trustee (i) at least semiannually on January 1 and July 1 a list of the names and addresses of Securityholders dated within 15 days of the date on which the list is furnished and (ii) at such other times as the Trustee may request in writing a list, in such form and as of such date as the Trustee may reasonably require, of the names and addresses of Securityholders.

SECTION 2.6. TRANSFER AND EXCHANGE. Upon surrender for registration of transfer of any Security, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Securityholder or such Securityholder's attorney

duly authorized in writing, at the office or agency of the Company designated as Registrar or co-registrar pursuant to Section 2.3 or at the office or agency referred to in Section

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4.5, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denomination or denominations, of a like aggregate Principal Amount. The Company shall not charge a service charge for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to pay all taxes, assessments or other governmental charges that may be imposed in connection with the transfer or exchange of the Securities from the Securityholder requesting such transfer or exchange (other than any exchange of a temporary Security for a definitive Security not involving any change in ownership).

At the option of the Holder, Securities may be exchanged for other Securities of any authorized denomination or denominations, of a like aggregate Principal Amount, upon surrender of the Securities to be exchanged, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Securityholder or such Securityholder's attorney duly authorized in writing, at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

The Company shall not be required to make, and the Registrar need not register, transfers or exchanges of (a) Securities selected for redemption (except, in the case of Securities to be redeemed in part, the portion thereof not to be redeemed), (b) any Securities in respect of which a Purchase Notice or a Change in Control Purchase Notice has been given and not withdrawn by the Holder thereof in accordance with the terms of this Indenture (except, in the case of Securities to be purchased in part, the portion thereof not to be purchased) or (c) any Securities for a period of 15 days before a selection of Securities to be redeemed.

SECTION 2.7. REPLACEMENT SECURITIES. If (a) any mutilated Security is surrendered to the Company or the Trustee, or (b) the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Security, and there is delivered to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute, and upon its written request the Trustee shall authenticate and deliver, in exchange for any such mutilated Security or in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and

Principal Amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, or is about to be purchased by the Company pursuant to Article 3 hereof, the Company in its discretion may, instead of issuing a new Security, pay or purchase such Security, as the case may be.

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Upon the issuance of any new Securities under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) in connection therewith.

Every new Security issued pursuant to this Section in lieu of any mutilated, destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 2.8. OUTSTANDING SECURITIES; DETERMINATIONS OF HOLDERS' ACTION. Securities outstanding at any time are all the Securities authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation, mutilated, destroyed, lost or stolen Securities for which the Trustee has authenticated and made available for delivery a new Security in lieu therefor pursuant to Section 2.7 and those described in this Section 2.8 as not outstanding. A Security does not cease to be outstanding because the Company or an Affiliate thereof holds the Security; PROVIDED, HOWEVER, that in determining whether the Holders of the requisite Principal Amount of Securities have given or concurred in any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee knows to be so owned shall be so disregarded. Subject to the foregoing, only Securities outstanding at the time of such determination shall be considered in any such determination

(including, without limitation, determinations pursuant to Articles 6 and 9).

If a Security is replaced pursuant to Section 2.7, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Security is held by a BONA FIDE purchaser.

If the Paying Agent holds, in accordance with this Indenture, on a Redemption Date, or on the Business Day following a Purchase Date or a Change in Control Purchase Date, or on Stated Maturity, money or, if permitted by the terms hereof, securities sufficient to pay the Securities payable on that date, then on and after that date such Securities shall cease to be outstanding and Original Issue Discount and interest, if any, on such Securities shall cease to accrue and all other rights of the

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Holder shall terminate (other than the right to receive the applicable Redemption Price, Purchase Price or Change in Control Purchase Price, as the case may be, upon delivery of the Security in accordance with the terms of this Indenture); PROVIDED, that if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made.

If a Security is converted in accordance with Article 11, then from and after the Conversion Date such Security shall cease to be outstanding and Original Issue Discount and interest, if any, shall cease to accrue on such Security.

SECTION 2.9. TEMPORARY SECURITIES. Pending the preparation of definitive Securities, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the Officers executing such Securities may determine, as conclusively evidenced by their execution of such Securities.

If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at the office or agency of the Company designated for such purpose pursuant to Section 2.3 or 4.5, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like Principal Amount of definitive

Securities of authorized denominations. Until so exchanged the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 2.10. CANCELLATION. All Securities surrendered for payment, redemption or purchase by the Company pursuant to Article 3, conversion pursuant to Article 11, registration of transfer or exchange shall, if surrendered to any person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. The Company may not issue new Securities to replace Securities it has paid or delivered to the Trustee for cancellation or that any Holder has converted pursuant to Article 11. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of by the Trustee in accordance with its normal procedures and evidence of such disposition shall be delivered to the Company unless the Company directs by Company

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Order that the Trustee deliver cancelled Securities to the Company.

ARTICLE 3

REDEMPTION AND PURCHASES

SECTION 3.1. RIGHT TO REDEEM; NOTICES TO TRUSTEE. The Company, at its option, may redeem the Securities for cash in accordance with the provisions set forth in paragraphs 5 and 7 of the Securities. If the Company elects to redeem Securities pursuant to paragraph 5 of the Securities, it shall notify the Trustee in writing of the Redemption Date, the Principal Amount of Securities to be redeemed and the Redemption Price.

The Company shall give the notice to the Trustee provided for in this Section 3.1 at least 60 days before the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee). If fewer than all the Securities are to be redeemed, the record date relating to such redemption shall be selected by the Company and given to the Trustee, which record date shall not be less than ten days after the date of notice to the Trustee.

SECTION 3.2. SELECTION OF SECURITIES TO BE REDEEMED. If less than all the Securities are to be redeemed, the Trustee shall select the Securities to be redeemed PRO RATA or by lot or by any other method the Trustee considers fair and appropriate (so long as such method is not prohibited by the rules of any

stock exchange on which the Securities are then listed). The Trustee shall make the selection at least 35 but not more than 60 days before the Redemption Date from outstanding Securities not previously called for redemption. The Trustee may select for redemption portions of the Principal of Securities that have denominations larger than $1,000. Securities and portions of them the Trustee selects shall be in Principal Amounts of $1,000 or an integral multiple of $1,000. Provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption. The Trustee shall notify the Company promptly, but not less than 35 days before the Redemption Date, of the Securities or portions of Securities to be redeemed.

If any Security selected for partial redemption is thereafter surrendered for conversion in part before termination of the conversion right with respect to the portion of the Security so selected, the converted portion of such Security shall be deemed (so far as may be), solely for purposes of determining the aggregate Principal Amount of Securities to be redeemed by the Company, to be the portion selected for redemption. Securities that have been converted during a selection of Securities to be redeemed may be treated by the Trustee as outstanding for the purpose of such selection. Nothing in this Section 3.2 shall affect the right of any Holder to convert any Security pursuant to Article 11 before the termination of the conversion right with respect thereto.

SECTION 3.3. NOTICE OF REDEMPTION. At least 30 days but

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not more than 60 days before a Redemption Date, the Company shall mail a notice of redemption by first-class mail to each Holder of Securities to be redeemed in the manner provided in Section 12.2.

The notice shall identify the Securities to be redeemed and shall state:

(1) the Redemption Date;

(2) the Redemption Price;

(3) the Conversion Rate;

(4) the name and address of the Paying Agent and Conversion Agent and of the office or agency referred to in Section 4.5;

(5) that Securities called for redemption may be converted at any time before the close of business on the Redemption Date;

(6) that Holders who want to convert Securities must satisfy the requirements set forth in paragraph 9 of the Securities;

(7) that Securities called for redemption must be surrendered to the Paying Agent or at the office or agency referred to in Section 4.5 to collect the Redemption Price;

(8) the CUSIP number of the Securities;

(9) if fewer than all the outstanding Securities are to be redeemed, the certificate numbers and Principal Amounts of the particular Securities to be redeemed; and

(10) that, unless the Company defaults in payment of the Redemption Price, Original Issue Discount on Securities called for redemption and interest, if any, will cease to accrue on and after the Redemption Date.

At the Company's written request, the Trustee shall give the notice of redemption in the Company's name and at the Company's expense.

SECTION 3.4. EFFECT OF NOTICE OF REDEMPTION. Once notice of redemption is given, Securities called for redemption become due and payable on the Redemption Date stated in the notice and at the Redemption Price therefor except for Securities that are converted in accordance with the terms of this Indenture. Upon the later of the Redemption Date and the date such Securities are surrendered to the Paying Agent or at the office or agency referred to in Section 4.5, such Securities called for redemption shall be paid at the Redemption Price therefor.

SECTION 3.5. DEPOSIT OF REDEMPTION PRICE. Prior to or on the Redemption Date, the Company shall deposit with the Paying Agent (or if the Company or a Subsidiary or an Affiliate of either of them is the Paying Agent, shall segregate and hold in trust) money sufficient to pay the Redemption Price of all

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Securities to be redeemed on that date other than Securities or portions of Securities called for redemption which prior thereto have been delivered by the Company to the Trustee for cancellation. The Paying Agent shall as promptly as practicable return to the Company any money, with interest, if any, thereon (subject to the provisions of Section 7.1(f)), not required for that purpose because of conversion of Securities pursuant to Article 11. If such money is then held by the Company or a Subsidiary or an Affiliate of the Company in trust and is not required for such purpose it shall be discharged from such trust.

SECTION 3.6. SECURITIES REDEEMED IN PART. Upon surrender of a Security that is redeemed in part, the Company shall execute, and the Trustee shall authenticate and deliver to the Holder, a new Security in an authorized denomination equal in Principal Amount to the unredeemed portion of the Security surrendered.

SECTION 3.7. CONVERSION ARRANGEMENT ON CALL FOR REDEMPTION. In connection with any redemption of Securities, the Company may arrange for the purchase and conversion of any Securities called for redemption by an agreement with one or more investment bankers or other purchasers to purchase all or a portion of such Securities by paying to the Trustee in trust for the Securityholders whose Securities are to be so purchased, on or before the close of business on the Redemption Date, an amount that, together with any amounts deposited with the Trustee by the Company for redemption of such Securities is not less than the Redemption Price, together with interest, if any, accrued to the Redemption Date, of such Securities. Notwithstanding anything to the contrary contained in this Article 3, the obligation of the Company to pay the Redemption Price of such Securities, including all accrued interest, if any, shall be deemed to be satisfied and discharged to the extent such amount is so paid by such purchasers but no such agreement shall relieve the Company of its obligation to pay such Redemption Price and interest, if any. If such an agreement is entered into, any Securities not duly surrendered for conversion by the Holders thereof may, at the option of the Company, be deemed, to the fullest extent permitted by law, acquired by such purchasers from such Holders and (notwithstanding anything to the contrary contained in Article 11) surrendered by such purchasers for conversion, all as of immediately prior to the close of business on the Redemption Date, subject to payment of the above amount as aforesaid. The Trustee shall hold and pay to the Holders whose Securities are selected for redemption any such amount paid to it for purchase and conversion in the same manner as it would moneys deposited with it by the Company for the redemption of Securities. Without the Trustee's prior written consent, no arrangement between the Company and such purchasers for the purchase and conversion of any Securities shall increase or otherwise affect any of the powers, duties, responsibilities or obligations of the Trustee as set forth in this Indenture, and the Company agrees to indemnify the Trustee from, and hold it harmless against, any loss, liability or expense arising out of or in connection with any such arrangement for the purchase and conversion of any Securities between the Company and such purchasers, including the costs and expenses incurred by the Trustee in the defense of any claim or liability arising out of or in connection with the

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exercise or performance of any of its powers, duties, responsibilities or obligations under this Indenture.

SECTION 3.8. PURCHASE OF SECURITIES AT THE OPTION OF THE HOLDER.

(a) GENERAL. Securities shall be purchased by the Company pursuant to paragraph 6 of the Securities as of June __, 1999, June __, 2004 and June __, 2009 (each, a "PURCHASE DATE"), at the purchase price specified therein (each, a "PURCHASE PRICE"), at the option of the Holder thereof, upon:

(1) delivery to the Paying Agent or to the office or agency referred to in Section 4.5 by the Holder of a written notice of purchase (a "PURCHASE NOTICE") at any time from the opening of business on the date that is 20 Business Days prior to a Purchase Date until the close of business on such Purchase Date stating:

(A) the certificate number of the Security that the Holder will deliver to be purchased;

(B) the portion of the Principal Amount of the Security which the Holder will deliver to be purchased, which portion must be $1,000 or an integral multiple thereof;

(C) that such Security shall be purchased on the Purchase Date pursuant to the terms and conditions specified in this Indenture and in paragraph 6 of the Securities; and

(D) whether, if the Company elects pursuant to Section 3.8(b) to pay the Purchase Price on such Purchase Date, in whole or in part, in shares of Common Stock, but such portion of the Purchase Price to be paid in Common Stock is ultimately to be paid in cash because any condition in Section 3.8(d) is not satisfied, such Holder elects (i) to withdraw such Purchase Notice as to some or all of the Securities to which it relates (stating the Principal Amount and certificate numbers of the Securities as to which such withdrawal shall relate), or (ii) to receive cash in respect of the Purchase Price for all Securities subject to such Purchase Notice; and

(2) delivery of such Security, by hand or by registered mail prior to, on or after the Purchase Date (together with all necessary endorsements) to the Paying Agent at the offices of the Paying Agent or to the office or agency referred to in Section 4.5, such delivery being a condition to receipt by the Holder of the Purchase Price therefor; PROVIDED, HOWEVER, that such Purchase Price shall be so paid pursuant to this Section 3.8 only if the Security

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so delivered conforms in all respects to the description thereof in the related Purchase Notice.

If a Holder, in such Holder's Purchase Notice and in any written notice of withdrawal delivered by such Holder pursuant to the terms of Section 3.10, fails to indicate such Holder's choice with respect to the election set forth in clause (D) of Section 3.8(a)(1), such Holder shall be deemed to have elected to receive cash in respect of the Purchase Price otherwise payable in Common Stock.

The Company shall purchase from the Holder thereof, pursuant to this Section 3.8, a portion of a Security if the Principal Amount of such portion is $1,000 or an integral multiple of $1,000. Provisions of this Indenture that apply to the purchase of all of a Security also apply to the purchase of such portion of such Security.

Any purchase by the Company contemplated pursuant to the provisions hereof shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Purchase Date and the time of delivery of the Security.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent or the office or agency referred to in Section 4.5 the Purchase Notice contemplated by this Section 3.8(a) shall have the right to withdraw at any time prior to the close of business on the Purchase Date such Purchase Notice by delivery of a written notice of withdrawal to the Paying Agent or such office or agency in accordance with Section 3.10.

The Paying Agent shall promptly notify the Company of the receipt by it of any Purchase Notice or written notice of withdrawal thereof.

(b) COMPANY'S RIGHT TO ELECT MANNER OF PAYMENT OF PURCHASE PRICE. The Securities to be purchased pursuant to Section 3.8(a) may be paid for, at the election of the Company, in cash or Common Stock, or in any combination of cash and Common Stock, subject to the conditions set forth in this Section 3.8. The Company shall designate, in the notice from the Company delivered pursuant to Section 3.8(e), whether the Company will purchase the Securities for cash or Common Stock, and, if a combination thereof, the percentages of the Purchase Price of Securities in respect of which it will pay in cash or Common Stock; PROVIDED that the Company will pay cash for fractional interests in Common Stock. For purposes of determining the existence of potential fractional interests, all Securities subject to purchase by the Company held by a Holder shall be considered together (no matter

how many separate certificates are to be presented). Each Holder whose Securities are purchased pursuant to this Section 3.8 shall receive the same percentage of cash or Common Stock in payment of the Purchase Price for such Securities, except (i) as provided in Section 3.8(d) with regard to the payment of cash in lieu of fractional shares of Common Stock and (ii) in the event that the

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Company is unable to purchase the Securities of a Holder or Holders for Common Stock because any necessary qualifications or registrations of the Common Stock under applicable state securities laws cannot be obtained, the Company may purchase the Securities of such Holder or Holders for cash. The Company may not change its election with respect to the consideration (or components or percentages of components thereof) to be paid once the Company has given notice thereof to Securityholders except pursuant to this Section 3.8(b) or Section 3.8(d).

At least five Business Days before the Company Notice Date (as defined below), the Company shall deliver an Officers' Certificate to the Trustee specifying:

(i) the manner of payment selected by the Company;

(ii) the information required by Section 3.8(e);

(iii) that the conditions to such manner of payment set forth in Section 3.8(d), as the case may be, have or will be complied with; and

(iv) whether the Company desires the Trustee to give the notice required by Section 3.8(e).

(c) PURCHASE WITH CASH. On each Purchase Date, at the option of the Company, the Principal Amount of the Securities in respect of which a Purchase Notice pursuant to Section 3.8(a) has been given, or a specified percentage thereof, may be purchased by the Company with cash equal to the aggregate Purchase Price of such Securities. If the Company elects to purchase Securities with cash, notice as provided in Section 3.8(e) shall be sent to Holders (and to beneficial owners if required by applicable law, including without limitation, Rule 13e-4 ("RULE 13e-4", which term, as used herein, includes any successor provision thereto) under the Securities Exchange Act of 1934 (the "EXCHANGE ACT") not less than 20 Business Days prior to the Purchase Date (the "COMPANY NOTICE DATE").

(d) PAYMENT BY ISSUANCE OF COMMON STOCK. On each Purchase Date, at the option of the Company, the Principal Amount of the Securities in respect of which a Purchase Notice pursuant to Section 3.8(a) has been given, or a specified percentage thereof, may be purchased by the Company by the issuance of a number of shares of Common Stock equal to the quotient obtained by dividing

(i) the amount of cash to which the Securityholders would have been entitled had the Company elected to pay all or such specified percentage, as the case may be, of the Purchase Price of such Securities in cash by (ii) the Market Price (as defined below) of a share of Common Stock, subject to the next succeeding paragraph.

The Company will not issue a fractional share of Common Stock in payment of the Purchase Price. Instead the Company will pay cash for the current market value of the fractional share.

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The current market value of a fraction of a share shall be determined by multiplying the Market Price by such fraction and rounding the product to the nearest whole cent, with one-half cent being rounded upward. It is understood that if a Holder elects to have more than one Security purchased, the number of shares of Common Stock shall be based on the aggregate amount of Securities to be purchased.

If the Company elects to purchase the Securities by the issuance of shares of Common Stock, notice as provided in Section 3.8(e) shall be sent to the Holders (and to beneficial owners if required by applicable law, including without limitation, Rule 13e-4) not later than the Company Notice Date.

The Company's right to exercise its election to purchase the Securities pursuant to Section 3.8 through the issuance of shares of Common Stock shall be conditioned upon:

(i) the Company's not having given notice of an election to pay entirely in cash and its giving of timely notice of election to purchase all or a specified percentage of the Securities with Common Stock as provided herein;

(ii) the registration of the shares of Common Stock to be issued in respect of the payment of the Purchase Price under the Securities Act of 1933 (the "SECURITIES ACT") and the Exchange Act, in each case if required;

(iii) any necessary qualification or registration under applicable state securities laws or the availability of an exemption from such qualification and registration and compliance with other applicable federal securities laws; and

(iv) the receipt by the Trustee of an Officers' Certificate and an Opinion of Counsel each stating that (A) the terms of the issuance of the Common Stock are in conformity with this Indenture and (B) the shares of Common Stock to be issued by the Company in payment of the Purchase Price in respect of Securities have been duly authorized and, when issued and delivered pursuant to the terms of this

Indenture in payment of the Purchase Price in respect of the Securities, will be validly issued, fully paid and nonassessable and shall be free of any preemptive rights and any lien or adverse claim (provided that such Opinion of Counsel may state that, insofar as it relates to the absence of such preemptive rights, liens and adverse claims, it is given upon the best knowledge of such counsel), and, in the case of such Officers' Certificate, that conditions (i), (ii) and (iii) above have been satisfied and, in the case of such Opinion of Counsel, that conditions (ii) and (iii) (but only with respect to compliance with applicable federal securities laws) above have been satisfied.

Such Officers' Certificate shall also set forth the number of shares of Common Stock to be issued for each $1,000 Principal Amount of Securities and the Sale Price (as defined below) of a share of Common Stock on each of the seven Business Days prior to

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the Purchase Date. The Company may elect to pay in Common Stock only if the information necessary to calculate the Market Price is reported in THE WALL STREET JOURNAL or another daily newspaper of national circulation. If such conditions are not satisfied prior to or on the Purchase Date and the Company elected to purchase the Securities pursuant to this Section 3.8 through the issuance of shares of Common Stock, the Company shall pay the Purchase Price in cash.

The "MARKET PRICE" means the average of the Sale Price of the Common Stock for the five Trading Day period ending on the third Trading Day prior to the related Purchase Date, appropriately adjusted to take into account the actual occurrence, during the seven Trading Days preceding such Purchase Date, of any event described in Section 11.6, 11.7 or 11.8; subject, however, to the conditions set forth in Sections 11.9 and 11.10.

The "SALE PRICE" of the Common Stock on any date means the closing per share sale price (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case the average of the average bid and the average ask prices) on such date as reported in composite transactions for the principal United States securities exchange on which the Common Stock is traded or, if the Common Stock is not listed on a United States national or regional stock exchange, as reported by the National Association of Securities Dealers Automated Quotation System.

(e) NOTICE OF ELECTION. The Company shall send notices of its election to purchase with cash or Common Stock or any combination thereof to the Holders (and to beneficial owners if required by applicable law, including without limitation, Rule 13e-4) in the manner provided in Section 12.2 at the times

specified in Section 3.8(c) or (d), as applicable. Such notices shall state the manner of payment elected and shall contain the following information:

In the event the Company has elected to pay the Purchase Price (or any specified percentage thereof) with Common Stock, the notice shall:

(1) state that each Holder will receive Common Stock with a Market Price determined as of a specified date prior to the Purchase Date equal to such specified percentage of the Purchase Price of the Securities held by such Holder (except for any cash amount to be paid in lieu of fractional shares); and

(2) state that because the Market Price of Common Stock will be determined prior to the Purchase Date, Holders will bear the market risk with respect to the value of the Common Stock to be received from the date such Market Price is determined to the Purchase Date.

In any case, each notice shall include a form of Purchase Notice to be completed by the Securityholder and shall state:

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(i) the Purchase Price and Conversion Rate;

(ii) the name and address of the Paying Agent and the Conversion Agent and of the office or agency referred to in Section 4.5;

(iii) that Securities as to which a Purchase Notice has been given may be converted only if the applicable Purchase Notice has been withdrawn in accordance with the terms of this Indenture;

(iv) that Securities must be surrendered to the Paying Agent or to the office or agency referred to in Section 4.5 to collect payment;

(v) that the Purchase Price for any security as to which a Purchase Notice has been given and not withdrawn will be paid promptly following the later of the Purchase Date and the time of surrender of such Security as described in (iv);

(vi) the procedures the Holder must follow to exercise rights under Section 3.8 and a brief description of those rights;

(vii) briefly, the conversion rights of the Securities; and

(viii) the procedures for withdrawing a Purchase Notice.

At the Company's written request, the Trustee shall give such notice in the Company's name and at the Company's expense; PROVIDED, HOWEVER, that, in all cases, the text of such notice shall be prepared by the Company.

Upon determination of the actual number of shares of Common Stock to be issued for each $1,000 Principal Amount of Securities, the Company will publish such determination in THE WALL STREET JOURNAL or another daily newspaper of national circulation and furnish the Trustee with an affidavit of publication.

(f) COVENANTS OF THE COMPANY. All shares of Common Stock delivered upon purchase of the Securities shall be newly issued shares or treasury shares, shall be duly authorized, validly issued, fully paid and nonassessable and shall be free from preemptive rights and free of any lien or adverse claim.

The Company shall use its best efforts to list or cause to have quoted any shares of Common Stock to be issued to purchase Securities on each national securities exchange or over-the-counter or other domestic market on which any other shares of the Common Stock are then listed or quoted. The Company will promptly inform the Trustee in writing of any such listing.

(g) PROCEDURE UPON PURCHASE. The Company shall deposit cash (in respect of a cash purchase under Section 3.8(c) or for fractional interests, as applicable) or shares of Common Stock,

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or any combination thereof, as applicable, at the time and in the manner as provided in Section 3.11, sufficient to pay the aggregate Purchase Price of all Securities to be purchased pursuant to this Section 3.8. As soon as practicable after the later of the Purchase Date and the date such Securities are surrendered to the Paying Agent or at the office or agency referred to in Section 4.5, the Company shall deliver to each Holder entitled to receive Common Stock through the Paying Agent a certificate for the number of full shares of Common Stock issuable in payment of the Purchase Price and cash in lieu of any fractional interests. The person in whose name the certificate for Common Stock is registered shall be treated as a holder of record of such Common Stock on the Business Day following the related Purchase Date. Subject to Section 3.8(d), no payment or adjustment will be made for dividends on the Common Stock the record date for which occurred prior to the Purchase Date.

(h) TAXES. If a Holder of a Security is paid in Common Stock, the Company shall pay any documentary, stamp or similar issue or transfer tax due on such issue of shares of Common

Stock. However, the Holder shall pay any such tax which is due because the Holder requests the shares of Common Stock to be issued in a name other than the Holder's name. The Paying Agent may refuse to deliver the certificates representing the Common Stock being issued in a name other than the Holder's name until the Paying Agent receives a sum sufficient to pay any tax which will be due because the shares of Common Stock are to be issued in a name other than the Holder's name. Nothing herein shall preclude any income tax withholding required by law or regulations.

SECTION 3.9. PURCHASE OF SECURITIES AT OPTION OF THE HOLDER UPON CHANGE IN CONTROL. (a) If on or prior to June __, 1999 there shall have occurred a Change in Control, Securities shall be purchased, at the option of the Holder thereof, by the Company at the purchase price specified in paragraph 6 of the Securities (the "CHANGE IN CONTROL PURCHASE PRICE"), on the date that is 35 Business Days after the occurrence of the Change of Control (the "CHANGE IN CONTROL PURCHASE DATE"), subject to satisfaction by or on behalf of the Holder of the requirements set forth in Section 3.9(c).

A "CHANGE IN CONTROL" shall be deemed to have occurred at such time as either of the following events shall occur:

(i) There shall be consummated any consolidation or merger of the Company (A) in which the Company is not the continuing or surviving corporation or (B) pursuant to which the Voting Stock (as defined below) of the Company would be converted into cash, securities or other property, in each case other than a consolidation or merger of the Company in which the holders of Voting Stock of the Company immediately prior to the consolidation or merger have, directly or indirectly, at least a majority of the Voting Stock of the surviving corporation immediately after such consolidation or merger; or

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(ii) There is a report filed by any person, including that person's Affiliates and Associates, on Schedule 13D or 14D-1 (or any successor schedule, form or report) pursuant to the Exchange Act, disclosing that such person (for the purposes of this Section 3.9 only, the term "person" shall include a "person" within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision to either of the foregoing) has become the beneficial owner (as the term "BENEFICIAL OWNER" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of 50% or more of the voting power of the Company's Voting Stock then outstanding; PROVIDED, HOWEVER, that a person shall not be deemed

beneficial owner of, or to own beneficially, (A) any securities tendered pursuant to a tender or exchange offer made by or on behalf of such person or any of such person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange thereunder, or (B) any securities if such beneficial ownership (1) arises solely as a result of a revocable proxy delivered in response to a proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Exchange Act, and (2) is not also then reportable on Schedule 13D (or any successor schedule, form or report) under the Exchange Act.

Notwithstanding the foregoing provisions of this Section 3.9, a Change in Control shall not be deemed to have occurred if at any time the Company, any Subsidiary, any employee stock ownership plan or any other employee benefit plan of the Company or any Subsidiary, or any person holding Voting Stock for or pursuant to the terms of any such employee benefit plan, files or becomes obligated to file a report under or in response to Schedule 13D or Schedule 14D-1 (or any successor schedule, form or report) under the Exchange Act disclosing beneficial ownership by it of shares of Voting Stock, whether in excess of 50% or otherwise.

"VOTING STOCK" means, with respect to any person, the capital stock of such person having general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees of such person (irrespective of whether or not at the time capital stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

"ASSOCIATE" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act, as in effect on the date hereof.

(b) Within 15 Business Days after the occurrence of a Change in Control, the Company shall mail a written notice of such Change in Control by first-class mail to the Trustee and to each Holder (and to beneficial owners if required by applicable law, including without limitation, Rule 13e-4) and shall cause a copy of such notice to be published in THE WALL STREET JOURNAL or another daily newspaper of national circulation. The notice shall include a form of Change in Control Purchase Notice to be completed by the Securityholder and shall state:

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(1) the events causing a Change in Control and the date of such Change in Control;

(2) the date by which the Change in Control Purchase Notice pursuant to this Section 3.9 must be given;

(3) the Change in Control Purchase Date;

(4) the Change in Control Purchase Price;

(5) the name and address of the Paying Agent and the Conversion Agent and the office or agency referred to in Section 4.5;

(6) the Conversion Rate and any adjustments thereto;

(7) that Securities as to which a Change in Control Purchase Notice has been given may be converted into Common Stock only if the Change in Control Purchase Notice has been withdrawn in accordance with the terms of this Indenture;

(8) that Securities must be surrendered to the Paying Agent or the office or agency referred to in Section 4.5 to collect payment;

(9) that the Purchase Price for any Security as to which a Purchase Notice has been duly given and not withdrawn will be paid promptly following the later of the Change in Control Purchase Date and the time of surrender of such Security as described in (8);

(10) the procedures the Holder must follow to exercise rights under this Section 3.9 and a brief description of those rights;

(11) briefly, the conversion rights of the Securities; and

(12) the procedures for withdrawing a Change in Control Purchase Notice.

(c) A Holder may exercise its rights specified in Section 3.9(a) upon delivery of a written notice of purchase (a "CHANGE IN CONTROL PURCHASE NOTICE") to the Paying Agent or to the office or agency referred to in Section 4.5 at any time prior to the close of business on the Change in Control Purchase Date, stating:

(1) the certificate number of the Security which the Holder will deliver to be purchased;

(2) the portion of the Principal Amount of the Security which the Holder will deliver to be purchased, which portion must be $1,000 or an integral multiple thereof; and

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(3) that such Security shall be purchased on the Change in Control Purchase Date pursuant to the terms and conditions specified in paragraph 6 of the Securities.

The delivery of the Security, by hand or by registered mail prior to, on or after the Change in Control Purchase Date (together with all necessary endorsements), to the Paying Agent at the offices of the Paying Agent or to the office or agency referred to in Section 4.5 shall be a condition to the receipt by the Holder of the Change in Control Purchase Price therefor; PROVIDED, HOWEVER, that such Change in Control Purchase Price shall be so paid pursuant to this Section 3.9 only if the Security so delivered to the Paying Agent or such office or agency shall conform in all respects to the description thereof set forth in the related Change in Control Purchase Notice.

The Company shall purchase from the Holder thereof, pursuant to this Section 3.9, a portion of a Security if the Principal Amount of such portion is $1,000 or an integral multiple of $1,000. Provisions of this Indenture that apply to the purchase of all of a Security also apply to the purchase of such portion of such Security.

Any purchase by the Company contemplated pursuant to the provisions of this Section 3.9 shall be consummated by the delivery of the consideration to be received by the Holder promptly following the later of the Change in Control Purchase Date and the date such Securities are surrendered to the Paying Agent or at the office or agency referred to in Section 4.5.

Notwithstanding anything herein to the contrary, any Holder delivering to the Paying Agent or to the office or agency referred to in Section 4.5 the Change in Control Purchase Notice contemplated by this Section 3.9(c) shall have the right to withdraw such Change in Control Purchase Notice at any time prior to or on the Change in Control Purchase Date by delivery of a written notice of withdrawal to the Paying Agent or to such office or agency in accordance with Section 3.10.

The Paying Agent shall promptly notify the Company of the receipt by it of any Change in Control Purchase Notice or written withdrawal thereof.

SECTION 3.10. EFFECT OF PURCHASE NOTICE OR CHANGE IN CONTROL PURCHASE NOTICE. Upon receipt by the Paying Agent of the Purchase Notice or Change in Control Purchase Notice specified in Section 3.8(a) or Section 3.9(c), as applicable, the Holder of the Security in respect of which such Purchase Notice or Change in Control Purchase Notice, as the case may be, was given shall (unless such Purchase Notice or Change in Control Purchase Notice is withdrawn as specified in the following two paragraphs)

thereafter be entitled to receive solely the Purchase Price or Change in Control Purchase Price, as the case may be, with

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respect to such Security. Such Purchase Price or Change in Control Purchase Price shall be paid to such Holder promptly following the later of (x) the Business Day following the Purchase Date or the Change in Control Purchase Date, as the case may be, with respect to such Security (provided the conditions in Section 3.8(a) or Section 3.9(c), as applicable, have been satisfied) and (y) the time of delivery of such Security to the Paying Agent or to the office or agency referred to in Section 4.5 by the Holder thereof in the manner required by Section 3.8(a) and (g) or Section 3.9(c), as applicable. Securities in respect of which a Purchase Notice or Change in Control Purchase Notice, as the case may be, has been given by the Holder thereof may not be converted into shares of Common Stock on or after the date of the delivery of such Purchase Notice or Change in Control Purchase Notice, as the case may be, unless such Purchase Notice or Change in Control Purchase Notice, as the case may be, has first been validly withdrawn as specified in the following two paragraphs.

A Purchase Notice or Change in Control Purchase Notice, as the case may be, may be withdrawn by means of a written notice of withdrawal delivered to the office of the Paying Agent or to the office or agency referred to in Section 4.5 at any time on or prior to the Purchase Date or the Change in Control Purchase Date, as the case may be, specifying:

(1) the certificate number of the Security in respect of which such notice of withdrawal is being submitted;

(2) the Principal Amount of the Security with respect to which such notice of withdrawal is being submitted; and

(3) the Principal Amount, if any, of such Security which remains subject to the original Purchase Notice or Change in Control Purchase Notice, as the case may be, and which has been or will be delivered for purchase by the Company.

A written notice of withdrawal of a Purchase Notice may be in the form set forth in the preceding paragraph or may be in the form of (i) a conditional withdrawal contained in a Purchase Notice pursuant to the terms of Section 3.8(a)(1)(D) or (ii) a conditional withdrawal containing the information set forth in Section 3.8(a)(1)(D) and the preceding paragraph and contained in a written notice of withdrawal delivered to the Paying Agent as set forth in the preceding paragraph.

There shall be no purchase of any Securities pursuant to Sections 3.8 (other than through the issuance of Common Stock) or

3.9 if there has occurred (prior to, on or after, as the case may be, the giving, by the Holders of such Securities, of the required Purchase Notice or Change in Control Purchase Notice, as the case may be) and is continuing an Event of Default (other than a default in the payment of the Purchase Price or Change in Control Purchase Price, as the case may be, with respect to such Securities).

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SECTION 3.11. DEPOSIT OF PURCHASE PRICE OR CHANGE IN CONTROL PURCHASE PRICE. Prior to 3:00 p.m. (local time in The City of New York) on the Business Day following the Purchase Date or the Change in Control Purchase Date, as the case may be, the Company shall deposit with the Trustee or with the Paying Agent (or, if the Company or a Subsidiary or an Affiliate of either of them is acting as Paying Agent, shall segregate and hold in trust as provided in Section 2.4) an amount of cash in immediately available funds or securities, if expressly permitted hereunder, sufficient to pay the aggregate Purchase Price or Change in Control Purchase Price, as the case may be, of all the Securities or portions thereof which are to be purchased.

SECTION 3.12. SECURITIES PURCHASED IN PART. Any Security which is to be purchased only in part shall be surrendered at the office of the Paying Agent or the office or agency referred to in Section 4.5 (with, if the Company or the Trustee so requires, due endorsement, or a written instrument of transfer in form satisfactory to the Company and the Trustee executed by the Holder or such Holder's attorney duly authorized in writing) and the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder in aggregate Principal Amount equal to, and in exchange for, the portion of the Principal Amount of the Security so surrendered which is not purchased.

SECTION 3.13. COVENANT TO COMPLY WITH SECURITIES LAWS UPON PURCHASE OF SECURITIES. In connection with any offer to purchase or purchase of Securities under Section 3.8 or 3.9 hereof, the Company shall (i) comply with Rule 13e-4, if applicable, (ii) file the related Schedule 13E-4 (or any successor schedule, form or report) under the Exchange Act, if applicable, and (iii) otherwise comply with all Federal and state securities laws regulating the offer and delivery of shares of Common Stock upon purchase of the Securities (including positions of the SEC under applicable no-action letters) so as to permit the rights and obligations under Sections 3.8 and 3.9 to be exercised in the time and in the manner specified in Sections 3.8 and 3.9.

SECTION 3.14. REPAYMENT TO THE COMPANY. The Trustee and the Paying Agent shall return to the Company any cash or shares of Common Stock, together with interest on such cash, if any, or

dividends on such shares of Common Stock, if any, (subject to the provisions of Section 7.1(f)) held by them for the payment of a Purchase Price or Change in Control Purchase Price, as the case may be, of the Securities that remain unclaimed as provided in paragraph 13 of the Securities; PROVIDED, HOWEVER, that to the extent that the aggregate amount of cash or shares of Common Stock deposited by the Company pursuant to Section 3.11 exceeds the aggregate Purchase Price or Change in Control Purchase Price, as the case may be, of the Securities or portions thereof to be purchased, then promptly after the Business Day following the Purchase Date or Change in Control Purchase Date, as the case may be, the Trustee shall return any such excess to the Company together with interest or dividends, if any, thereon (subject to the provision of Section 7.1(f)).

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ARTICLE 4

COVENANTS

SECTION 4.1. PAYMENT OF SECURITIES. The Company shall promptly make all payments in respect of the Securities on the dates and in the manner provided in the Securities or pursuant to this Indenture. Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price, Change in Control Purchase Price and interest, if any, shall be considered paid on the applicable date due if on such date the Trustee or the Paying Agent holds, in accordance with this Indenture, cash or securities, if expressly permitted hereunder, sufficient to pay all such amounts then due.

The Company shall, to the extent permitted by law, pay interest on overdue amounts at the per annum rate of interest set forth in paragraph 1 of the Securities, which interest on overdue amounts shall accrue from the date such amounts were originally due and payable.

SECTION 4.2. SEC REPORTS. The Company shall file with the Trustee, within 15 days after it files such annual and quarterly reports, information, documents and other reports with the SEC, copies of its annual and quarterly reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) which the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act (or any such successor provisions thereto). In the event the Company is at any time no longer subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act (or any such successor provisions), it shall continue to provide the Trustee with reports containing substantially the same information as would have been required to be filed with the SEC had the Company

continued to have been subject to such reporting requirements, and the Trustee shall make any such reports available to Securityholders upon request. In such event, such reports shall be provided at the times the Company would have been required to provide reports had it continued to have been subject to such reporting requirements. The Company also shall comply with the other provisions of TIA Section 314(a).

SECTION 4.3. COMPLIANCE CERTIFICATE; NOTICE OF DEFAULTS. (a) The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company (beginning with the fiscal year ending on December 31, 1994) an Officers' Certificate stating whether or not the signers know of any Default that occurred during such period. If they do, such Officers' Certificate shall describe the Default and its status.

(b) The Company shall file with the Trustee written notice of the occurrence of any Default or Event of Default within five Business Days of its becoming aware of such Default or Event of Default.

SECTION 4.4. FURTHER INSTRUMENTS AND ACTS. Upon request

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of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

SECTION 4.5. MAINTENANCE OF OFFICE OR AGENCY. The Company will maintain in the Borough of Manhattan, The City of New York, in such location as may be required by the rules of any securities exchange or quotation system on which the Securities may from time to time be listed, an office or agency where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer, exchange, purchase, redemption or conversion and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The corporate trust office of the Trustee in The City of New York, at which at any particular time its corporate trust business shall be administered, which office on the date hereof is located at One New York Plaza, 14th Floor, New York, N.Y. 10081, shall be such office or agency for all of the aforesaid purposes unless the Company shall maintain some other office or agency for such purposes and shall give prompt written notice to the Trustee and the Holders of the location, and any change of location, of such other office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the address of the Trustee set forth in Section 12.2.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; PROVIDED, HOWEVER, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in The City of New York, for such purposes.

ARTICLE 5

SUCCESSOR CORPORATION

SECTION 5.1 WHEN COMPANY MAY MERGE OR TRANSFER ASSETS. The Company, in a single transaction or through a series of related transactions, shall not consolidate with or merge with or into any other person or transfer (by lease, assignment, sale or otherwise) all or substantially all of its properties and assets to another person or group of affiliated persons, unless:

(a) either (1) the Company shall be the continuing corporation or (2) the person (if other than the Company) formed by such consolidation or into which the Company is merged or to which all or substantially all of the properties and assets of the Company are transferred (i) shall be a corporation, partnership or trust organized and validly existing under the laws of the United States or any State thereof or the District of Columbia and (ii) shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, all of the obligations of the Company under the Securities and this Indenture;

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(b) immediately after giving effect to such transaction, and the assumption contemplated by clause (a) above, no Default or Event of Default shall have occurred and be continuing; and

(c) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this Article and that all conditions precedent herein provided for relating to such transaction have been satisfied.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise) of the properties and assets of one or more Subsidiaries (other than to the Company or another wholly owned Subsidiary), which, if such assets were owned by the Company, would constitute all or substantially all of the

properties and assets of the Company, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The successor person formed by such consolidation or into which the Company is merged or the successor person to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor had been named as the Company herein; and thereafter, except in the case of (i) a lease of its properties and assets substantially as an entirety and (ii) obligations the Company may have under a supplemental indenture pursuant to Section 11.14, the Company shall be discharged and released from all obligations and covenants under this Indenture and the Securities. The Trustee shall enter into a supplemental indenture to evidence the succession and substitution of such successor person and such discharge and release of the Company.

ARTICLE 6

DEFAULTS AND REMEDIES

SECTION 6.1. EVENTS OF DEFAULT. An "EVENT OF DEFAULT" occurs if:

(1) the Company defaults in the payment of the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price or Change in Control Purchase Price on any Security when the same becomes due and payable at its Stated Maturity, upon redemption, upon declaration, when due for purchase by the Company or otherwise, whether or not such payment shall be prohibited by Article 10;

(2) the Company fails to comply with any of its agreements in the Securities or this Indenture (other than those referred to in clause (1) above) and such failure continues for 60 days after receipt by the Company of a Notice of Default;

(3) the Company pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case or proceeding;

(B) consents to the entry of an order for relief against it in an involuntary case or proceeding or the commencement of any

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case against it;

(C) consents to the appointment of a Custodian of it or for any substantial part of its property;

(D) makes a general assignment for the benefit of its creditors;

(E) files a petition in bankruptcy or answer or consent seeking reorganization or relief; or

(F) consents to the filing of such petition or the appointment of or taking possession by a Custodian;

(4) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company in an involuntary case or proceeding, or adjudicates the Company insolvent or bankrupt;

(B) appoints a Custodian of the Company or for any substantial part of its property; or

(C) orders the winding up or liquidation of the Company;

and the order or decree remains unstayed and in effect for 60 days;

(5) the Company fails to deliver shares of Common Stock or pay cash in lieu thereof when such Common Stock or cash is required to be paid, as the case may be, following conversion of a Security; or

(6) a default under any mortgage, indenture, or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by the Company or any Consolidated Subsidiary, whether such indebtedness now exists or shall hereafter be created, which default shall have resulted in such indebtedness, in an aggregate principal amount exceeding $25,000,000, becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, without such indebtedness having been discharged, or such acceleration having been rescinded or annulled, or there having been deposited in trust a sum of money sufficient to discharge in full such indebtedness, within a period of 30 days after there shall have been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Securities, a written notice specifying such default and requiring the

Company to cause such indebtedness to be discharged, to cause there to be deposited in trust a sum sufficient to discharge in full such indebtedness or to cause such acceleration to be rescinded or annulled and stating that such notice is a "Notice of Default" hereunder.

"BANKRUPTCY LAW" means Title 11, United States Code, or any similar Federal or state law for the relief of debtors.

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"CUSTODIAN" means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

A Default under clause (2) above is not an Event of Default until the Trustee notifies the Company, or the Holders of at least 25% in aggregate Principal Amount of the Securities at the time outstanding notify the Company and the Trustee, of the Default and the Company does not cure such Default within the time specified in clause (2) above after receipt of such notice. Any such notice must specify the Default, demand that it be remedied and state that such notice is a "Notice of Default."

The Company shall deliver to the Trustee, within 30 days after it becomes aware of the occurrence thereof, written notice of any event which with the giving of notice and the lapse of time or both would become an Event of Default under clause (2), its status and what action the Company is taking or proposes to take with respect thereto.

SECTION 6.2. ACCELERATION. If an Event of Default (other than an Event of Default specified in Section 6.1(3)or (4)) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in aggregate Principal Amount of the Securities at the time outstanding by notice to the Company and the Trustee, may declare the Issue Price and accrued Original Issue Discount to the date of declaration on all the Securities to be immediately due and payable, whereupon, such Issue Price and accrued Original Issue Discount shall be due and payable immediately, provided that, if an Event of Default specified in Section 6.1(3) or (4) occurs and is continuing, the Issue Price and accrued Original Issue Discount on all the Securities to the date of the occurrence of such Event of Default shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Securityholders, all of which are hereby waived by the Company. The Holders of a majority in aggregate Principal Amount of the Securities at the time outstanding, by notice to the Trustee (and without notice to any other Securityholder) may rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default have been cured or waived except nonpayment of the Issue Price and

accrued Original Issue Discount that have become due solely as a result of acceleration and if all amounts due to the Trustee under Section 7.7 have been paid. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

SECTION 6.3. OTHER REMEDIES. If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of the Issue Price and accrued Original Issue Discount on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if the Trustee does not possess any of the Securities or does not produce any of the Securities in the proceeding. A delay or omission by the Trustee or any Securityholder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of, or acquiescence in, the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

SECTION 6.4. WAIVER OF PAST DEFAULTS. The Holders of a majority in aggregate Principal Amount of the Securities at the time outstanding, by

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notice to the Trustee (and without notice to any other Securityholder), may waive an existing Default and its consequences except (a) an Event of Default described in Section 6.1(1) or (5), (b) a Default in respect of a provision that under Section 9.2 cannot be amended without the consent of each Securityholder affected or (c) a Default under Article 11. When a Default is waived, it is deemed cured and shall cease to exist, but no such waiver shall extend to any subsequent or other Default or impair any consequent right,

SECTION 6.5. CONTROL BY MAJORITY. The Holders of a majority in aggregate Principal Amount of the Securities at the time outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture or that the Trustee determines in good faith is unduly prejudicial to the rights of other Securityholders or would involve the Trustee in personal liability unless the Trustee shall have been provided with reasonable security or indemnity against such liability satisfactory to the Trustee.

SECTION 6.6. LIMITATION ON SUITS. A Securityholder may not pursue any remedy with respect to this Indenture or the Securities unless:

(1) the Holder gives to the Trustee written notice stating that an Event of Default is continuing;

(2) the Holders of at least 25% in aggregate Principal Amount of the Securities at the time outstanding make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee reasonable security or indemnity against any loss, liability or expense satisfactory to the Trustee;

(4) the Trustee does not comply with the request within 60 days after receipt of the notice, the request and the offer of security or indemnity; and

(5) the Holders of a majority in aggregate Principal Amount of the Securities at the time outstanding do not give the Trustee a direction inconsistent with the request during such 60-day period.

A Securityholder may not use this Indenture to prejudice the rights of any other Securityholder or to obtain a preference or priority over any other Securityholder.

SECTION 6.7. RIGHTS OF HOLDERS TO RECEIVE PAYMENT. Notwithstanding any other provision of this Indenture, the right of any Holder to receive payment of the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price, Change in Control Purchase Price or interest, if any, in respect of the Securities held by such Holder, on or after the respective due dates expressed in the Securities or any Redemption Date, and to convert the Securities in accordance with Article 11 (including the right to receive cash in lieu of Common Stock upon conversion if the Company has elected to pay cash with respect thereto), or to bring suit for the enforcement of any such payment on or after such respective dates or the right to convert, shall not be impaired or affected adversely without the consent of each such Holder.

SECTION 6.8. COLLECTION SUIT BY TRUSTEE. If an Event of Default

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described in Section 6.1(1) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount owing with respect to the Securities and the amounts provided for in Section 7.7.

SECTION 6.9. TRUSTEE MAY FILE PROOFS OF CLAIM. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of

such other obligor or their creditors, the Trustee (irrespective of whether the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price, Change in Control Purchase Price or interest, if any, in respect of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of any such amount) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price, Change in Control Purchase Price or interest, if any, and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding; and

(b) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any Custodian, receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.7.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10. PRIORITIES. If the Trustee collects any money pursuant to this Article 6, it shall pay out the money in the following order:

FIRST: to the Trustee for amounts due under Section 7.7;

SECOND: to holders of Senior Indebtedness to the extent required by Article 10;

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THIRD: to Securityholders for amounts due and unpaid on the Securities for the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price, Change in Control Purchase Price or interest, if any, as the case may be, ratably, without preference or priority of any kind, according to such amounts due and payable on the Securities; and

FOURTH: the balance, if any, to the Company.

The Trustee may fix a record date and payment date for any payment to Securityholders pursuant to this Section 6.10. At least 15 days before such record date, the Company shall mail to each Securityholder and the Trustee a notice that states the record date, the payment date and amount to be paid.

SECTION 6.11. UNDERTAKING FOR COSTS. In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant (other than the Trustee) in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit initiated by the Trustee, a suit by a Holder pursuant to Section 6.7 or a suit by Holders of more than 10% in aggregate Principal Amount of the Securities at the time outstanding.

SECTION 6.12. WAIVER OF STAY, EXTENSION OR USURY LAWS. The Company covenants (to the extent it may lawfully do so) that it shall not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury or other law, wherever enacted, now or at any time hereafter in force, that would prohibit or forgive the Company from paying all or any portion of the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price or Change in Control Purchase Price in respect of the Securities, or any interest on any such amounts, as contemplated herein, or that may affect the covenants or the performance of this Indenture or the Securities; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE 7

TRUSTEE

SECTION 7.1. DUTIES OF TRUSTEE. (a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in its exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

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(1) the Trustee need perform only those duties that are specifically set forth in this Indenture and no others; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, in the case of any such certificate or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this paragraph (c) does not limit the effect of paragraph (b) of this Section 7.1;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.5.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b), (c) and (e) of this Section 7.1.

(e) The Trustee may refuse to perform any duty or exercise any right or power hereunder or extend or risk its own funds or

otherwise incur any financial liability unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee (acting in any capacity hereunder) shall be under no liability for interest on any money received by it hereunder except as the Trustee may otherwise have agreed in writing with the Company.

SECTION 7.2. RIGHTS OF TRUSTEE. (a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers Certificate or

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Opinion of Counsel.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) Subject to the provisions of Section 7.1(c), the Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(e) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney.

SECTION 7.3. INDIVIDUAL RIGHTS OF TRUSTEE. The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee. Any Paying Agent, Registrar, Conversion Agent or co-registrar may do the same with like rights. However, the Trustee must comply with Sections 7.10 and 7.11.

SECTION 7.4. TRUSTEE'S DISCLAIMER. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities, it shall not be responsible for any statement in the registration statement for the Securities under the Securities Act or in the Indenture or the Securities (other than its certificate of authentication), or the determination as to which beneficial owners are entitled to receive any notices hereunder.

SECTION 7.5. NOTICE OF DEFAULTS. If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall give to each Securityholder notice of the Default within 90 days after it occurs. Except in the case of a Default described in Section 6.1(1), the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interests of Securityholders.

SECTION 7.6. REPORTS BY TRUSTEE TO HOLDERS. Within 60 days after each June 15 beginning with the June 15 following the

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date of this Indenture, the Trustee shall mail to each Securityholder a brief report dated as of such June 15 that complies with TIA Section 313(a). The Trustee also shall comply with TIA Section 313(b).

A copy of each report at the time of its mailing to Securityholders shall be provided to the Company and shall be filed with the SEC and each stock exchange on which the Securities are listed. The Company agrees promptly to notify the Trustee whenever the Securities become listed on any stock exchange and of any delisting thereof.

SECTION 7.7. COMPENSATION AND INDEMNITY. The Company agrees:

(a) to pay to the Trustee from time to time such compensation as shall have been agreed to in writing between the Company and the Trustee for all services rendered by it hereunder (which compensation shall not (to the extent permitted by law) be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) to reimburse the Trustee upon its request and, if required by the Company, submission of reasonable documentation for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses, advances and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) to indemnify each of the Trustee or any predecessor Trustee for, and to hold it harmless against, any and all loss, liability, damage, claim or expense, including taxes (other than taxes based upon, measured or determined by the income of the Trustee), incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

The Trustee shall give the Company prompt notice of any claim or liability for which the Trustee might be entitled to indemnification under subparagraph (c) of this Section 7.7. To secure the Company's payment obligations in this Section 7.7, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee.

The Company's payment obligations pursuant to this Section 7.7 shall survive the discharge of this Indenture. When the Trustee incurs expenses after the occurrence of a Default specified in Section 6.1(3) or (4), the expenses are intended to constitute expenses of administration under the Bankruptcy Law. The provisions of this Section shall survive the termination of this Indenture.

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SECTION 7.8. REPLACEMENT OF TRUSTEE. The Trustee may resign by so notifying the Company; PROVIDED, HOWEVER, no such resignation shall be effective until a successor Trustee has accepted its appointment pursuant to this Section 7.8. The Holders of a majority in aggregate Principal Amount of the Securities at the time outstanding may remove the Trustee by so notifying the Trustee and may appoint a successor Trustee (subject to the consent of the Company, such consent not to be unreasonably withheld). The Company shall remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10;

(2) the Trustee is adjudged bankrupt or insolvent;

(3) a receiver or other public officer takes charge of the Trustee or its property; or

(4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint, by resolution of its Board of Directors, a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become me effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Securityholders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.7.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of a majority in aggregate Principal Amount of the Securities at the time outstanding may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 7.10, any Securityholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

SECTION 7.9. SUCCESSOR TRUSTEE BY MERGER. Except as otherwise provided in Section 7.8(4), if the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee.

SECTION 7.10. ELIGIBILITY; DISQUALIFICATION. The Trustee shall at all times satisfy the requirements of TIA Section 310(a)(1). The Trustee shall have a combined capital and surplus of at least $100,000,000 as set forth in its most recent

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published annual report of condition. The Trustee shall comply with TIA Section 310(b), including the optional provision permitted by the second sentence of TIA Section 310(b)(9). In determining whether the Trustee has conflicting interests as defined in TIA Section 310(b)(1), the provisions contained in the proviso to TIA Section 310(b)(1) shall be deemed incorporated herein.

SECTION 7.11. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY. The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE 8

DISCHARGE OF INDENTURE

SECTION 8.1. DISCHARGE OF LIABILITY ON SECURITIES. When (i) the Company delivers to the Trustee all outstanding Securities (other than Securities replaced pursuant to Section 2.7) for cancellation or (ii) all outstanding Securities have become due and payable and the Company deposits with the Trustee cash or, if expressly permitted by the terms hereof, securities sufficient to pay at Stated Maturity the Principal Amount of all outstanding Securities (other than Securities replaced pursuant to Section 2.7), and if in either case the Company pays all other sums payable hereunder by the Company (including, without limitation, sums payable by delivery of shares of Common Stock pursuant to Section 3.8), then this Indenture shall, subject to Section 7.7, cease to be of further effect. The Trustee shall join in the execution of a document prepared by the Company acknowledging satisfaction and discharge of this Indenture on demand of the Company accompanied by an Officers' Certificate and Opinion of Counsel and at the cost and expense of the Company.

SECTION 8.2. REPAYMENT TO THE COMPANY. The Trustee and the Paying Agent shall return to the Company upon written request any money or securities held by them for the payment of any amount with respect to the Securities that remains unclaimed for two years; PROVIDED, HOWEVER, that the Trustee or such Paying Agent, before being required to make any such return, may, at the expense of the Company, cause to be published once in THE WALL STREET JOURNAL or another daily newspaper of national circulation or mail to each such Holder notice that such money or securities remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such mailing, any unclaimed money or securities then remaining will be returned to the Company. After return to the Company, Holders entitled to the money or securities must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

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ARTICLE 9

AMENDMENTS

SECTION 9.1. WITHOUT CONSENT OF HOLDERS. The Company and the Trustee may amend this Indenture or the Securities without the consent of any Securityholder:

(1) to cure any ambiguity, omission, defect or inconsistency; PROVIDED, HOWEVER, that such amendment does not materially adversely affect the rights of any Securityholder;

(2) to comply with Article 5 or Section 11.14;

(3) to provide for uncertificated Securities in addition to certificated Securities so long as such uncertificated Securities are in registered form for purposes of the Internal Revenue Code of 1986, as amended;

(4) to eliminate the Company's option to pay cash in lieu of delivering shares of Common Stock upon conversion of Securities (other than cash in lieu of fractional shares), except with respect to elections already made; or

(5) to make any change that does not adversely affect the rights of any Securityholder; or

(6) to make any change to comply with the TIA, or any amendment thereafter, or any requirement of the SEC in connection with the qualification of this Indenture under the TIA or any amendment thereof.

SECTION 9.2. WITH CONSENT OF HOLDERS. With the written consent of the Holders of at least a majority in aggregate Principal Amount of the Securities at the time outstanding, the Company and the Trustee may amend this Indenture or the Securities. However, without the consent of each Securityholder affected, an amendment or supplement to this Indenture or the Securities may not:

(1) make any change to the Principal Amount of Securities whose Holders must consent to an amendment;

(2) make any change to the rate of accrual in connection with Original Issue Discount, reduce the rate of interest referred to in paragraph 1 of the Securities or extend the time for payment of accrued Original Issue Discount or interest, if any, on any Security;

(3) reduce the Principal Amount or the Issue Price of or extend the Stated Maturity of any Security;

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(4) reduce the amount of cash payable in respect of conversion upon the Company's election to pay cash with respect thereto, the Redemption Price, Purchase Price or Change in Control Purchase Price of any Security or extend the date on which the Purchase Price or Change in Control Purchase Price of any Security is payable;

(5) make any Security payable in money or securities other than that stated in the Security;

(6) make any change in Article 10 that adversely affects the rights of any Securityholder;

(7) make any change in Section 6.4 or this Section 9.2, except to increase any percentage referred to therein, or make any change in Section 6.7;

(8) make any change that adversely affects the right to convert any Security (including the right to receive cash in lieu of Common Stock except as set forth in Section 9.1(4));

(9) make any change that adversely affects the right to require the Company to purchase the Securities in accordance with the terms thereof and this Indenture (including the right to receive cash if the Company has elected to pay cash upon such purchase); or

(10) make any change to the provisions of this Indenture relating to the purchase of Securities at the option of the Holder pursuant to Section 3.8 or 3.9 which change would result in a violation of applicable federal or state securities laws (including positions of the SEC under applicable no-action letters), whether as a result of the exercise or performance of any rights or obligations under such provisions or otherwise.

It shall not be necessary for the consent of the Holders under this Section 9.2 to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof.

An amendment under this Section 9.2 or Section 9.1 may not make any change that adversely affects the rights under Article 10 of any holder of Senior Indebtedness then outstanding unless the requisite holders of such Senior Indebtedness consent to such change pursuant to the terms of such Senior Indebtedness.

After an amendment under this Section 9.2 becomes effective, the Company shall mail to each Holder a notice briefly describing the amendment.

SECTION 9.3. COMPLIANCE WITH TRUST INDENTURE ACT. Every supplemental indenture executed pursuant to this Article shall comply with the TIA as then in effect.

SECTION 9.4. REVOCATION AND EFFECT OF CONSENTS, WAIVERS AND ACTIONS. Until an amendment or waiver becomes effective,

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consent to it or any other action by a Holder of a Security hereunder is a continuing consent by the Holder and every subsequent Holder of that Security or portion of the Security that evidences the same obligation as the consenting Holder's Security, even if notation of the consent, waiver or action is not made on the Security. However, any such Holder or subsequent Holder may revoke the consent, waiver or action as to such Holder's Security or portion of the Security if the Trustee receives the notice of revocation before the date the amendment, waiver or action becomes effective. After an amendment, waiver or action becomes effective, it shall bind every Securityholder, except as provided in Section 9.2.

SECTION 9.5. NOTATION ON OR EXCHANGE OF SECURITIES. If an amendment changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security regarding the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms.

SECTION 9.6. TRUSTEE TO SIGN SUPPLEMENTAL INDENTURES. The Trustee shall sign any supplemental indenture authorized pursuant to this Article 9 if the amendment does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing such amendment the Trustee shall be entitled to receive, and (subject to the provisions of Section 7.1) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that such amendment is authorized or permitted by this Indenture.

SECTION 9.7. EFFECT OF SUPPLEMENTAL INDENTURES. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

ARTICLE 10

SUBORDINATION

SECTION 10.1. SECURITIES SUBORDINATE TO SENIOR INDEBTEDNESS. The Company covenants and agrees, and each Holder of a Security, by his acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article, the indebtedness represented by the Securities and the payment of the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, cash in respect of Purchase Price, Change in Control Purchase Price and interest, if any, in respect of each and all of the Securities

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are hereby expressly made subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness.

SECTION 10.2. PAYMENT OVER OF PROCEEDS UPON DISSOLUTION, ETC. Upon any distribution of assets of the Company in the event of (a) any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to the Company or to its creditors, as such, or to its assets, or (b) any liquidation, dissolution or other winding up of the Company, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or (c) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of the Company, then and in any such event the holders of Senior Indebtedness shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Indebtedness, or provision shall be made for such payment in money or money's worth, before the Holders of the Securities are entitled to receive any payment on account of the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, cash in respect of the Purchase Price, Change in Control Purchase Price or interest, if any, in respect of the Securities, and to that end the holders of Senior Indebtedness shall be entitled to receive, for application to the payment thereof, any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in respect of the Securities in any such case, proceeding, dissolution, liquidation or other winding up or event, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of the Company being subordinated to the payment of the Securities.

In the event that, notwithstanding the foregoing provisions of this Section, the Trustee or the Holder of any Security shall have received any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other

indebtedness of the Company being subordinated to the payment of the Securities, before all Senior Indebtedness is paid in full or payment thereof provided for, and if such fact shall, at or prior to the time of such payment or distribution, have been made known to the Trustee or, as the case may be, such Holder, then in such event such payment or distribution shall be paid over or delivered forthwith to the trustee in bankruptcy, receiver, liquidating trustee, Custodian, assignee, agent or other Person making payment or distribution of assets of the Company for application to the payment of all Senior Indebtedness remaining unpaid, to the extent necessary to pay all Senior Indebtedness in full, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness.

The consolidation of the Company with, or the merger of the Company into, another person or the liquidation or dissolution of the Company following the conveyance or transfer of its properties and assets substantially as an entirety to another person upon the terms and conditions set forth in Article 5 shall

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not be deemed a dissolution, winding up, liquidation, reorganization, assignment for the benefit of creditors or marshalling of assets and liabilities of the Company for the purposes of this Section if the person formed by such consolidation or into which the Company is merged or the person which acquires by conveyance or transfer such properties and assets substantially as an entirety, as the case may be, shall as part of such consolidation, merger, conveyance or transfer, comply with the conditions set forth in Article 5.

SECTION 10.3. PRIOR PAYMENT OF SENIOR INDEBTEDNESS UPON ACCELERATION OF SECURITIES. In the event that any Securities are declared due and payable before their Stated Maturity, then and in such event the holders of Senior Indebtedness outstanding at the time such Securities so become due and payable shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Indebtedness, or provision shall be made for such payment in money or money's worth, before the Holders of the Securities are entitled to receive any payment (including any payment which may be payable by reason of the payment of any other indebtedness of the Company being subordinated to the payment of the Securities) by the Company on account of the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price, Change in Control Purchase Price or interest, if any, in respect of the Securities or on account of the purchase or other acquisition of Securities.

In the event that, notwithstanding the foregoing, the Company shall make any payment to the Trustee or the Holder of any Security prohibited by the foregoing provisions of this Section, and if such fact shall, at or prior to the time of such

payment, have been made known to the Trustee or, as the case may be, such Holder, then and in such event such payment shall be paid over and delivered forthwith to the Company.

The provisions of this Section shall not apply to any payment with respect to which Section 10.2 would be applicable.

SECTION 10.4. NO PAYMENT WHEN SENIOR INDEBTEDNESS IN DEFAULT. In the event and during the continuation of any default in the payment of principal of (or premium, if any) or interest on any Senior Indebtedness beyond any applicable grace period with respect thereto, or in the event that any event of default with respect to any Senior Indebtedness shall have occurred and be continuing, permitting the holders of such Senior Indebtedness (or a trustee on behalf of the holders thereof) to declare such Senior Indebtedness due and payable prior to the date on which it would otherwise have become due and payable, unless and until such event of default shall have been cured or waived or shall have ceased to exist and such acceleration shall have been rescinded or annulled, or in the event any judicial proceeding shall be pending with respect to any such default, then no payment (including any payment which may be payable by reason of the payment of any other indebtedness of the Company being subordinated to the payment of the Securities) of Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Change in Control Purchase Price or interest, if any, in

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respect of the Securities or on account of the purchase or other acquisition of Securities shall be made, nor may the Company pay cash with respect to the Purchase Price or upon conversion of any Securities (other than cash in lieu of fractional shares).

In the event that, notwithstanding the foregoing, the Company shall make any payment to the Trustee or the Holder of any Security prohibited by the foregoing provisions of this Section, and if such fact shall then have been made known to the Trustee or, as the case may be, such Holder, then and in such event such payment shall be paid over and delivered forthwith to the Company.

The provisions of this Section shall not apply to any payment with respect to which Section 10.2 would be applicable.

SECTION 10.5. PAYMENT PERMITTED IF NO DEFAULT. Nothing contained in this Article or elsewhere in this Indenture or in any of the Securities shall prevent (a) the Company, at any time except during the pendency of any case, proceeding, dissolution, liquidation or other winding up, assignment for the benefit of creditors or other marshalling of assets and liabilities of the Company referred to in Section 10.2 or under the conditions described in Section 10.3 or 10.4, from making payments at any time of Principal Amount, Issue Price, accrued Original Issue

Discount, Redemption Price, Purchase Price, Change in Control Purchase Price or interest, if any, as the case may be, in respect of the Securities, or (b) the application by the Trustee of any money deposited with it hereunder to the payment of or on account of the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price, Change in Control Purchase Price or interest, if any, as the case may be, in respect of the Securities or the retention of such payment by the Holders of the Securities, if, at the time of such application by the Trustee, the Trustee did not have actual knowledge that such payment would have been prohibited by the provisions of this Article.

SECTION 10.6. SUBROGATION TO RIGHTS OF HOLDERS OF SENIOR INDEBTEDNESS. Subject to payment in full of all Senior Indebtedness, the holders of the Securities shall be subrogated to the extent of the payments or distributions made to the holders of such Senior Indebtedness pursuant to the provisions of this Article (equally and ratably with the holders of all indebtedness of the Company which by its express terms is subordinated to indebtedness of the Company to substantially the same extent as the Securities are subordinated and is entitled to like rights of subrogation) to the rights of the holders of such Senior Indebtedness to receive payments or distributions of cash, property and securities applicable to the Senior Indebtedness until the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price, Change in Control Purchase Price or interest, if any, as the case may be, in respect of the Securities shall be paid in full. For purposes of such subrogation, no payments or distributions to the holders of the Senior Indebtedness of any cash, property or securities to

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which the Holders of the Securities or the Trustee would be entitled except for the provisions of this Article, and no payments over pursuant to the provisions of this Article to the holders of Senior Indebtedness by Holders of the Securities or the Trustee, shall, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders of the Securities, be deemed to be a payment or distribution by the Company to or on account of the Senior Indebtedness.

SECTION 10.7. PROVISIONS SOLELY TO DEFINE RELATIVE RIGHTS. The provisions of this Article are and are intended solely for the purpose of defining the relative rights of the Holders of the Securities, on the one hand, and the holders of Senior Indebtedness, on the other hand. Nothing contained in this Article or elsewhere in this Indenture or in the Securities is intended to or shall (a) impair, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders of the Securities, the obligation of the Company, which is absolute and unconditional (and which, subject to the rights under this Article of the holders of Senior Indebtedness, is

intended to rank equally with all other general obligations of the Company), to pay to the Holders of the Securities the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price, Change in Control Purchase Price or interest, if any, as the case may be, in respect of the Securities as and when the same shall become due and payable in accordance with the terms of the Securities and this Indenture; or (b) affect the relative rights against the Company of the Holders of the Securities and creditors of the Company other than the holders of Senior Indebtedness; or (c) prevent the Trustee or the Holder of any Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article of the holders of Senior Indebtedness to receive cash, property and securities otherwise payable or deliverable to the Trustee or such Holder.

SECTION 10.8. TRUSTEE TO EFFECTUATE SUBORDINATION. Each Holder of a Security by his acceptance thereof authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article and appoints the Trustee his attorney-in-fact for any and all such purposes.

SECTION 10.9. NO WAIVER OF SUBORDINATION PROVISIONS. No right of any present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any non-compliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Securities, without incurring responsibility to the Holders of the Securities and without

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impairing or releasing the subordination provided in this Article or the obligations hereunder of the Holders of the Securities to the holders of Senior Indebtedness, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Senior Indebtedness, or otherwise amend or supplement in any manner Senior Indebtedness or any instrument evidencing the same or any agreement under which Senior Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Indebtedness; (iii) release any Person liable in any manner for the collection of Senior Indebtedness; and (iv) exercise or refrain from exercising any rights against the Company and any other Person.

SECTION 10.10. NOTICE TO TRUSTEE. The Company shall give prompt written notice to the Trustee of any fact known to the Company which would prohibit the making of any payment to or by the Trustee in respect of the Securities. Notwithstanding the provisions of this Article or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment to or by the Trustee in respect of the Securities, unless and until the Trustee shall have received written notice thereof from the Company or a holder of Senior Indebtedness or from any trustee therefor; and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of Section 7.1, shall be entitled in all respects to assume that no such facts exist.

Subject to the provision of Section 7.1, the Trustee shall be entitled to rely on the delivery to it of a written notice by a person representing himself to be a holder of Senior Indebtedness (or a trustee therefor) to establish that such notice has been given by a holder of Senior Indebtedness (or a trustee therefor). In the event that the Trustee determines in good faith that further evidence required with respect to the right of any person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article, the Trustee may request such person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such person, the extent to which such person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such person under this Article, and if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

SECTION 10.11. RELIANCE ON JUDICIAL ORDER OR CERTIFICATE OF LIQUIDATING AGENT. Upon any payment or distribution of assets of the Company referred to in this Article, the Trustee, subject to the provisions of Section 7.1, and the Holders of the Securities shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such insolvency, bankruptcy, receivership, liquidation, reorganization, dissolution, winding up or similar case or proceeding is pending, or a certificate of the trustee in bankruptcy, liquidating trustee, Custodian, receiver, assignee for the benefit of creditors, agent or other Person making such payment or

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distribution, delivered to the Trustee or to the Holders of Securities, for the purpose of ascertaining the persons entitled to participate in such payment or distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid

or distributed thereon and all other facts pertinent thereto or to this Article.

SECTION 10.12. TRUSTEE NOT FIDUCIARY FOR HOLDERS OF SENIOR INDEBTEDNESS. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and shall not be liable to any such holders if it shall in good faith mistakenly pay over or distribute to Holders of Securities or to the Company or to any other person cash, property or securities to which any holders of Senior Indebtedness shall be entitled by virtue of this Article or otherwise.

SECTION 10.13. RIGHTS OF TRUSTEE AS HOLDER OF SENIOR INDEBTEDNESS; PRESERVATION OF TRUSTEE'S RIGHTS. The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article with respect to any Senior Indebtedness which may at any time be held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

Nothing in this Article shall apply to claims of, or payments to, the Trustee under or pursuant to Section 7.7.

SECTION 10.14. ARTICLE APPLICABLE TO PAYING AGENTS. In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article in addition to or in place of the Trustee; PROVIDED, HOWEVER, that Sections 10.10 and 10.12 shall not apply to the Company or any Affiliate of the Company if it or such Affiliate acts as Paying Agent.

SECTION 10.15. CERTAIN CONVERSIONS DEEMED PAYMENT. For the purposes of this Article only, (1) the issuance and delivery of junior securities upon conversion of Securities in accordance with Article 11 shall not be deemed to constitute a payment or distribution on account of the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price, Change in Control Purchase Price, or interest, if any, as the case may be, in respect of Securities or on account of the purchase or other acquisition of Securities, and (2) the payment, issuance or delivery of cash, property or securities (other than junior securities) upon conversion of a Security shall be deemed to constitute payment on account of principal of such Security. For the purposes of this Section, the term "junior securities" means (a) shares of any stock of any class of the Company and (b) securities of the Company which are subordinated in right of

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payment to all Senior Indebtedness which may be outstanding at the time of issuance or delivery of such securities to the same extent as, or to a greater extent than, the Securities are so subordinated as provided in this Article. Nothing contained in this Article or elsewhere in this Indenture or in the Securities is intended to or shall impair, as among the Company, its creditors other than holders of Senior Indebtedness and the Holders of the Securities, the right, which is absolute and unconditional, of the Holder of any Security to convert such Security in accordance with Article 11.

ARTICLE 11

CONVERSION

SECTION 11.1. CONVERSION PRIVILEGE. A Holder of a Security may convert such Security into Common Stock at any time during the period stated in paragraph 9 of the Securities. The number of shares of Common Stock issuable upon conversion of a Security per $1,000 of Principal Amount thereof (the "CONVERSION RATE") shall be that set forth in paragraph 9 in the Securities, subject to adjustment as herein set forth. The Holders' right to convert Securities into Common Stock is subject to the Company's right to elect to instead pay such Holder the amount of cash set forth in the next succeeding sentence, in lieu of delivering such shares of Common Stock; PROVIDED, HOWEVER, that if such payment of cash is not allowed pursuant to the provisions of this Indenture or otherwise, the Company shall deliver shares of Common Stock (and cash in lieu of fractional shares of Common Stock) in accordance with this Article 11, whether or not the Company has delivered its notice of whether such Security shall be converted into Common Stock or cash pursuant to Section 11.2. The amount of cash to be paid per $1,000 Principal Amount of a Security upon conversion shall be equal to the Sale Price of a share of Common Stock on the Trading Day immediately prior to the related Conversion Date multiplied by the Conversion Rate in effect on such Trading Day.

The Company shall not pay cash in lieu of delivering shares of Common Stock upon the conversion of any Security pursuant to the terms of this Article 11 (other than cash in lieu of fractional shares pursuant to Section 11.3) if there has occurred (prior to, on or after, as the case may be, the Conversion Date or the date on which the Company delivers its notice of whether such Security shall be converted into Common Stock or cash pursuant to Section 11.2) and is continuing an Event of Default (other than a default in such payment on such Securities).

A Holder may convert a portion of the Principal Amount of a Security if the portion is $1,000 or an integral multiple of

$1,000. Provisions of this Indenture that apply to conversion of all of a Security also apply to conversion of a portion of a

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Security.

"AVERAGE SALE PRICE" means the average of the Sale Prices of the Common Stock for the shorter of:

(i) 30 consecutive Trading Days ending on the last full Trading Day prior to the Time of Determination with respect to the rights, options, warrants or distribution in respect of which the Average Sale Price is being calculated, or

(ii) the period (x) commencing on the date next succeeding the first public announcement of (a) the issuance of rights, options or warrants or (b) the distribution, in each case, in respect of which the Average Sale Price is being calculated and (y) proceeding through the last full trading day prior to the Time of Determination with respect to the rights, warrants or distribution in respect of which the Average Sale Price is being calculated, or

(iii) the period, if any, (x) commencing on the date next succeeding the Ex-Dividend Time with respect to the next preceding (a) issuance of rights, warrants, or options or (b) distribution, in each case, for which an adjustment is required by the provisions of Section 11.6(4), 11.7 or 11.8 and (y) proceeding through the last full Trading Day prior to the Time of Determination with respect to the rights, warrants, or options or distribution in respect of which the Average Sale Price is being calculated.

If the Ex-Dividend Time (or in the case of a subdivision, combination or reclassification, the effective date with respect thereto) with respect to a dividend, subdivision, combination or reclassification to which Section 11.6(1), (2), (3) or (5) applies occurs during the period applicable for calculating "Average Sale Price" pursuant to the definition in the preceding sentence, "Average Sale Price" shall be calculated for such period in a manner determined by the Board of Directors to reflect the impact of such dividend, subdivision, combination or reclassification on the Sale Price of the Common Stock during such period.

"TIME OF DETERMINATION" means the time and date of the earlier of (i) the determination of stockholders entitled to receive rights, warrants, or options or a distribution, in each case, to which Sections 11.6(4), 11.7 and 11.8 apply and (ii) the time ("EX-DIVIDEND TIME") immediately prior to the commencement of "ex-dividend" trading for such rights, options, warrants or

distribution on the New York Stock Exchange or such other national or regional exchange or market on which the Common Stock is then listed or quoted.

SECTION 11.2. CONVERSION PROCEDURE. To convert a Security a Holder must satisfy the requirements in paragraph 9 of the Securities. The date on which the Holder satisfies all those requirements is the conversion date (the "CONVERSION DATE"). Within two Business Days following the Conversion Date, the

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Company shall deliver to the Holder, through the Conversion Agent, written notice of whether such Security shall be converted into Common Stock or cash. If the Company shall have notified the Holder that such Security shall be converted into Common Stock, the Company shall deliver to the Holder no later than the seventh Business Day following the Conversion Date, through the Conversion Agent, a certificate for the number of full shares of Common Stock issuable upon the conversion and cash in lieu of any fractional share determined pursuant to Section 11.3. Except as provided in Section 11.1, if the Company shall have notified the Holder that such Security shall be converted into cash, the Company shall deliver to the Holder surrendering such Security the amount of cash payable upon such conversion on the fifth Business Day following such Conversion Date. Except as provided in Section 11.1, the Company may not change its election with respect to the consideration to be delivered upon conversion of a Security once the Company has notified the Holder in accordance with this paragraph.

The person in whose name the certificate is registered shall be treated as a stockholder of record on and after the Conversion Date; PROVIDED, HOWEVER, that no surrender of a Security on any date when the stock transfer books of the Company shall be closed shall be effective to constitute the person or persons entitled to receive the shares of Common Stock upon such conversion as the record holder or holders of such shares of Common Stock on such date, but such surrender shall be effective to constitute the person or persons entitled to receive such shares of Common Stock as the record holder or holders thereof for all purposes at the close of business on the next succeeding day on which such stock transfer books are open; PROVIDED, HOWEVER, that such conversion shall be at the Conversion Rate in effect on the date that such Security shall have been surrendered for conversion, as if the stock transfer books of the Company had not been closed. Upon conversion of a Security, such person shall no longer be a Holder of such Security.

Holders may surrender a Security for conversion by means of book entry delivery in accordance with paragraph 9 of the Securities and the regulations of the applicable book entry facility.

No payment or adjustment will be made for dividends on any Common Stock except as provided in this Article 11. On conversion of a Security, that portion of accrued Original Issue Discount attributable to the period from the Issue Date of the Security to the Conversion Date with respect to the converted Security shall not be cancelled, extinguished or forfeited, but rather shall be deemed to be paid in full to the Holder thereof through delivery of the Common Stock (together with the cash payment, if any, in lieu of fractional shares) or of cash, as the case may be, in exchange for the Security being converted pursuant to the provisions hereof.

If the Holder converts more than one Security at the same time, the number of shares of Common Stock issuable or the amount of cash to be paid, as the case may be, upon the conversion shall be computed based on the total Principal Amount of the Securities converted.

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Upon surrender of a Security that is converted in part, the Company shall execute, and the Trustee shall authenticate and deliver to the Holder, a new Security in an authorized denomination equal in Principal Amount to the unconverted portion of the Security surrendered.

If the last day on which a Security may be converted is a Legal Holiday in a place where a Conversion Agent is located, the Security may be surrendered to that Conversion Agent on the next succeeding day that is not a Legal Holiday.

SECTION 11.3. FRACTIONAL SHARES. The Company will not issue a fractional share of Common Stock upon conversion of a Security. Instead, the Company will deliver cash for the current market value of the fractional share. The current market value of a fractional share shall be determined to the nearest 1/1000th of a share by multiplying the Sale Price, on the last Trading Day prior to the Conversion Date, of a full share by the fractional amount and rounding the product to the nearest whole cent.

SECTION 11.4. TAXES ON CONVERSION. If a Holder converts a Security, the Company shall pay any documentary, stamp or similar issue or transfer tax due on the issue of shares of Common Stock upon such conversion. However, the Holder shall pay any such tax which is due because the Holder requests the shares to be issued in a name other than the Holder's name. The Conversion Agent may refuse to deliver the certificates representing the Common Stock being issued in a name other than the Holder's name until the Conversion Agent receives a sum sufficient to pay any tax which will be due because the shares are to be issued in a name other than the Holder's name. Nothing herein shall preclude any tax withholding required by law or regulations.

SECTION 11.5. COMPANY TO PROVIDE STOCK. The Company shall, prior to issuance of any Securities hereunder, and from time to time as may be necessary, reserve out of its authorized but unissued Common Stock a sufficient number of shares of Common Stock to permit the conversion of the Securities for shares of Common Stock.

All shares of Common Stock delivered upon conversion of the Securities shall be newly issued shares or treasury shares, shall be duly and validly issued and fully paid and nonassessable and shall be free from preemptive rights and free of any lien or adverse claim.

The Company will endeavor promptly to comply with all federal and state securities laws regulating the offer and delivery of shares of Common Stock upon conversion of Securities, if any, and will list or cause to have quoted such shares of Common Stock on each national securities exchange or in the over-the-counter market or such other market on which the Common Stock is then listed or quoted.

SECTION 11.6. ADJUSTMENT FOR CHANGE IN CAPITAL STOCK. If, after the Issue Date, the Company:

(1) pays a dividend or makes a distribution on its

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Common Stock in shares of its Common Stock;

(2) subdivides its outstanding shares of Common Stock into a greater number of shares;

(3) combines its outstanding shares of Common Stock into a smaller number of shares;

(4) pays a dividend or makes a distribution on its Common Stock in shares of its Capital Stock (other than Common Stock or rights, warrants or options for its Capital Stock); or

(5) issues by reclassification of its Common Stock any shares of its Capital Stock (other than rights, warrants or options for its Capital Stock),

then the conversion privilege and the Conversion Rate in effect immediately prior to such action shall be adjusted so that the Holder of a Security thereafter converted may receive the number of shares or other units of Capital Stock of the Company which such Holder would have owned immediately following such action if such Holder had converted the Security immediately prior to such action.

The adjustment shall become effective immediately after the record date in the case of a dividend or distribution and immediately after the effective date in the case of a subdivision, combination or reclassification.

If after an adjustment a Holder of a Security upon conversion of such Security may receive shares or other units of two or more classes or series of Capital Stock of the Company, the Conversion Rate shall thereafter be subject to adjustment upon the occurrence of an action taken with respect to any such class or series of Capital Stock as is contemplated by this Article 11 with respect to the Common Stock, on terms comparable to those applicable to Common Stock in this Article 11.

SECTION 11.7. ADJUSTMENT FOR RIGHTS ISSUE. If, after the Issue Date, the Company distributes any rights, warrants or options to all holders of its Common Stock entitling them, for a period expiring within 60 days after the record date for such distribution, to purchase shares of Common Stock at a price per share less than the Sale Price as of the Time of Determination, the Conversion Rate shall be adjusted in accordance with the formula:

$$R' = O + R \times \frac{O + N}{O + \frac{(N \times P)}{M}}$$

where:

R' = the adjusted Conversion Rate.

R = the current Conversion Rate.

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O = the number of shares of Common Stock outstanding on the record date for the distribution to which this Section 11.7 is being applied.

N = the number of additional shares of Common Stock offered pursuant to the distribution.

P = the offering price per share of such additional shares.

M = the Average Sale Price, MINUS, in the case of (i) a distribution to which Section 11.6(4) applies or (ii) a distribution to which Section 11.8 applies, for which, in each case, (x) the record date shall occur on or before the record date for the distribution to which this Section 11.7 applies and (y) the Ex-Dividend Time shall occur on or after the date of the Time of Determination for the distribution to which this Section 11.7 applies, the fair market value (on the

record date for the distribution to which this Section 11.7 applies) of (1) the Capital Stock of the Company distributed in respect of each share of Common Stock in such Section 11.6(4) distribution, and (2) the assets of the Company or debt securities or any rights, warrants or options to purchase securities of the Company distributed in respect of each share of Common Stock in such Section 11.8 distribution.

The Board of Directors shall determine fair market values for the purposes of this Section 11.7.

The adjustment shall become effective immediately after the record date for the determination of shareholders entitled to receive the rights, warrants or options to which this Section 11.7 applies.

No adjustment shall be made under this Section 11.7 if the application of the formula stated above in this Section 11.7 would result in value of R' that is equal to or less than the value of R.

SECTION 11.8. ADJUSTMENT FOR OTHER DISTRIBUTIONS. If, after the Issue Date, the Company distributes to all holders of its Common Stock any of its assets or debt securities or any rights, warrants or options to purchase securities of the Company (including securities or cash, but excluding (x) distributions of Capital Stock referred to in Section 11.6 and distributions of rights, warrants or options referred to in Section 11.7 and (y) cash dividends or other cash distributions that are paid out of consolidated current net earnings or earnings retained in the business as shown on the books of the Company unless such cash dividends or other cash distributions are Extraordinary Cash Dividends (as defined below)) the Conversion Rate shall be adjusted, subject to the provisions of the last paragraph of this Section 11.8, in accordance with the formula:

$$\frac{M}{}$$

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$$R' = R \times \frac{}{M-F}$$

where:

R' = the adjusted Conversion Rate.

R = the current Conversion Rate.

M = the Average Sale Price, MINUS, in the case of a distribution to which Section 11.6(4) applies, for which (i) the record date shall occur on or before the

record date for the distribution to which this Section 11.8 applies and (ii) the Ex-Dividend Time shall occur on or after the date of the Time of Determination for the distribution to which this Section 11.8 applies, the fair market value (on the record date for the distribution to which this Section 11.8 applies) of any Capital Stock of the Company distributed in respect of each share of Common Stock in such Section 11.6(4) distribution.

F = the fair market value (on the record date for the distribution to which this Section 11.8 applies) of the assets, securities, rights, warrants or options to be distributed in respect of each share of Common Stock in the distribution to which this Section 11.8 is being applied (including, in the case of cash dividends or other cash distributions giving rise to an adjustment, all such cash distributed concurrently).

The Board of Directors shall determine fair market values for the purpose of this Section 11.8.

The adjustment shall become effective immediately after the record date for the determination of shareholders entitled to receive the distribution to which this Section 11.8 applies.

For purposes of this Section 11.8, the term "EXTRAORDINARY CASH DIVIDEND" shall mean any cash dividend with respect to the Common Stock the amount of which, together with the aggregate amount of cash dividends on the Common Stock to be aggregated with such cash dividend in accordance with the provisions of this paragraph, equals or exceeds the threshold percentages set forth in items (i) or (ii) below:

(i) If, upon the date prior to the Ex-Dividend Time with respect to a cash dividend on the Common Stock, the aggregate amount of such cash dividend together with the amounts of all cash dividends on the Common Stock with Ex-Dividend Times occurring in the eighty-five (85) consecutive day period ending on the date prior to the Ex-Dividend Time, with respect to the cash dividend to which this provision is being applied equals or exceeds twelve and one-half percent (12.5%) of the average of the Sale Prices during the period beginning on the date after the first such Ex-Dividend Time in such period and ending on the date prior to the Ex-

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Dividend Time with respect to the cash dividend to which this provision is being applied (except that if no other cash dividend has had an Ex-Dividend Time occurring in such period, the period for calculating the average of the Sale Prices shall be the period commencing eighty-five (85) days prior to the date prior to the Ex-Dividend Time with respect

to the cash dividend to which this provision is being applied), such cash dividend together with each other cash dividend with an Ex-Dividend Time occurring in such eighty-five (85) day period shall be deemed to be an Extraordinary Cash Dividend and for purposes of applying the formula set forth above in this Section 11.8, the value of "F" shall be equal to (w) the aggregate amount of such cash dividend together with the amounts of the other cash dividends with Ex-Dividend Times occurring in such period MINUS (x) the aggregate amount of such other cash dividends with Ex-Dividend Times occurring in such period for which a prior adjustment in the Conversion Rate was previously made under this Section 11.8.

(ii) If upon the date prior to the Ex-Dividend Time with respect to a cash dividend on the Common Stock, the aggregate amount of such cash dividend together with the amounts of all cash dividends on the Common Stock with Ex-Dividend Times occurring in the three-hundred-sixty-five (365) consecutive day period ending on the date prior to the Ex-Dividend Time with respect to the cash dividend to which this provision is being applied equals or exceeds twenty-five percent (25%) of the average of the Sale Prices during the period beginning on the date after the first such Ex-Dividend Time in such period and ending on the date prior to the Ex-Dividend Time with respect to the cash dividend to which this provision is being applied (except that if no other cash dividend has had an Ex-Dividend Time occurring in such period, the period for calculating the average of the Sale Prices shall be the period commencing three-hundred-sixty-five (365) days prior to the date prior to the Ex-Dividend Time with respect to the cash dividend to which this provision is being applied), such cash dividend together with each other cash dividend with an Ex-Dividend Time occurring in such three-hundred-sixty-five (365) day period shall be deemed to be an Extraordinary Cash Dividend and for purposes of applying the formula set forth above in this Section 11.8, the value of "F" shall be equal to (y) the aggregate amount of such cash dividend together with amounts of the other cash dividends with Ex-Dividend Times occurring in such period MINUS (z) the aggregate amount of such other cash dividends with Ex-Dividend Times occurring in such period for which a prior adjustment in the Conversion Rate was previously made under this Section 11.8.

In the event that, with respect to any distribution to which this Section 11.8 would otherwise apply, the difference "M-F" as defined in the above formula is less than $1.00 or "F" is greater than "M", then the adjustment provided by this Section 11.8 shall not be made and in lieu thereof the provisions of Section 11.14 shall apply to such distribution.

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SECTION 11.9. WHEN ADJUSTMENT MAY BE DEFERRED. No adjustment in the Conversion Rate need be made unless the adjustment would require an increase or decrease of at least 1% in the Conversion Rate. Any adjustments that are not made shall be carried forward and taken into account in any subsequent adjustment.

All calculations under this Article 11 shall be made to the nearest cent or to the nearest 1/1,000th of a share, as the case may be, with one-half of a cent and 5/10,000 of a share being rounded upwards.

SECTION 11.10. WHEN NO ADJUSTMENT REQUIRED. No adjustment need be made for a transaction referred to in Section 11.6, 11.7, 11.8 or 11.14 if Securityholders are to participate in the transaction on a basis and with notice that the Board of Directors determines to be fair and appropriate in light of the basis and notice on which holders of Common Stock participate in the transaction.

No adjustment need be made for rights to purchase Common Stock pursuant to a Company plan for reinvestment of dividends or interest.

No adjustment need be made for a change in the par value or no par value of the Common Stock.

To the extent the Securities become convertible into cash pursuant to the terms of Section 11.6, 11.7, 11.8 or 11.14, no adjustment need be made thereafter as to the cash. Interest will not accrue on the cash.

SECTION 11.11. NOTICE OF ADJUSTMENT. Whenever the Conversion Rate is adjusted, the Company shall promptly mail to Securityholders a notice of the adjustment. The Company shall file with the Trustee and the Conversion Agent such notice and a certificate from the Company's independent public accountants briefly stating the facts requiring the adjustment and the manner of computing it. The certificate shall be conclusive evidence that the adjustment is correct. Neither the Trustee nor any Conversion Agent shall be under any duty or responsibility with respect to any such certificate except to exhibit the same to any Holder desiring inspection thereof.

SECTION 11.12. VOLUNTARY INCREASE. The Company from time to time may increase the Conversion Rate by any amount and for any period of time (PROVIDED, that such period is not less than 20 Business Days). Whenever the Conversion Rate is increased, the Company shall mail to Securityholders and file with the Trustee and the Conversion Agent a notice of the increase. The Company shall mail the notice at least 15 days before the date

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the increased Conversion Rate takes effect. The notice shall state the increased Conversion Rate and the period it will be in effect.

A voluntary increase of the Conversion Rate does not change or adjust the Conversion Rate otherwise in effect for purposes of Sections 11.6, 11.7 or 11.8.

SECTION 11.13. NOTICE OF CERTAIN TRANSACTIONS. If:

(1) the Company takes any action that would require an adjustment in the Conversion Rate pursuant to Section 11.6, 11.7 or 11.8 (unless no adjustment is to occur pursuant to Section 11.10); or

(2) the Company takes any action that would require a supplemental indenture pursuant to Section 11.14; or

(3) there is a liquidation or dissolution of the Company;

then the Company shall mail to Securityholders and file with the Trustee and the Conversion Agent a notice stating the proposed record date for a dividend or distribution of the proposed effective date of a subdivision, combination, reclassification, consolidation, merger, binding share exchange, transfer, liquidation or dissolution. The Company shall file and mail the notice at least 15 days before such date. Failure to file or mail the notice or any defect in it shall not affect the validity of the transaction.

SECTION 11.14. REORGANIZATION OF COMPANY; SPECIAL DISTRIBUTIONS. If the Company is a party to a transaction subject to Section 5.1 (other than a sale of all or substantially all of the assets of the Company in a transaction in which the holders of Common Stock immediately prior to such transaction do not receive securities, cash or other assets of the Company or any other person) or a merger or binding share exchange which reclassifies or changes its outstanding Common Stock, the person obligated to deliver securities, cash or other assets upon conversion of Securities shall enter into a supplemental indenture. If the issuer of securities deliverable upon conversion of Securities is an Affiliate of the successor Company, that issuer shall join in the supplemental indenture.

The supplemental indenture shall provide that the Holder of a Security may convert it into the kind and amount of securities, cash or other assets which such Holder would have received immediately after the consolidation, merger, binding share exchange or transfer if such Holder had converted the Security immediately before the effective date of the transaction,

assuming (to the extent applicable) that such Holder (i) was not a constituent person or an Affiliate of a constituent person to such transaction; (ii) made no election with respect thereto; and (iii) was treated alike with the plurality of non-electing Holders. The supplemental indenture shall provide for

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adjustments which shall be as nearly equivalent as may be practical to the adjustments provided for in this Article 11. The successor Company shall mail to Securityholders a notice briefly describing the supplemental indenture.

If this Section applies, neither Section 11.6 nor 11.7 applies.

If the Company makes a distribution to all holders of its Common Stock of any of its assets, or debt securities or any rights, warrants or options to purchase securities of the Company that, but for the provisions of the last paragraph of Section 11.8, would otherwise result in an adjustment in the Conversion Rate pursuant to the provisions of Section 11.8, then, from and after the record date for determining the holders of Common Stock entitled to receive the distribution, a Holder of a Security that converts such Security in accordance with the provisions of this Indenture shall upon such conversion be entitled to receive, in addition to the shares of Common Stock into which the Security is convertible, the kind and amount of assets, debt securities or rights, warrants or options comprising the distribution that such Holder would have received if such Holder had converted the Security immediately prior to the record date for determining the holders of Common Stock entitled to receive the distribution.

SECTION 11.15. COMPANY DETERMINATION FINAL. Any determination that the Company or the Board of Directors must make pursuant to Section 11.3, 11.6, 11.7, 11.8, 11.9, 11.10, 11.14 or 11.17 is conclusive.

SECTION 11.16. TRUSTEE'S ADJUSTMENT DISCLAIMER. The Trustee has no duty to determine when an adjustment under this Article 11 should be made, how it should be made or what it should be. The Trustee has no duty to determine whether a supplemental indenture under Section 11.14 need be entered into or whether any provisions of any supplemental indenture are correct. The Trustee shall not be accountable for and makes no representation as to the validity or value of any securities or assets issued upon conversion of Securities. The Trustee shall not be responsible for the Company's failure to comply with this Article 11. Each Conversion Agent (other than the Company or an Affiliate of the Company) shall have the same protection under this Section 11.16 as the Trustee.

SECTION 11.17. SIMULTANEOUS ADJUSTMENTS. If this Article 11 requires adjustments to the Conversion Rate under more than one of Sections 11.6, 11.7 or 11.8, and the record dates for the distributions giving rise to such adjustments shall occur on the same date, then such adjustments shall be made by applying, first, the provisions of Section 11.6, second, the provisions of Section 11.8 and, third, the provisions of Section 11.7.

SECTION 11.18. SUCCESSIVE ADJUSTMENTS. After an adjustment to the Conversion Rate under this Article 11, any subsequent event requiring an adjustment under this Article 11 shall cause an adjustment to the Conversion Rate as so adjusted.

ARTICLE 12

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SECTION 12.1. TRUST INDENTURE ACT CONTROLS. If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control.

SECTION 12.2. NOTICES. Any notice or communication shall be in writing and delivered in person or mailed by first-class mail, postage prepaid, addressed as follows:

if to the Company:

ALZA Corporation
950 Page Mill Road
Palo Alto, California 94303
Attention: Vice President, Legal

if to the Trustee:

The Chase Manhattan Bank, N.A.
One New York Plaza, 14th Floor
New York, NY 10081
Attention: Corporate Trust Administration Division

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

Any notice or communication given to a Securityholder shall be mailed by first-class mail to the Securityholder at the Securityholder's address as it appears on the registration books of the Registrar and shall be sufficiently given if so mailed within the time prescribed.

Failure to mail a notice or communication to a Securityholder or any defect in it shall not affect its sufficiency with respect to other Securityholders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not received by the addressee.

If the Company mails a notice or communication to the Securityholders, it shall mail a copy to the Trustee and each Registrar, Paying Agent, Conversion Agent or co-registrar.

SECTION 12.3. COMMUNICATION BY HOLDERS WITH OTHER HOLDERS. Securityholders may communicate pursuant to TIA Section 312(b) with other Securityholders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar, the Paying Agent, the Conversion Agent and anyone else shall have the protection of TIA Section 312(c).

SECTION 12.4. CERTIFICATE AND OPINION AS TO CONDITIONS PRECEDENT. Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

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(1) an Officers' Certificate stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with.

SECTION 12.5. STATEMENTS REQUIRED IN CERTIFICATE OR OPINION. Each Officers' Certificate or Opinion of Counsel with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(1) a statement that each person making such Officers Certificate or Opinion of Counsel has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such Officers' Certificate or Opinion of Counsel are based;

(3) a statement that, in the opinion of each such person, he has made such examination or investigation as is necessary to enable such person to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement that, in the opinion of such person, such covenant or condition has been complied with.

SECTION 12.6. SEPARABILITY CLAUSE. In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 12.7. RULES BY TRUSTEE, PAYING AGENT, CONVERSION AGENT AND REGISTRAR. The Trustee may make reasonable rules for action by or a meeting of the Securityholders. The Registrar, Conversion Agent and the Paying Agent may make reasonable rules for their functions.

SECTION 12.8. LEGAL HOLIDAYS. A "Legal Holiday" is any day other than a Business Day. If any specified date (including a date for giving notice) is a Legal Holiday, the action shall be taken on the next succeeding day that is not a Legal Holiday, and to the extent applicable no Original Issue Discount or interest, if any, shall accrue for the intervening period.

SECTION 12.9. GOVERNING LAW. THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND PERFORMED WITHIN THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

SECTION 12.10. NO RECOURSE AGAINST OTHERS. A director,

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officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder shall waive and release all such liability. The waiver and release shall be part of the consideration for the issue of the Securities.

SECTION 12.11. SUCCESSORS. All agreements of the Company in this Indenture and the Securities shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

SECTION 12.12. MULTIPLE ORIGINALS. The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. One signed copy is enough to prove this Indenture.

SIGNATURES

IN WITNESS WHEREOF, the undersigned, being duly authorized, have executed this Indenture on behalf of the respective parties hereto as of the date first above written.

ALZA CORPORATION

By

Title:

Attest:

Title:

[SEAL]

THE CHASE MANHATTAN BANK,
N.A., as Trustee

By

Title:

Attest:

Title:

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[SEAL]

EXHIBIT A

[FORM OF FACE OF LYON]

ALZA CORPORATION

LIQUID YIELD OPTION -TM- NOTE DUE 2014
(ZERO COUPON -- SUBORDINATED)

No.

Issue Date: June __, 1994
Issue Price: $_____
Original Issue Discount: $_____
(for each $1,000 Principal Amount)

ALZA Corporation, a Delaware corporation, promises to pay to , or registered assigns, the Principal Amount of Dollars on June __, 2014.

This Security shall not bear interest except as specified on the other side of this Security. Original Issue Discount will accrue as specified on the other side of this Security. This Security is convertible as specified on the other side of this Security.

Additional provisions of this Security are set forth on the other side of this Security.

ALZA CORPORATION

By

Title:

Secretary

[SEAL]

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TRUSTEE'S CERTIFICATE OF
AUTHENTICATION

Date of Authentication:

THE CHASE MANHATTAN BANK,
N.A., as Trustee, certifies
that this is one of the
Securities referred to in the
within mentioned Indenture.

By

Authorized Signatory

-TM-Trademark of Merrill Lynch & Co., Inc.

[FORM OF REVERSE SIDE OF LYON -TM-]

LIQUID YIELD OPTION -TM- NOTE DUE 2014
(ZERO COUPON -- SUBORDINATED)

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1. INTEREST

This Security shall not bear interest, except that if the Principal Amount hereof or any portion of such Principal Amount is not paid when due (whether upon acceleration pursuant to Section 6.2 of the Indenture, upon the date set for payment of the Redemption Price pursuant to paragraph 5 hereof, upon the date set for payment of a Purchase Price or Change in Control Purchase Price pursuant to paragraph 6 hereof or upon the Stated Maturity of this Security) or if cash or shares of Common Stock in respect of a conversion of this Security in accordance with the terms of Article 11 of the Indenture is not paid or delivered, as the case may be, when due, then in each such case the overdue amount shall bear interest at the rate of ___% per annum, compounded semiannually (to the extent that the payment of such interest shall be legally enforceable), which interest shall accrue from the date such overdue amount was due to the date payment of such amount, including interest thereon, has been made or duly provided for. All such interest shall be payable on demand.

Original Issue Discount (the difference between the Issue Price and the Principal Amount of the Security), in the period during which a Security remains outstanding, shall accrue at ___% per annum, on a semiannual bond equivalent basis using a 360-day year composed of twelve 30-day months, commencing on the Issue Date of this Security.

2. METHOD OF PAYMENT

Subject to the terms and conditions of the Indenture, ALZA Corporation (the "Company") will make payments in respect of the Securities to the persons who are registered Holders of Securities at the close of business on the Business Day preceding the Redemption Date or Stated Maturity, as the case may be, or at the close of business on a Purchase Date or Change in Control Purchase Date, as the case may be. Holders must surrender Securities to a Paying Agent to collect such payments in respect of the Securities. The Company will pay cash amounts in money of The United States of America that at the time of payment is legal tender for payment of public and private debts. However, the

_____

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Company may make such cash payments by check payable in such money.

3. PAYING AGENT, CONVERSION AGENT AND REGISTRAR

Initially, The Chase Manhattan Bank, N.A., a banking association incorporated and existing under the laws of The United States of America, as trustee (the "TRUSTEE"), will act as Paying Agent, Conversion Agent and Registrar. The Company may appoint and change any Paying Agent, Conversion Agent, Registrar or co-registrar (with the consent of the Trustee), upon notice to the Trustee and the Holders. The Company or any of its Subsidiaries or any of their Affiliates may act as Paying Agent, Conversion Agent, Registrar or co-registrar.

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4. INDENTURE

The Company issued the Securities under an Indenture, dated as of June 1, 1994 (the "Indenture"), between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended, as in effect on the date of the Indenture, except as provided in Section 9.3 of the Indenture (the "TIA"). Capitalized terms used herein or on the face hereof and not defined herein have the meanings ascribed thereto in the Indenture. The Securities are subject to all such terms, and Securityholders are referred to the Indenture and the TIA for a statement of those terms.

The Securities are general unsecured obligations of the Company limited to $___,000,000 aggregate Principal Amount (subject to Sections 2.2 and 2.7 of the Indenture) plus Securities not exceeding $___,___,000 aggregate Principal Amount sold pursuant to the Over-allotment Option. The Indenture does not limit other indebtedness of the Company, secured or unsecured, including Senior Indebtedness.

5. REDEMPTION AT THE OPTION OF THE COMPANY

No sinking fund is provided for the Securities. The Securities are redeemable as a whole, or from time to time in part, at any time at the option of the Company at the Redemption Prices set forth below, PROVIDED, that the Securities are not redeemable prior to June __, 1999.

The table below shows the Redemption Prices of a Security per $1,000 Principal Amount on the dates shown below and at Stated Maturity, which prices reflect accrued Original Issue Discount calculated to each such date. The Redemption Price of a Security redeemed between such dates would include an additional amount reflecting the additional Original Issue Discount accrued

from and including the next preceding date in the table to but excluding the date of such redemption.

<TABLE>
<CAPTION>

REDEMPTION DATE	(1) LYON ISSUE PRICE	(2) ACCRUED ORIGINAL ISSUE DISCOUNT AT %	(3) REDEMPTION PRICE (1) + (2)
<S>	<C>	<C>	<C>
June __, 1999	$		
June __, 2000			
June __, 2001			
June __, 2002			
June __, 2003			
June __, 2004			
June __, 2005			

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June __, 2006	
June __, 2007	
June __, 2008	
June __, 2009	
June __, 2010	
June __, 2011	
June __, 2012	
June __, 2013	
At Stated Maturity	1,000.00

</TABLE>

6. PURCHASE BY THE COMPANY AT THE OPTION OF THE HOLDER

Subject to the terms and conditions of the Indenture, the Company shall become obligated to purchase, at the option of the Holder, the Securities held by such Holder on the following Purchase Dates and at the following Purchase Prices per $1,000 Principal Amount, upon delivery of a Purchase Notice containing the information set forth in the Indenture, at any time from the opening of business on the date that is 20 Business Days prior to such Purchase Date until the close of business on such Purchase Date and upon delivery of the Securities to the Paying Agent by the Holder as set forth in the Indenture. Such Purchase Price may be paid, at the option of the Company, in cash or by the issuance and delivery of shares of Common Stock of the Company, or in any combination thereof.

<TABLE>
<CAPTION>

PURCHASE DATE	PURCHASE PRICE
<S>	<C>
June __, 1999	$
June __, 2004	
June __, 2009	

</TABLE>

Subject to the terms and conditions of the Indenture, if any Change in Control occurs on or prior to June __, 1999, the Company shall, at the option of the Holders, purchase all

Securities for which a Change in Control Purchase Notice shall have been delivered as provided in the Indenture and not withdrawn, on the date that is 35 Business Days after the occurrence of such Change in Control, for a Change in Control Purchase Price equal to the Issue Price plus accrued Original Issue Discount to the Change in Control Purchase Date, which Change in Control Purchase Price shall be paid in cash.

Holders have the right to withdraw any Purchase Notice or Change in Control Purchase Notice, as the case may be, by delivering to the Paying Agent a written notice of withdrawal in accordance with the provisions of the Indenture.

If cash (or securities if expressly permitted under the

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Indenture) sufficient to pay the Purchase Price or Change in Control Purchase Price, as the case may be, of all Securities or portions thereof to be purchased as of the Purchase Date or the Change in Control Purchase Date, as the case may be, is deposited with the Paying Agent on the Business Day following the Purchase Date or the Change in Control Purchase Date, as the case may be, Original Issue Discount ceases to accrue on such Securities (or portions thereof) on and after such date, and the Holders thereof shall have no other rights as such (other than the right to receive the Purchase Price or Change in Control Purchase Price, as the case may be, upon surrender of such Security).

7. NOTICE OF REDEMPTION

Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at the Holder's registered address. If money sufficient to pay the Redemption Price of all Securities (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent prior to or on the Redemption Date, on and after such date Original Issue Discount ceases to accrue on such Securities or portions thereof. Securities in denominations larger than $1,000 of Principal Amount may be redeemed in part but only in integral multiples of $1,000 of Principal Amount.

8. SUBORDINATION

The Securities are subordinated to all existing and future Senior Indebtedness. To the extent provided in the Indenture, Senior Indebtedness must be paid before the Securities may be paid. The Indenture does not limit the present or future amount of Senior Indebtedness the Company may have. The Company agrees, and each securityholder by accepting a Security agrees, to the subordination and authorizes the Trustee to give it effect and appoints the Trustee as attorney-in-fact for such purpose.

9. CONVERSION

Subject to the second and third succeeding sentences, a Holder of a Security may convert it into Common Stock of the Company at any time before the close of business on June __, 2014; PROVIDED, HOWEVER, that if a Security is called for redemption, the Holder may convert it at any time before the close of business on the Redemption Date. The number of shares of Common Stock to be delivered upon conversion of a Security into Common Stock per $1,000 of Principal Amount shall be equal to the Conversion Rate. A Holders' right to convert Securities into Common Stock is subject to the Company's right to elect to pay such Holder surrendering a Security pursuant to Article 11 of the Indenture an amount of cash as set forth in the next succeeding sentence, in lieu of delivering such shares of Common Stock. The amount of cash to be paid per $1,000 of Principal Amount of a Security upon conversion of such Security shall be equal to the Sale Price of a share of Common Stock on the Trading Day immediately prior to the related Conversion Date multiplied by the Conversion Rate in effect on such Trading Day. A Security in respect of which a Holder has delivered a Purchase Notice or Change in Control Purchase Notice exercising the option of such

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Holder to require the Company to purchase such Security may be converted only if the notice of exercise is withdrawn in accordance with the terms of the Indenture.

The initial Conversion Rate is _____ shares of Common Stock per $1,000 Principal Amount, subject to adjustment in certain events described in the Indenture. The Company will deliver cash or a check in lieu of any fractional share of Common Stock.

To convert a Security a Holder must (i) complete and manually sign the conversion notice on the back of the Security (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent (or the office or agency referred to in Section 4.5 of the Indenture) or, if applicable, complete and deliver to The Depository Trust Company ("DTC", which term includes any successor thereto) the appropriate instruction form for conversion pursuant to DTC's book entry conversion program, (ii) surrender the Security to a Conversion Agent by physical or book entry delivery (which is not necessary in the case of conversion pursuant to DTC's book entry conversion program), (iii) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Trustee and (iv) pay any transfer or similar tax, if required. Book entry delivery of a Security to a Conversion Agent may be made by any financial institution that is a participant in DTC; conversion through DTC's book entry conversion program is available for any security that is held in an account maintained at DTC by any such participant.

A Holder may convert a portion of a Security if the Principal Amount of such portion is $1,000 or an integral multiple of $1,000. No payment or adjustment will be made for dividends on the Common Stock except as provided in the Indenture. On conversion of a Security, that portion of accrued Original Issue Discount attributable to the period from the Issue Date to the Conversion Date with respect to the converted Security shall not be cancelled, extinguished or forfeited, but rather shall be deemed paid in full to the Holder thereof through the delivery of the Common Stock in exchange for the Security being converted pursuant to the terms hereof.

The Conversion Rate will be adjusted for dividends or distributions on Common Stock payable in Common Stock or other Capital Stock; subdivisions, combinations or certain reclassifications of Common Stock; distributions to all holders of Common Stock of certain rights to purchase Common Stock for a period expiring within 60 days at less than the Sale Price at the Time of Determination; and distributions to such holders of assets or debt securities of the Company or certain rights to purchase securities of the Company (excluding certain cash dividends or distributions). However, no adjustment need be made if Securityholders may participate in the transaction or in certain other cases. The Company from time to time may voluntarily increase the Conversion Rate.

If the Company is a party to a consolidation, merger or binding share exchange of the type specified in the Indenture, or certain transfers of all or substantially all of its assets to another person, or in certain other circumstances described in

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the Indenture, the right to convert a Security into Common Stock may be changed into a right to convert it into securities, cash or other assets of the Company or another person.

10. CONVERSION ARRANGEMENT ON CALL FOR REDEMPTION

Any Securities called for redemption, unless surrendered for conversion before the close of business on the Redemption Date, may be deemed to be purchased from the Holders of such Securities at an amount not less than the Redemption Price, by one or more investment bankers or other purchasers who may agree with the Company to purchase such Securities from the Holders and to make payment for such Securities to the Trustee in trust for such Holders.

11. DENOMINATIONS; TRANSFER; EXCHANGE

The Securities are in registered form, without coupons, in denominations of $1,000 of Principal Amount and integral multiples of $1,000. A Holder may transfer or exchange Securities in accordance with the Indenture. The Registrar may

require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not transfer or exchange any Securities selected for redemption (except, in the case of a Security to be redeemed in part, the portion of the Security not to be redeemed) or any Securities in respect of which a Purchase Notice or Change in Control Purchase Notice has been given and not withdrawn (except, in the case of a Security to be purchased in part, the portion of the Security not to be purchased) or any Securities for a period of 15 days before a selection of Securities to be redeemed.

12. PERSONS DEEMED OWNERS

The registered Holder of this Security may be treated as the owner of this Security for all purposes.

13. UNCLAIMED MONEY OR SECURITIES

The Trustee and the Paying Agent shall return to the Company upon written request any money or securities held by them for the payment of any amount with respect to the Securities that remains unclaimed for two years, PROVIDED, HOWEVER, that the Trustee or such Paying Agent, before being required to make any such return, may at the expense of the Company cause to be published once in THE WALL STREET JOURNAL or another newspaper of national circulation or mail to each such Holder notice that such money or securities remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication or mailing, any unclaimed money or securities then remaining will be returned to the Company. After return to the Company, Holders entitled to the money or securities must look to the Company for payment as general creditors unless an applicable abandoned property law designates another person.

14. AMENDMENT; WAIVER

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Subject to certain exceptions set forth in the Indenture, (i) the Indenture or the Securities may be amended with the written consent of the Holders of at least a majority in aggregate Principal Amount of the Securities at the time outstanding and (ii) certain defaults or noncompliance with certain provisions may be waived with the written consent of the Holders of a majority in aggregate Principal Amount of the Securities at the time outstanding. Subject to certain exceptions set forth in the Indenture, without the consent of any Securityholder, the Company and the Trustee may amend the Indenture or the Securities to, among other things, cure any ambiguity, defect or inconsistency, or to comply with Article 5 or Section 11.14 of the Indenture or to make any change that does not adversely affect the rights of any Securityholder.

15. DEFAULTS AND REMEDIES

Under the Indenture, Events of Default include (i) default in payment of the Principal Amount, Issue Price, accrued Original Issue Discount, Redemption Price, Purchase Price or Change in Control Purchase Price, as the case may be, in respect of the Securities when the same becomes due and payable; (ii) failure by the Company to deliver shares of Common Stock or pay cash in lieu thereof when such Common Stock or cash is required to be delivered or paid, as the case may be, following conversion of a Security; (iii) failure by the Company to comply with other agreements in the Indenture or the Securities, subject to notice and lapse of time; (iv) default under any mortgage, indenture or instrument under which there maybe issued or by which there may be secured or evidenced any indebtedness for money borrowed of the Company, which default shall have resulted in such indebtedness, in an aggregate principal amount exceeding $25,000,000, becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable without such indebtedness being discharged or such acceleration having been rescinded or annulled, or there having been deposited in trust a sum of money sufficient to discharge such indebtedness within a period of 30 days after the giving of a Notice of Default; or (v) certain events of bankruptcy or insolvency. If an Event of Default occurs and is continuing, the Trustee, or the Holders of at least 25% in aggregate Principal Amount of the Securities at the time outstanding, may declare all the Securities to be due and payable immediately. Certain events of bankruptcy or insolvency are Events of Default which will result in the Securities becoming due and payable immediately upon the occurrence of such Events of Default.

Securityholders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Securities unless it receives reasonable indemnity or security. Subject to certain limitations, Holders of a majority in aggregate Principal Amount of the Securities at the time outstanding may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Securityholders notice of any continuing Default (except a Default in payment of amounts specified in clause (i) above) if it determines that withholding notice is in their interests.

16. TRUSTEE DEALINGS WITH THE COMPANY

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Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company

or its Affiliates with the same rights it would have if it were not Trustee.

17. NO RECOURSE AGAINST OTHERS

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Security, each Securityholder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Securities.

18. AUTHENTICATION

This Security shall not be valid until an authorized signatory of the Trustee manually signs the Certificate of Authentication on the other side of this Security.

19. ABBREVIATIONS

Customary abbreviations may be used in the name of a Securityholder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with right of survivorship and not as tenants in common) and CUST (=custodian), and UNIF TRANS MIN ACT (=Uniform Transfers to Minors Act).

20. GOVERNING LAW

THE INDENTURE AND THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AS APPLIED TO CONTRACTS MADE AND TO BE PERFORMED WITHIN THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

_____

The Company will furnish to any Securityholder upon written request and without charge a copy of the Indenture which has in it the text of this Security in larger type. Requests may be made to:

ALZA Corporation
950 Page Mill Road, P.O. Box 10950
Palo Alto, California 94303-0802
Attention: Corporate and Investor Relations

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ASSIGNMENT FORM

To assign this Security, fill in the form below:

I or we assign and transfer this Security to

(Insert assignee's soc. sec. or tax ID no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint agent

---

to transfer this Security on the books of the Company. The agent may substitute another to act for him.

CONVERSION NOTICE

To convert this Security into Common Stock of the Company, check the box:

☐

To convert only part of this Security, state the Principal Amount at Maturity to be converted (which must be $1,000 or an integral multiple of $1,000):

$ _____

If you want the share certificate made out in another person's name, fill in the form below:

_____

(Insert other person's soc. sec. or tax ID no.)

(Print or type other person's name, address and zip code)

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the other side of this Security)

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May 13, 1994

10034-0082

ALZA Corporation
950 Page Mill Road
Palo Alto, California 94303-0802

REGISTRATION STATEMENT ON FORM S-3

Ladies and Gentlemen:

We have acted as counsel to ALZA Corporation, a Delaware corporation (the "Company"), in connection with the Registration Statement on Form S-3 to be filed with the Securities and Exchange Commission on or about May 17, 1994 (the "Registration Statement"), relating to $ 948,750,000 principal amount at maturity of Liquid Yield Option -TM- Notes due 2014 (the "LYONs"), including the shares of Common Stock issuable upon conversion thereof (the "Shares") at the initial Conversion Rate defined in the form of Indenture included as Exhibit 4.2 to the Registration Statement (the "Indenture"), all as disclosed in the Registration Statement.

I.

We have assumed the authenticity of all records, documents and instruments submitted to us as originals, the genuineness of all signatures, the legal capacity of all natural persons and the conformity to the originals of all records, documents and instruments submitted to us as copies. We have based our opinion upon the following records, documents, instruments and certificates and such additional certificates relating to factual matters as we have deemed necessary or appropriate for our opinion:

(a) The Certificate of Incorporation of the Company, certified by the Secretary of State of the State of Delaware as of May 9, 1994 and certified to us by an officer of the Company as being complete and in full force and effect as of the date of this opinion;

(b) The Bylaws of the Company certified to us by an officer of the Company as being complete and in full force and effect as of the date of this opinion;

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(c) Certifications by officers of the Company (i) as to all of the proceedings and actions of the Board of Directors of the Company relating to the LYONs and the Shares, and (ii) as to certain other factual matters;

(d) The Registration Statement;

(e) The Indenture; and

(f) Certification by an officer of The First National Bank of Boston, transfer agent for the Company's Common Stock, as to certain factual matters.

We have assumed that the number of Shares issuable upon exercise of the LYONs at the Conversion Rate is less than 210,526,402, the number of shares of Common Stock of the Company currently authorized but not outstanding or otherwise reserved for issuance and that this number of shares of Common Stock will be available for issuance at the time of conversion.

This opinion is limited to the General Corporation Law of the State of Delaware, and we disclaim any opinion as to the laws of any other jurisdiction. We further disclaim any opinion as to any statute, rule, regulation, ordinance, order or other promulgation of any regional or local governmental body or as to any related judicial or administrative opinion.

Based upon the foregoing and our examination of such questions of law as we have deemed necessary or appropriate for the purpose of this opinion, and assuming (i) that the full consideration for each LYON and each Share as stated in the Indenture and the Registration Statement is paid, and (ii) that all applicable securities laws are complied with, it is our opinion that, when issued and sold by the Company, the LYONs and the Shares will be legally issued, fully paid and nonassessable.

This opinion is rendered to you in connection with the Registration Statement and is solely for your benefit. This opinion may not be relied upon by any other person, firm, corporation or other entity without our prior written consent. We disclaim any obligation to advise you of any change of law

that occurs, or any facts of which we become aware, after the date of this opinion.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement.

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Very truly yours,

/s/ Heller, Ehrman, White & McAuliffe

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EXHIBIT 8.1

May 16, 1994

ALZA Corporation
950 Page Mill Road
Palo Alto, California 94303

Re: REGISTRATION STATEMENT ON FORM S-3

Ladies and Gentlemen:

We are acting as your special United States federal income tax counsel in connection with the registration under the Securities Act of 1933, as amended, of $948,750,000 aggregate principal amount at maturity of Liquid Yield Option -TM- Notes due 2014 (Zero Coupon-Subordinated) (the "LYONs"-TM-) of ALZA Corporation (the "Company"). In that capacity, we have examined the Registration Statement on Form S-3 (the "Registration Statement") filed by the Company with the Securities and Exchange Commission in connection with the proposed public offering of the LYONs.

We hereby confirm our opinion set forth in the Prospectus in the second full paragraph under the caption "Certain United States Federal Income Tax Considerations." Furthermore, we are of the opinion that the information in the Registration Statement under the caption "Certain United States Federal Income Tax Considerations," while not purporting to discuss all tax matters relating to the LYONs, to the extent that it constitutes a summary of United States federal income tax matters relating to the LYONs, is correct in all material respects.

The foregoing is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations (including proposed Treasury Regulations) promulgated thereunder, rulings, official pronouncements and judicial decisions, all as in effect on the date hereof and all of which are subject to change or different interpretations by the Internal Revenue Service or the courts.

We consent to the use of this opinion as an exhibit to the Registration Statement and further consent to the reference to our firm as special United States federal income tax counsel to the Company under the caption "Legal Matters" in the Registration statement and the Prospectus which forms a part thereof.

Very truly yours,

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- ------------------------
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Exhibit 12.1

Computation of Ratios of Earnings
to Fixed Charges

<TABLE>
<CAPTION>

	Three Months Ended March 31,		Years Ended December 31,				
	1994	1993	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest expense	$ 3,712	$ 5,031	$ 19,204	$ 17,538	$ 16,156	$ 3,401	$ 2,904
Capitalized interest	10	349	1,879	1,325	1,801	2,993	2,762
Amortization of debt issue expense	19	87	318	321	345	157	148
Estimated interest portion of rent expense	148	141	567	526	412	286	306
Fixed charges	$ 3,889	$ 5,608	$ 21,968	$ 19,710	$ 18,714	$ 6,837	$ 6,120
Income (loss) before income taxes, extraordinary item and cumulative effect of accounting change	$ 25,602	$ 31,951	$ 65,953	$ 105,455	$(41,407)	$ 39,133	$ 29,754
Fixed charges	3,889	5,608	21,968	19,710	18,714	6,837	6,120
Capitalized interest	(10)	(349)	(1,879)	(1,325)	(1,801)	(2,993)	(2,762)
Earnings	$ 29,481	$ 37,210	$ 86,042	$ 123,840	$(24,494)	$ 42,977	$ 33,112
Ratio of earnings to fixed charges	7.6	6.6	3.9	6.3	--	6.3	5.4

</TABLE>

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Exhibit 23.1

CONSENT OF ERNST & YOUNG, INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" in the Registration Statement on Form S-3 and related Prospectus of ALZA Corporation for the registration of Liquid Yield Options Notes Due 2014 and to the incorporation by reference therein of our reports dated February 22, 1994, with respect to the consolidated financial statements of ALZA Corporation incorporated by reference in its Annual Report (Form 10-K) for the year ended December 31, 1993 and the related financial statement schedules included therein, filed with the Securities and Exchange Commission.

ERNST & YOUNG

Palo Alto, California
May 16, 1994

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Exhibit 25.1

Secruities Act of 1933 File No. _____
(If application to determine eligibility of trustee
for delayed offering pursuant to Section 305 (b) (2))

- ----------
- ----------

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY UNDER THE TRUST INDENTURE ACT OF 1939
OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE
PURSUANT TO SECTION 305(b)(2)_____

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION)
(Exact name of trustee as specified in its charter)
13-2633612
(I.R.S. Employer Identification Number)

1 CHASE MANHATTAN PLAZA, NEW YORK, NEW YORK
(Adress of principal executive offices)

10081
(Zip Code)

ALZA CORPORATION
(Exact name of obligor as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

77-0142070
(I.R.S. Employer Identification No.)

950 PAGE MILL ROAD
P.O. BOX 10950
PALO ALTO, CA

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(Adress of principal executive offices)

94303-0802
(Zip Code)

LIQUID YIELD OPTION NOTES DUE 2014
(ZERO COUPON-SUBORDINATED)

(TITLE OF THE INDENTURED SECURITIES)
-TM- TRADEMARK OF MERRILL LYNCH & CO., INC.

ITEM 1. GENERAL INFORMATION

Furnish the following information as to the trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Comptroller of the Currency, Washington, D.C.

Board of Governors of The Federal Reserve System, Washington, D.C.

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

ITEM 2. AFFILIATIONS WITH THE OBLIGOR.

If the obligor is an affiliate of the trustee, describe each such affiliation.

The Trustee is not the obligor, nor is the Trustee directly or indirectly controlling, controlled by, or under common control with the obligor.

(See Note on Page 2.)

ITEM 16. LIST OF EXHIBITS.

List below all exhibits filed as a part of this statement of eligibility.

*1.-- A copy of the articles of association of the trustee as now in effect. (See Exhibit T-1 (Item 12), Registration No. 33-55626.)

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*2.-- Copies of the respective authorizations of The Chase Manhattan Bank (National Association) and The Chase Bank of New York (National Association) to commence business and a copy of approval of merger of said corporations, all of which documents are still in effect. (See Exhibit T-1 (Item 12), Registration No. 2-67437.)

*3.-- Copies of authorizations of The Chase Manhattan Bank (National Association) to exercise corporate trust powers, both of which documents are still in effect. (See Exhibit T-1 (Item 12), Registration No. 2-67437.)

*4.-- A copy of the existing by-laws of the trustee. (See Exhibit T-1 (Item 12(a)), Registration No. 33-28806.)

*5.-- A copy of each indenture referred to in Item 4, if the obligor is in default. (Not applicable).

*6.-- The consents of United States institutional trustees required by Section 321(b) of the Act. (See Exhibit T-1, (Item 12), Registration No. 22-19019.)

*7.-- A copy of the latest report of condition of the trustee published pursuant to law or the requirements of its supervising or examining authority.

- ----------

*The Exhibits thus designated are incorporated herein by reference. Following the description of such Exhibits is a reference to the copy of the Exhibit heretofore filed with the Securities and Exhchange Commission, to which there have been no amendments or changes.

NOTE

Inasmuch as this Form T-1 is filed prior to the ascertainment by the trustee of all facts on which to base a responsive answer to Item 2 the answer to said Item is based on incomplete information.

Item 2 may, however, be considered as correct unless amended by amendment to this Form T-1.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, the

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trustee, The Chase Manhattan Bank (National Association), a corporation organized and existing under the laws of the United States of America, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of New York, on the 9th day May, 1994.

THE CHASE MANHATTAN BANK
(NATIONAL ASSOCIATION)

By /s/ Denise Long

Denise Long
Corporate Trust Officer

EXHIBIT 7

REPORT OF CONDITION
Consolidating domestic and foreign subsidiaries of
THE CHASE MANHATTAN BANK, N.A.
of New York in the State of New York, at the close of business on December 31, 1993, published in response to call made by Comptroller of the Currency, under title 12, United States Code, Section 161.

Charter Number 02370 Comptroller of the Currency Northeastern District
Statement of Resources and Liabilities

<TABLE>
<CAPTION>

ASSETS		Thousands of Dollars
<S>	<C>	<C>
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin		$5,778,428
Interest-bearing balances.		5,431,174
Securities		7,439,029
Federal funds sold and securities purchased under agreements to resell in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBFs:		
Federal funds sold..		3,982,649
Securities purchased under agreements to resell.		0
Loans and lease financing receivables:		
Loans and leases. net of unearned income	$48,856,930	

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LESS: Allowance for loan and lease losses	1,065,877	
LESS: Allocated transfer risk reserve	0	
Loans and leases, net of unearned income, allowance, and reserve		47,791,053
Assets held in trading accounts		6,244,939
Premises and fixed assets (including capitalized leases)		1,617,111
Other real estate owned		1,189,024
Investments in unconsolidated subsidiaries and associated companies		67,637
Customers' liability to this bank on acceptances outstanding		774,020
Intangible assets		354,023
Other assets		3,520,283
TOTAL ASSETS		$84,189,415

LIABILITIES

Deposits:		
In domestic offices		$34,624,513
Noninterest-bearing	$13,739,371	
Interest-bearing	20,885,142	
In foreign offices, Edge and Agreement subsidiaries, and IBFs		30,660,808
Noninterest-bearing	$2,473,222	
Interest-bearing	28,187,586	
Federal funds purchased and securities sold under agreements to repurchase in domestic offices of the bank and of its Edge and Agreement subsidiaries, and in IBF's:		
Federal funds purchased		2,829,219
Securities sold under agreements to repurchase		140,462
Demand notes issued to the U.S. Treasury		25,000
Other borrowed money		2,618,185
Mortgage indebtedness and obligations under capitalized leases		41,366
Bank's liability on acceptances, executed and outstanding		780,289
Subordinated notes and debentures		2,360,000
Other liabilities		3,697,556
TOTAL LIABILITIES		$77,777,398
Limited-life preferred stock and related surplus		0

EQUITY CAPITAL

Perpetual preferred stock and related surplus	0
Common stock	$910,494
Surplus	4,382,506
Undivided profits and capital reserves	920,258
Net unrealized loss on marketable equity securities	187,683
Cumulative foreign currency translation adjustments	11,076
TOTAL EQUITY CAPITAL	6,412,017

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TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK, AND EQUITY CAPITAL	$84,189,415

</TABLE>

I, Lester J. Stephens, Jr., Senior Vice President and Controller of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

(Signed) Lester J. Stephens, Jr.

We the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

(Signed) Thomas G. Labrecque
(Signed) Arthur F. Ryan Directors
(Signed) Richard J. Boyle

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