ALKERMES INC
Form S-1
November 26, 2002

As filed with the Securities and Exchange Commission on November 26, 2002

(S-4) Registration No. 333-101059/(S-1) Registration No. 333-_____

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO
FORM S-4
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933
(WITH RESPECT TO 6.52% CONVERTIBLE SENIOR SUBORDINATED NOTES
DUE DECEMBER 31, 2009
BEING ISSUED IN THE EXCHANGE OFFER)

FORM S-1
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933
(WITH RESPECT TO THE ADDITIONAL 6.52% CONVERTIBLE SENIOR SUBORDINATED NOTES
DUE DECEMBER 31, 2009 BEING OFFERED FOR CASH)

ALKERMES, INC.
(Exact name of registrant as specified in its charter)

Pennsylvania	2834	23-2472830
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

88 Sidney Street, Cambridge, Massachusetts 02139-4136
Telephone: (617) 494-0171
(Address, including zip code, and telephone number, including area code,
of registrant's principal executive offices)

Richard F. Pops, Chief Executive Officer, Alkermes, Inc.
88 Sidney Street, Cambridge, Massachusetts 02139-4234
Telephone: (617) 494-0171

(Name, address, including zip code, and telephone number, including area code,

of agent for service)

Copies to:

Morris Cheston, Jr., Esq.	Abigail Arms, Esq.	Mitchell
Ballard Spahr Andrews & Ingersoll, LLP	Shearman & Sterling	Testa, Hurwit
1735 Market Street, 51st Floor	801 Pennsylvania Avenue, N.W.	125 H
Philadelphia, Pennsylvania 19103	Washington, D.C. 20004	Boston, Mas
Telephone: (215) 665-8900	Telephone: (202) 508-8000	Telephone:

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price
6.52% Convertible Senior Subordinated Notes due December 31, 2009	$115,000,000	100%	$115,000,000(1)
6.52% Convertible Senior Subordinated Notes due December 31, 2009 (3)	$50,000,000	100%	$50,000,00
Common Stock, par value $.01 per share	8,092,791 shares(4)	$8.06(5)	$65,227,895(5)

(1) Pursuant to Rule 457(f)(1) under the Securities Act of 1933, this amount is the market value as of November 5, 2002 of the maximum amount of 3.75% Convertible Subordinated Notes due 2007 (the "existing notes") that may be

received by the Registrant from tendering holders in the exchange offer.

(2) The registration fee was calculated pursuant to Rule 457(f) under the Securities Act of 1933.

(3) We registered an additional amount of new notes to be offered for cash to holders of existing notes who participate in the exchange offer.

(4) The total number of shares of common stock being registered in connection with this offering is 10,387,034. A filing fee of $1,980 for the registration of 2,294,243 of these shares of common stock was previously paid in connection with the initial filing of the Registration Statement on Form S-3 (No. 333-101058) and the Registration Statement on Form S-4 (No. 333-101059) on November 6, 2002. The total number of shares of common stock that are being registered represent an estimate of the number of shares that would be issued if the Registrant elects, under the terms of the new notes, to make interest payments on the new notes in common stock instead of cash including to pay, if applicable, the two-year interest make-whole provision in common stock instead of cash. Also includes such indeterminate number of shares of common stock as shall be issuable upon conversion of the new notes being registered hereunder. No additional consideration shall be received for the common stock issuable upon conversion of the new notes and therefore no registration fee is required pursuant to Rule 457 under the Securities Act.

(5) Estimated in accordance with Rule 457(c) and Rule 457(d) solely for the purpose of calculating the amount of the registration fee based on the average of the high and low price of the Registrant's common stock as reported on the NASDAQ National Market on November 19, 2002.

(6) A filing fee of $15,180 for the registration of $165,000,000 aggregate principal amount of the new notes was previously paid in connection with the initial filing of the Registration Statement on Form S-3 (No. 333-101058) and the Registration Statement on Form S-4 (No. 333-101059) on November 6, 2002.

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 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SEC ACTING PURSUANT TO SECTION 8(a) MAY DETERMINE.

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THE INFORMATION IN THIS PROSPECTUS MAY CHANGE. WE MAY NOT COMPLETE THE EXCHANGE OFFER AND ISSUE THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL SECURITIES, AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES, IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

Subject to completion, dated November 26, 2002

[ALKERMES LOGO]

EXCHANGE OFFER

6.52% Convertible Senior Subordinated Notes due December 31, 2009 for its
3.75% Convertible Subordinated Notes due 2007

AND THE SALE OF

up to $50,000,000 of its 6.52% Convertible Senior Subordinated Notes
due December 31, 2009

If you elect to participate, for each $1,000 principal amount of our 3.75% Convertible Subordinated Notes due 2007, you will receive from us $575 principal amount of our 6.52% Convertible Senior Subordinated Notes due December 31, 2009. The new notes will be issued in denominations of $1,000 and any integral multiples of $1,000. Alkermes will pay any fractional new notes in cash. If you tender existing notes in the exchange offer, you will have the right to participate in the cash offer in which we are offering up to $50 million of additional 6.52% Convertible Senior Subordinated Notes due December 31, 2009.

The exchange offer will expire at 5:00 p.m., New York City time, on December 24, 2002, unless we extend the offer.

Our common stock is traded on the NASDAQ National Market under the symbol "ALKS." On November 25, 2002, the last reported sale price of our common stock on the NASDAQ National Market was $9.09 per share.

We are mailing this prospectus and the letter of transmittal on November 26, 2002.

SEE "RISK FACTORS" BEGINNING ON PAGE 16 FOR A DISCUSSION OF FACTORS YOU SHOULD CONSIDER BEFORE DECIDING TO PARTICIPATE IN THIS EXCHANGE OFFER OR PURCHASE ADDITIONAL 6.52% CONVERTIBLE SENIOR SUBORDINATED NOTES DUE DECEMBER 31, 2009.

We have retained Georgeson Shareholder Communications Inc. as our

information agent to assist you in connection with the exchange offer. You may call Georgeson Shareholder Communications Inc. at (866) 318-0506 (toll free), to receive additional documents and to ask questions.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Dealer Manager for the Exchange Offer:

U.S. BANCORP PIPER JAFFRAY

THIS PROSPECTUS IS DATED _____ __, 2002.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH DIFFERENT INFORMATION. WE ARE NOT MAKING AN OFFER OF THESE SECURITIES IN ANY STATE WHERE THE OFFER IS NOT PERMITTED. YOU SHOULD NOT ASSUME THAT THE INFORMATION PROVIDED BY THIS PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE OF THIS PROSPECTUS.

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You should rely only on the information contained in this prospectus. We have not, and the dealer manager and placement agent have not, authorized any other person to provide you with different information. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus is complete and accurate as of the date on the front cover, but the information may have changed since that date.

WHERE YOU CAN FIND MORE INFORMATION

Alkermes, Inc. is a reporting company and files annual, quarterly and current reports, proxy statements, and other information with the Securities and Exchange Commission. You may read and copy these reports, proxy statements, and other information at the Securities and Exchange Commission's public reference room located at 450 Fifth Street, N.W., Washington, DC 20549. You can request copies of these documents by writing to the Securities and Exchange Commission and paying a fee for the copying cost. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for more information about the operation of the public reference rooms. Our Securities and Exchange Commission filings are also available at the Securities and Exchange Commission's web site at "http://www.sec.gov". In addition, you can read and copy our filings at the office of the National Association of Securities Dealers, Inc. at 1735 K Street, Washington, DC 20006.

Upon written or oral request, we will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered a copy of any or all of such documents which are filed with the Securities and Exchange Commission (other than exhibits to such documents). Written or oral requests for copies should be directed to Investor Relations, 88 Sidney Street, Cambridge, Massachusetts 02139 or (617) 494-0171.

SUMMARY

This summary does not contain all of the information you should consider before exchanging your existing notes for the new notes or investing in

additional new notes. For a more complete understanding of us and this exchange offer, we encourage you to read this entire prospectus. The term "new notes" refers to the 6.52% Convertible Senior Subordinated Notes due December 31, 2009 offered by this prospectus. The term "existing notes" refers to our existing 3.75% Convertible Subordinated Notes due 2007 to be exchanged for the new notes in the exchange offer. You should read this entire prospectus carefully. Unless otherwise indicated, "we," "us," "our," "Alkermes" and similar terms refer to Alkermes, Inc. and its subsidiaries.

OUR BUSINESS

We are an emerging pharmaceutical company that develops therapeutic products based on our formulation expertise and proprietary drug delivery technologies. Our product development strategy is twofold. We partner with many of the world's finest pharmaceutical companies and we also develop novel, proprietary drug candidates for our own account. We have a broad pipeline of products and product candidates, including two marketed products, several product candidates at various stages of clinical development and others at earlier stages of development. Our products are based on controlled, extended-release dosage forms of injectable drugs using our ProLease(R) and Medisorb(R) delivery systems, and the development of inhaled pharmaceuticals based on our proprietary Advanced Inhalation Research, Inc. ("AIR(TM)") pulmonary delivery system. In addition to our Cambridge, Massachusetts headquarters and research and manufacturing facilities, we operate research and manufacturing facilities in Ohio. Some of our key products include:

- Risperdal Consta(TM) is a long-acting formulation of Janssen Pharmaceutica Inc.'s ("Janssen") anti-psychotic drug RISPERDAL(R) based on our Medisorb technology. RISPERDAL is the most commonly prescribed drug for the treatment of schizophrenia in the world and had sales of over $1.8 billion in 2001. In August 2001, Janssen filed a New Drug Application, or NDA, for Risperdal Consta with the U.S. Food and Drug Administration ("FDA") and similar regulatory filings have been submitted in more than 30 countries around the world. On June 28, 2002, Johnson & Johnson PRD ("J&J PRD"), an affiliate of Janssen, received a non-approvable letter for Risperdal Consta from the FDA and is currently working to respond to the FDA's concerns. There can be no assurance that the issues raised in the letter will be resolved on a timely basis, if at all. Since August 2002, Risperdal Consta has been approved in eight countries around the world and launched in Austria, Germany and the United Kingdom. We are the exclusive manufacturer of Risperdal Consta for Janssen.

- Nutropin Depot(R) is a long-acting ProLease formulation of rhGH that we developed in collaboration with Genentech, the leading supplier of rhGH in the United States. rhGH is approved for use in the treatment of children with growth hormone deficiency, or GHD, which results in short stature and potentially other developmental deficits, Turner's syndrome, chronic renal insufficiency and other indications. Our extended-release formulation, approved by the FDA in December 1999 for use in GHD children and commercially launched by Genentech in June 2000, requires only one or two doses per month compared to current growth hormone therapies that require multiple doses per week. We and Genentech have also agreed to continue the clinical development for Nutropin Depot in adults with GHD, and have initiated a Phase III clinical trial with Genentech, which commenced in December 2001.

- Vivitrex(TM), our most advanced proprietary product candidate, is a long-acting Medisorb formulation of naltrexone, an FDA-approved treatment for alcoholism and opiate abuse.

Naltrexone is currently available in a daily oral-dosage form. It is estimated that there are currently 2.3 million people in the United States who seek treatment for alcoholism, a number which is projected to grow at a rate of 2% per year. We believe there is a significant need for a product that will help improve compliance in this patient population. In October 2001, we completed a second trial, which was a multi-center clinical trial, of Vivitrex, the data from which was presented at the Annual Meeting of the American College of Neuropsychopharmacology. This trial tested the safety, tolerability and pharmacokinetics of repeat doses of Vivitrex administered monthly to alcohol-dependent patients. In March 2002, we initiated a Phase III clinical trial in alcohol-dependent patients testing the safety and efficacy of repeat doses of Vivitrex. We plan to manufacture Vivitrex for both clinical trials and commercial sales, if any.

- Inhaled epinephrine is our leading proprietary product based on our AIR pulmonary delivery technology that we are developing for the treatment of anaphylaxis, which is a sudden, often severe, systemic allergic reaction. Currently, patients self-administer epinephrine by injection. We believe that an inhaled dosage form of epinephrine may offer patients significant advantages over the injection method, such as ease of use and titration of doses. In August 2002, we completed our second Phase I study of inhaled epinephrine.

We have additional products in clinical trials with our partners, including a long-acting injectable form of r-hFSH, recombinant human follicle stimulating hormone, for the treatment of infertility, with Serono S.A., a long-acting injectable form of AC2993 (synthetic Exendin-4), for the treatment of Type II diabetes, with Amylin Pharmaceuticals, Inc. and pulmonary formulations of insulin and rhGH with Eli Lilly and Company.

Below is a summary of our key proprietary and collaborators' product candidates and their respective stages of clinical development.

PRODUCT CANDIDATE	INDICATION	Stage(1)
Nutropin Depot	Pediatric growth hormone deficiency	Marketed
Risperdal Consta	Schizophrenia	(2)
Vivitrex	Alcohol dependence	Phase III
Vivitrex	Opioid dependence	Phase II
Nutropin Depot	Adult growth hormone deficiency	Phase III
Medisorb AC2993 (Exendin-4)	Diabetes	Phase II
AIR Epinephrine	Anaphylaxis	Phase I completed
ProLease r-hFSH	Infertility	Phase I completed
AIR Insulin	Diabetes	Undisclosed
AIR hGH	Growth hormone deficiency	Phase I completed
AIR small molecule products	Respiratory disease	Phase I completed/Preclincal

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(1) "Phase I" clinical trials indicates that the compound is being tested in humans for safety and preliminary indications of biological activity in a limited patient population. "Phase II" clinical trials indicates that the trial is being conducted in patients and is to provide information on dosing and is testing for safety and preliminary evidence of efficacy. "Phase III" clinical trials indicates that the trial is being conducted in patients and is testing the safety and efficacy of the compound. "Preclinical" indicates that we or our partners are conducting formulation, efficacy, pharmacology and/or toxicology testing of a compound in animal models or biochemical assays.

(2) Approved for marketing in the United Kingdom, Germany, Mexico, Austria, New Zealand, Switzerland, Iceland and the Netherlands. An affiliate of our collaborative partner received a non-approvable letter from the FDA. See "Risk Factors."

Our principal executive offices are located at 88 Sidney Street, Cambridge, Massachusetts 02139 and our telephone number is (617) 494-0171.

THE EXCHANGE OFFER

TERMS OF THE EXCHANGE OFFER

We have summarized the terms of the exchange offer in this section. Before you decide whether to tender your existing notes in this offer, you should read the detailed description of the offer under "The Exchange Offer" and of the new notes under "Description of New Notes" for further information.

TERMS OF THE EXCHANGE OFFER	We are offering up to $115,000,000 principal amount of new notes for up to an aggregate principal amount of $200,000,000 of our existing notes. We are offering to

exchange $575 principal amount of new notes for each $1,000 principal amount of our existing notes. New notes will be issued in denominations of $1,000 and any integral multiple of $1,000. Any fractional new notes will be settled in cash.

You may tender all, some or none of your existing notes. We may pay interest on the new notes in cash or shares of our common stock, solely at our option.

CONVERSION PRICE .... The new notes will be convertible into our common stock at any time prior to maturity at a conversion price equal to a 17-1/2% premium over the simple average of the daily volume-weighted average price of our common stock for each of the five trading days immediately preceding the third trading day prior to the expiration date of the exchange offer, subject to adjustment upon certain events.

EXPIRATION DATE; EXTENSION; TERMINATION ..... The exchange offer and withdrawal rights will expire at 5:00 p.m., New York City time on December 24, 2002, or any subsequent date to which we extend it. We may extend the expiration date for any reason. In the case of an extension, we will issue a press release or other public announcement no later than 9:00 a.m. New York City time, on the next business day after the previously scheduled expiration date. If we extend the expiration date, you must tender your existing notes prior to the date identified in the press release or public announcement if you wish to participate in the exchange offer. We have the right to:

- extend the expiration date of the exchange offer and retain all tendered existing notes, subject to your right to withdraw your tendered existing notes; and

- waive any condition or otherwise amend the terms of the exchange offer in any respect, other than the condition that the registration statement be declared effective.

CONDITIONS TO THE EXCHANGE OFFER ..... The exchange offer is subject to the registration statement and any post-effective amendment to the registration statement covering the new notes being effective under the Securities Act of 1933. The exchange offer also is subject to customary conditions, which we may waive.

WITHDRAWAL RIGHTS ... You may withdraw a tender of your existing notes at any time before the exchange offer expires by delivering a

	written notice of withdrawal to State Street Bank and Trust Company, the exchange agent, before the expiration date. If you change your mind, you may retender your existing notes by again following the exchange offer procedures before the exchange offer expires. In addition, if you tender existing notes and we have not accepted them for exchange by January 24, 2003, you may therefore withdraw your existing notes at any time in the period beginning on that date and ending on the date we do accept your existing notes for exchange.
PROCEDURES FOR TENDERING OUTSTANDING EXISTING NOTES	If you hold existing notes through a broker, dealer, commercial bank, trust company or other nominee, you should contact that person promptly if you wish to tender your existing notes. Tenders of your existing notes will be effected by book-entry transfers through The Depository Trust Company. If you hold existing notes through a broker, dealer, commercial bank, trust company or other nominee, you also may comply with the procedures for guaranteed delivery. Please do not send letters of transmittal to us. You should send those letters to State Street Bank and Trust Company, the exchange agent, at one of its offices as indicated under "The Exchange Offer," at the end of this prospectus or in the letters of transmittal. The exchange agent can answer your questions regarding how to tender your existing notes.
ACCRUED INTEREST ON EXISTING NOTES	Existing note holders will receive accrued and unpaid interest on any existing notes accepted in the exchange offer. The amounts of accrued interest will be calculated from the last interest payment date up to but excluding the closing date of the exchange offer.

INTEREST ON NEW NOTES	Interest on the new notes will be payable in cash or shares of our common stock, solely at our option, at a rate of 6.52% per year, payable on June 30 and December 31 of each year, commencing on June 30, 2003. If we elect to pay interest in common stock, the shares of common stock will be valued at 90% of the average of the closing price for each of the five trading days immediately preceding the second trading day prior to the interest payment date. Interest on new notes will begin to accrue as of the closing date of the exchange offer.
INFORMATION AGENT....	Georgeson Shareholder Communications Inc.

EXCHANGE AGENT.....	State Street Bank and Trust Company
DEALER MANAGER.....	U.S. Bancorp Piper Jaffray
RISK FACTORS.....	You should carefully consider the matters described under "Risk Factors," as well as other information set forth in this prospectus and in the letter of transmittal.
DECIDING WHETHER TO PARTICIPATE IN THE EXCHANGE OFFER	Neither we nor our officers or directors make any recommendation as to whether you should tender or refrain from tendering all or any portion of your existing notes in the exchange offer. Further, we have not authorized anyone to make any such recommendation. You must make your own decision whether to tender your existing notes in the exchange offer and, if so, the aggregate amount of existing notes to tender after reading this prospectus and the letter of transmittal and consulting with your advisers, if any, based on your own financial position and requirements.
CONSEQUENCES OF NOT EXCHANGING EXISTING NOTES	If you do not exchange your existing notes in the exchange offer, your existing notes will be subordinated to the new notes. Further, the liquidity and trading market for existing notes not tendered in the exchange offer could be adversely affected to the extent a significant number of the existing notes are tendered and accepted in the exchange offer.
CASH OFFER	If you tender some or all of your existing notes, and you would be interested in participating in the cash offer of additional new notes, you should give your indication of interest directly to the placement agent at (877) 420-2321, attention Jeffrey Winaker or Brian Sullivan.
TAX CONSEQUENCES	Please see "United States Federal Income Tax Considerations."

INSUFFICIENCY OF EARNINGS TO COVER FIXED CHARGES	Earnings were insufficient to cover fixed charges in the following amounts: $9.9 million in fiscal 1998; $37.5 million in fiscal 1999; $62.8 million in fiscal 2000; $4.7 million in fiscal 2001; $49.1 million in fiscal 2002; and $106.4 million in the six months ended September 30, 2002.

THE CASH OFFER

TERMS OF THE CASH OFFER

We are separately offering up to $50 million aggregate principal amount of additional new notes for cash to holders of existing notes who participate in the exchange offer.

CASH OFFER FOR ADDITIONAL NEW NOTES	The discussion under the heading "Cash Offer of Additional New Notes" provides further information regarding the cash offer.
USE OF PROCEEDS	We intend to use the net proceeds, if any, received from the sale for cash of the additional new notes for general corporate purposes, including research, development and clinical trial activities, especially for proprietary compounds, and for manufacturing facilities and equipment.
PLACEMENT AGENT	U.S. Bancorp Piper Jaffray
INDICATIONS OF INTEREST	If you tender some or all of your existing notes, and you would be interested in participating in the cash offer of additional new notes, you should give your indication of interest directly to the placement agent at (877) 420-2321, attention Jeffrey Winaker or Brian Sullivan.

COMPARISON OF NEW NOTES AND EXISTING NOTES

The following is a brief summary of the terms of the new notes and the existing notes. For a more detailed description of the new notes, see "Description of New Notes."

	NEW NOTES	EXISTING NOTES
SECURITIES.....	Up to $165,000,000 principal amount of 6.52% Convertible Senior Subordinated Notes due December 31, 2009, of which up to $115,000,000 are being offered in the exchange offer and up to $50,000,000 are being offered in the cash offer. The new notes will be issued in principal amounts	$200,000,000 principal amount of 3.75% Convertible Subordinated Notes due 2007.

	of $1,000 and integral multiples of $1,000.	
ISSUER.....	Alkermes, Inc.	Alkermes, Inc.
MATURITY.....	December 31, 2009.	February 15, 2007.
INTEREST.....	The new notes will bear interest at an annual rate of 6.52% payable in cash or, at our option, in common stock. If we elect to pay interest in common stock, the shares of common stock will be valued at 90% of the average of the closing price for each of the five days immediately preceding the second trading day prior to the interest payment date. Interest will be payable on June 30 and December 31 of each year, beginning June 30, 2003.	The existing notes bear interest at an annual rate of 3.75%. Interest is payable on February 15 and August 15 of each year, beginning August 15, 2000.

	NEW NOTES	EXISTING NOTES
CONVERSION - GENERAL	The new notes will be convertible into common stock at any time prior to maturity at a conversion price equal to a 17-1/2% premium over the simple average of the daily volume-weighted average price of our common stock for each of the five trading days immediately preceding the third trading day prior to the expiration date of the exchange offer, subject to adjustment upon certain events.	The existing notes are convertible into common stock at any time prior to maturity at a conversion price of $67.75 per share, subject to adjustment upon certain events.
AUTO-CONVERSION	We may elect to automatically convert some or all of the new notes on or prior to maturity if the closing price of our common stock has exceeded 150% of the conversion price for at least 20 trading days during any 30-day trading period, ending within five trading days prior to the notice of automatic conversion.	None.

PROVISIONAL REDEMPTION	None.	We may redeem some or all of the existing notes at any time prior to February 19, 2003 if the price of our common stock exceeds 200% of the conversion price for at least 20 out of 30 trading days prior to redemption.
OPTIONAL REDEMPTION..	We may redeem some or all of the new notes on or after January 1, 2005 at declining redemption prices plus accrued and unpaid interest.	We may redeem some or all of the existing notes on or after February 19, 2003 at declining redemption prices plus accrued and unpaid interest.

	NEW NOTES	EXISTING NOTES
INTEREST MAKE-WHOLE PROVISIONS DURING FIRST TWO YEARS		
UPON AUTO-CONVERSION	If an automatic conversion occurs on or prior to December , 2004, we will pay additional interest in cash or, at our option, in common stock, equal to two full years of interest on the converted new notes, less any interest paid or provided for on the new notes prior to automatic conversion. If we elect to pay the additional interest in common stock, the shares of common stock will be valued at 90% of the average closing price of our common stock for the five trading days immediately preceding the second trading day prior to the conversion date.	None.
UPON VOLUNTARY CONVERSION	If you elect to voluntarily convert your new notes prior	None.

	to December , 2004 and prior to a notice of auto-conversion, we will pay additional interest in cash or, at our option, in common stock, equal to two full years of interest on the converted new notes, less any interest paid or provided for on the new notes prior to voluntary conversion. If we elect to pay the additional interest in common stock, the shares of common stock will be valued at 90% of the average closing price of our common stock for the five days preceding the second trading day prior to the voluntary conversion date.	

	NEW NOTES	EXISTING NOTES
REPURCHASE AT HOLDER'S OPTION UPON A REPURCHASE EVENT ..	You may require us to repurchase your new notes upon a repurchase event in cash, or at our option, in common stock, at 105% of the principal amount, plus accrued and unpaid interest.	You may require us to repurchase your existing notes upon a repurchase event in cash, or at our option, in common stock, at 105% of the principal amount, plus accrued and unpaid interest.
RANKING	The new notes are subordinated to our senior indebtedness, but will rank senior in right of payment to the existing notes. The indenture for the new notes does not limit our ability to incur additional indebtedness, senior or otherwise.	The existing notes are subordinated to our senior indebtedness. The indenture for the existing notes does not limit our ability to incur additional indebtedness, senior or otherwise. The existing notes are also structurally subordinated to the indebtedness and other liabilities of our subsidiaries.
PROHIBITION ON PRIVATE TRANSACTIONS BY US INVOLVING		

EXISTING NOTES	For a period of two years following the issuance of the new notes, we will be prohibited from engaging in any private repurchases, debt-for-equity swaps or similar transactions with respect to the existing notes.	None.

QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER

WHY ARE WE DOING THE EXCHANGE OFFER AND THE CASH OFFER?

We believe that this exchange offer is an important step in re-calibrating our capital structure to be better suited for the current market environment. If the exchange offer is fully subscribed, it will:

- eliminate $85 million principal amount of convertible notes;

- position us to automatically convert substantially all our debt into equity at stock prices approximately 75% above the current market price;

- leave the aggregate annual interest payments unchanged, while allowing us the flexibility to make interest payments, at our option, in common stock; and

- raise up to $50 million of additional capital through the cash offer.

HOW DO I PURCHASE ADDITIONAL NOTES FOR CASH?

If you tender existing notes in the exchange offer, you will have the opportunity to indicate your interest for additional new notes in the cash offer. Allocations of additional new notes will be made by the placement agent in its sole discretion.

If you would like to purchase additional new notes for cash, you may indicate your interest in purchasing new notes by contacting Jeffrey Winaker or Brian Sullivan at U.S. Bancorp Piper Jaffray at (877) 420-2321.

IF I PARTICIPATE IN THE EXCHANGE OFFER, HOW MANY NEW NOTES AM I ELIGIBLE TO PURCHASE FOR CASH?

If you tender existing notes in the exchange offer, there is no limitation on the number of new notes you may indicate you are interested in purchasing for cash. If indications of interest exceed the total amount of new notes that are being offered for cash, allocations will be made at the discretion of the placement agent.

IS THE EXCHANGE OFFER CONDITIONED UPON A MINIMUM NUMBER OF EXISTING NOTES BEING TENDERED IN THE EXCHANGE OR NEW NOTES BEING PURCHASED FOR CASH?

No, the exchange offer is not conditioned upon any minimum number of existing notes being tendered or new notes being purchased for cash. The

exchange offer and the cash offer are subject to customary conditions, which we may waive.

HOW SOON MUST I ACT IF I DECIDE TO PARTICIPATE?

Unless we extend the expiration date, the exchange offer and the cash offer will expire on December 24, 2002 at 5:00 p.m., New York City time. The exchange agent must receive all required documents and instructions before that time or you will not be able to participate in either the exchange offer or the cash offer. In addition, U.S. Bancorp Piper Jaffray must also receive indications of interest in purchasing new notes for cash prior to that date.

WHAT HAPPENS IF I DO NOT PARTICIPATE IN THE EXCHANGE OFFER?

If you do not participate in the exchange offer, you will not be eligible to purchase additional new notes in the cash offer. If a significant number of the existing notes are tendered and accepted in the exchange offer, the liquidity and the trading market for existing notes will likely be impaired. Also, the new notes will be senior in right of payment and preference to your existing notes.

HOW WILL FRACTIONAL NEW NOTES BE SETTLED?

We will exchange $575 principal amount of new notes for each $1,000 principal amount of our existing notes that are tendered in the exchange. We will issue new notes only in denominations of $1,000 and integral multiples of $1,000. We will settle any fractional new notes in cash. For example, if you tender ten existing notes ($10,000 aggregate face value), you will receive five new notes ($5,000 aggregate face value) and $750 in cash.

WHAT SHOULD I DO IF I HAVE ADDITIONAL QUESTIONS ABOUT THE EXCHANGE OFFER OR THE CASH OFFER?

If you have any questions, need additional copies of the offering material, or otherwise need assistance, please contact the information agent for this offering.

GEORGESON SHAREHOLDER COMMUNICATIONS INC.
17 STATE STREET, 10TH FLOOR
NEW YORK, NEW YORK 10004
(866) 318-0506

To receive copies of our recent SEC filings, you can contact us by mail or refer to the other sources described under "Where You Can Find More Information."

RISK FACTORS

You should carefully consider the risks described below before you decide to exchange your existing notes for new notes or buy for cash additional new notes. The risks and uncertainties described below are not the only ones facing

our company. Additional risks and uncertainties that we do not presently know or that we currently deem immaterial may also impair our business operations.

If any of the following risks actually occur, they could materially adversely affect our business, financial condition or operating results. In that case, the trading price of our common stock and the existing notes could decline.

RISKS RELATED TO ALKERMES

J&J PRD RECEIVED A NON-APPROVABLE LETTER FOR RISPERDAL CONSTA FROM THE FDA AND THE FUTURE OF RISPERDAL CONSTA IN THE UNITED STATES IS UNCERTAIN.

On June 28, 2002, J&J PRD, an affiliate of our collaborative partner Janssen, received a non-approvable letter for Risperdal Consta from the FDA. The issues raised in the letter may not be resolved on a timely basis, if at all, and Risperdal Consta may not be approved for any commercial use in the United States. The FDA's response to and issues with the New Drug Application, or NDA, submitted with respect to Risperdal Consta may impact the response of regulatory agencies in other countries where filings are pending. Even if Risperdal Consta is approved in the United States or elsewhere, the timing of the approvals is uncertain and there may be significant delays. It is uncertain whether the FDA's issues with the NDA will impact the labeling of Risperdal Consta in the United States or in other countries, if it is approved. The NDA was filed by an affiliate of J&J PRD and Janssen, and they are responsible for obtaining regulatory approvals. We cannot control the activity of any of our collaborative partners, and we are dependent upon Janssen's efforts to resolve the FDA's issues with the NDA for Risperdal Consta. Janssen may terminate our collaboration, including the license and manufacturing agreements, based on its right to do so on short notice under such agreements. If any of the foregoing events were to occur, it would have a material adverse effect on our business, results of operations and financial position.

OUR DELIVERY TECHNOLOGIES OR PRODUCT DEVELOPMENT EFFORTS MAY NOT PRODUCE SAFE, EFFICACIOUS OR COMMERCIALLY VIABLE PRODUCTS.

Many of our product candidates require significant additional research and development, as well as regulatory approval. To be profitable, we must develop, manufacture and market our products, either alone or by collaborating with others. It can take several years for a product candidate to be approved and we may not be successful in bringing additional product candidates to the market. A product candidate may appear promising at an early stage of development or after clinical trials and never reach the market, or it may reach the market and not sell, for a variety of reasons. The product candidate may:

- be shown to be ineffective or to cause harmful side effects during preclinical testing or clinical trials;
- fail to receive regulatory approval on a timely basis or at all;
- be difficult to manufacture on a large scale;
- be uneconomical;
- not be prescribed by doctors or accepted by patients;

- fail to receive a sufficient level of reimbursement from government or third-party payors; or

- infringe on proprietary rights of another party.

If our delivery technologies or product development efforts fail to generate product candidates that lead to the successful development and commercialization of products, or if our collaborative partners decide not to pursue our product candidates or if new products do not perform as anticipated, our business and financial condition will be materially adversely affected.

WE RELY HEAVILY ON COLLABORATIVE PARTNERS.

Our arrangements with collaborative partners are critical to our success in bringing our products and product candidates to the market and promoting such marketed products profitably. In some cases, we depend on these parties to conduct preclinical testing and clinical trials and to provide funding for product candidate development programs. Most of our collaborative partners can terminate their agreements with us for no reason and on limited notice. We cannot guarantee that any of these relationships will continue. Specifically, GlaxoSmithKline ("Glaxo") has an option to develop products in two designated fields in the respiratory disease market that expires at the end of November 2002. We do not expect to extend Glaxo's option in these two fields and, therefore, rights to those fields will revert to us. In addition, Glaxo has rights to two other fields and it is uncertain whether they will elect to fund product development programs in these fields. Failure to make or maintain these arrangements or a delay in a collaborative partner's performance may materially adversely affect our business and financial condition.

We cannot control our collaborative partners' performance or the resources they devote to our programs. If a collaborative partner fails to perform, or perform on a timely basis, the research, development or commercialization program on which it is working will be delayed. If this happens, we may have to use funds, personnel, laboratories and other resources that we have not budgeted, and consequently, we may not be able to continue the program. The failure of a collaborative partner to perform or a loss of a collaborative partner may materially adversely affect our business and financial condition.

Disputes may arise between us and a collaborative partner and may involve the issue of which of us owns the technology that is developed during a collaboration or other issues arising out of the collaborative agreements. Such a dispute could delay the program on which the collaborative partner or we are working. It could also result in expensive arbitration or litigation, which may not be resolved in our favor.

A collaborative partner may choose to use its own or other technology to develop a way to deliver its drug and withdraw its support of our product candidate.

Our collaborative partners could merge with or be acquired by another company or experience financial or other setbacks unrelated to our collaboration that could, nevertheless, adversely affect us.

None of our drug delivery systems can be commercialized as stand-alone products but must be combined with a drug. To develop any new proprietary product candidate using one of these drug delivery systems, we often must obtain the drug from another party. We cannot assure you that we will be able to obtain any such drugs on reasonable terms, if at all.

THE RETURN FROM OUR INVESTMENT IN RELIANT IS UNCERTAIN.

In December 2001, we made a $100 million investment in Series C Preferred Units of Reliant Pharmaceuticals, LLC ("Reliant") in exchange for approximately a 19% interest in Reliant, and entered into a strategic relationship with Reliant. Reliant is a privately held pharmaceutical company marketing branded, prescription pharmaceutical products to primary care physicians in the United States. Our investment in Reliant is illiquid and requires us to take noncash charges if Reliant incurs net losses from its operations. We recorded equity losses of approximately $64.9 million related to our Reliant investment from the date of our investment through September 30, 2002, and we anticipate that our investment in Reliant will result in continuing losses for the foreseeable future. We may not see a return on this investment. In addition, there can be no assurance that we will be able to successfully implement our strategic relationship with Reliant.

CLINICAL TRIALS FOR OUR PRODUCT CANDIDATES ARE EXPENSIVE AND THEIR OUTCOME IS UNCERTAIN.

Conducting clinical trials is a lengthy, time-consuming and expensive process. Before obtaining regulatory approvals for the commercial sale of any products, we or our partners must demonstrate through preclinical testing and clinical trials that our product candidates are safe and effective for use in humans. We have incurred and we will continue to incur, substantial expense for, and devote a significant amount of time to, preclinical testing and clinical trials.

Historically, the results from preclinical testing and early clinical trials have often not predicted results of later clinical trials. A number of new drugs have shown promising results in clinical trials, but subsequently failed to establish sufficient safety and efficacy data to obtain necessary regulatory approvals. To date, our proprietary product candidate, Vivitrex, has only been tested in a small number of patients and there can be no assurance that our Phase III clinical trial will produce results sufficient to obtain regulatory approval. Data obtained from preclinical and clinical activities are susceptible to varying interpretations, which may delay, limit or prevent regulatory approval. In addition, regulatory delays or rejections may be encountered as a result of many factors, including changes in regulatory policy during the period of product development.

Clinical trials conducted by us, by our collaborative partners or by third parties on our behalf may not demonstrate sufficient safety and efficacy to obtain the requisite regulatory approvals for our product candidates. Regulatory authorities may not permit us to undertake any additional clinical trials for our product candidates.

Clinical trials of each of our product candidates involve a drug delivery technology and a drug. This makes testing more complex because the outcome of the trials depends on the performance of technology in combination with a drug.

We have other product candidates in preclinical development. We have not submitted Investigational New Drug Applications, or INDs, or begun clinical trials for these product candidates. Preclinical and clinical development efforts performed by us may not be successfully completed. We may not file further INDs. We or our collaborative partners may not begin clinical trials as planned.

Completion of clinical trials may take several years or more. The length of time can vary substantially with the type, complexity, novelty and intended use of the product candidate. The commencement and rate of completion of clinical trials may be delayed by many factors, including the:

- inability to recruit clinical trial participants at the expected rate;

- failure of clinical trials to demonstrate a product candidate's safety or efficacy;

- inability to follow patients adequately after treatment;

- unforeseen safety issues;

- inability to manufacture sufficient quantities of materials used for clinical trials; and

- unforeseen governmental or regulatory delays.

If a product candidate fails to demonstrate safety and efficacy in clinical trials, this failure may delay development of other product candidates and hinder our ability to conduct related preclinical testing and clinical trials. As a result of these failures, we may also be unable to find additional collaborative partners or to obtain additional financing. Our business and financial condition may be materially adversely affected by any delays in, or termination of, our clinical trials.

WE WILL NEED TO SPEND SUBSTANTIAL FUNDS TO BECOME PROFITABLE.

We will need to spend substantial amounts of money before we can be profitable, and there can be no assurance we will achieve profitability. The amount we will spend and when we will spend it depends, in part, on:

- the progress of our research and development programs for proprietary and collaborative product candidates, including clinical trials;

- the time and expense that will be required to pursue FDA or foreign regulatory approvals for our product candidates, and whether such approvals are obtained;

- the cost of building, operating and maintaining manufacturing and research facilities;

- how many product candidates we pursue, particularly proprietary product candidates;

- the time and expense required to prosecute, enforce and/or challenge patent and other intellectual property rights;

- how competing technological and market developments affect our product candidates;

- the cost of possible acquisitions of drug delivery technologies, compounds, product rights or companies; and

- the cost of obtaining licenses to use technology owned by others for proprietary products and otherwise.

If we require additional funds to complete any of our programs, we may seek funds through arrangements with collaborative partners, by issuing

securities, through debt or bank financing or other financing structures. We will continue to pursue opportunities to obtain additional financing in the future. Such financing may be sought through various sources, including debt and equity offerings, corporate collaborations, bank borrowings, lease arrangements relating to fixed assets or other financing methods. The source, timing and availability of any financings will depend on market conditions, interest rates and other factors. Our future capital requirements will also depend on many factors, including continued scientific progress in our research and development programs (including our proprietary product candidates), the magnitude of these programs, progress with preclinical testing and clinical trials, the time and costs involved in obtaining regulatory approvals, the costs involved in filing, prosecuting and enforcing patent claims, competing technological and market developments, the establishment of additional collaborative arrangements, the cost of manufacturing facilities and of commercialization activities and arrangements and the cost of product in-licensing and any possible acquisitions. If we are unable to raise additional funds on terms that are favorable to us, we may have to cut back significantly

on one or more of our programs, give up some of our rights to our technologies, product candidates or licensed products or agree to reduced royalty rates from collaborative partners.

WE ANTICIPATE THAT WE WILL INCUR SUBSTANTIAL LOSSES IN THE FORESEEABLE FUTURE.

We have had net operating losses since being founded in 1987. At September 30, 2002, our accumulated deficit was $457 million. These losses principally consisted of the costs of research and development and general and administrative expenses, as well as noncash compensation costs and noncash charges related to our share of Reliant Pharmaceuticals, LLC's losses. We expect to incur substantial additional expenses over the next several years as our research and development activities, including clinical trials, increase and as we continue to manufacture products. In addition, we expect these costs to increase over prior years as we expand development of our collaborators' and our own product candidates.

Our future profitability depends, in part, on our ability to:

- obtain and maintain regulatory approval for our products in the United States and in foreign countries;
- enter into agreements to develop and commercialize products;
- develop and expand our capacity to manufacture and market products or enter into agreements with others to do so;
- obtain adequate reimbursement coverage for our products from insurance companies, government programs and other third party payors;
- obtain additional research and development funding from collaborative partners; and
- achieve certain product development milestones.

We may not achieve any or all of these goals and, thus, we cannot provide assurances that we will ever be profitable or achieve significant revenues. Even if we do achieve some or all of these goals, we may not achieve significant

commercial success.

OUR MANUFACTURING EXPERIENCE IS LIMITED.

We currently manufacture Nutropin Depot, Risperdal Consta and all of our product candidates, except Cereport. The manufacture of drugs for clinical trials and for commercial sale is subject to regulation by the FDA under then-current good manufacturing practices regulations and by other regulators under other laws and regulations. We have manufactured product candidates for use in clinical trials but have limited experience manufacturing products for commercial sale. We cannot assure you that we can successfully manufacture our products under current good manufacturing practices regulations or other laws and regulations in sufficient quantities for commercial sale, or in a timely or economical manner.

Our manufacturing facilities in Massachusetts and Ohio require specialized personnel and are expensive to operate and maintain. Any delay in the regulatory approval or market launch of product candidates to be manufactured in these facilities will require us to continue to operate these expensive facilities and retain specialized personnel, which may increase our expected losses.

We have a number of manufacturing facilities, including good manufacturing practices facilities for Nutropin Depot and Risperdal Consta, and facilities for future ProLease product candidates, Medisorb

product candidates and AIR pulmonary drug delivery product candidates. We are currently expanding our facility in Ohio for Risperdal Consta and our Medisorb technology product candidates and constructing a facility in Massachusetts for our AIR technology product candidates. To date, the FDA has inspected and approved our manufacturing facility for Nutropin Depot and inspected our manufacturing facility for Risperdal Consta and issued an approvable letter. We cannot guarantee that the FDA or foreign regulatory agencies will approve any of the other facilities or, once they are approved, that such facilities will remain in compliance with current good manufacturing practices regulations.

If more of our product candidates progress to mid- to late-stage development, we will incur significant expenses in the expansion and/or construction of manufacturing facilities and increases in personnel in order to manufacture product candidates. The development of a commercial-scale manufacturing process is complex and expensive. We cannot assure you that we will be able to develop this manufacturing infrastructure in a timely or economical manner, or at all.

Currently, many of our product candidates, including Vivitrex, are manufactured in small quantities for use in clinical trials. We cannot assure you that we will be able to successfully scale-up the manufacture of each of our product candidates in a timely or economical manner, or at all. If any of these product candidates are approved by the FDA or other drug regulatory authorities for commercial sale, we will need to manufacture them in larger quantities. If we are unable to successfully scale-up our manufacturing capacity, the regulatory approval or commercial launch of such product candidate may be delayed or there may be a shortage in supply of such product candidate.

If we fail to develop manufacturing capacity and experience, fail to continue to contract for manufacturing on acceptable terms, or fail to manufacture our product candidates economically on a commercial scale or in accordance with current good manufacturing practices regulations, our development programs will be materially adversely affected. This may result in

delays in receiving FDA or foreign regulatory approval for one or more of our product candidates or delays in the commercial production of a product that has already been approved. Any such delays could materially adversely affect our business and financial condition.

THE FDA OR FOREIGN REGULATORY AGENCIES MAY NOT APPROVE OUR PRODUCT CANDIDATES.

Approval from the FDA is required to manufacture and market pharmaceutical products in the United States. Regulatory agencies in foreign countries have similar requirements. The process that pharmaceutical products must undergo to obtain this approval is extensive and includes preclinical testing and clinical trials to demonstrate safety and efficacy and a review of the manufacturing process to ensure compliance with current good manufacturing practices regulations. This process can last many years and be very costly and still be unsuccessful. FDA or foreign regulatory approval can be delayed, limited or not granted at all for many reasons, including:

- a product candidate may not be safe or effective;
- data from preclinical testing and clinical trials may be interpreted by the FDA or foreign regulatory agencies in different ways than we or our partners interpret it;
- the FDA or foreign regulatory agencies might not approve our manufacturing processes or facilities;
- the FDA or foreign regulatory agencies may change their approval policies or adopt new regulations;
- a product candidate may not be approved for all the indications we or our partners request; and

- the FDA may not agree with our or our partners' regulatory approval strategies or components of our or our partners' filings, such as clinical trial designs.

For some product candidates, the drug used has not been approved at all or has not been approved for every indication it is targeting. Any delay in the approval process for any of our product candidates will result in increased costs that could materially and adversely affect our business and financial condition.

Regulatory approval of a product candidate is limited to specific therapeutic uses for which the product has demonstrated safety and efficacy in clinical testing. Approval of a product candidate could also be contingent on post-marketing studies. In addition, any marketed drug and its manufacturer continue to be subject to strict regulation after approval. Any unforeseen problems with an approved drug or any violation of regulations could result in restrictions on the drug, including its withdrawal from the market.

OUR PRODUCT CANDIDATES MAY NOT GENERATE SIGNIFICANT REVENUES.

Even if a product receives regulatory approval for commercial use, the revenues received or to be received from the sale of such products may not be significant and will depend on numerous factors outside of our control, including, in many instances, our collaborators' decisions on pricing and discounting, the reliance on third-party marketing partners outside the United

States, the ability to obtain reimbursement from third-party payors, the market size for the product, the reaction of companies that market competitive products and general market conditions. In addition, if certain volume levels are not achieved, the costs to manufacture our products may be higher than anticipated.

Risperdal Consta

An NDA for Risperdal Consta was submitted to the FDA in August 2001 by Janssen Pharmaceutica Products, LP. A number of similar filings have been submitted with drug regulatory authorities worldwide by Janssen. On June 28, 2002, J&J PRD, an affiliate of Janssen, received a non-approvable letter for Risperdal Consta from the FDA. There can be no assurance that the NDA or other foreign regulatory filings will be approved in a timely fashion, if at all. If there is a significant delay in resolving the issues raised by the FDA, we may incur significant expenses without receipt of the corresponding royalty and manufacturing revenues. The revenues received from the sale of Risperdal Consta may not be significant and may depend on numerous factors outside of our control, including those outlined above. In addition, the costs to manufacture Risperdal Consta may be higher than anticipated if certain volume levels are not achieved. If Risperdal Consta does not produce significant revenues or if the manufacturing costs are higher than anticipated, our business, results of operations and financial condition would be materially adversely affected.

Vivitrex

We are currently conducting a Phase III clinical trial in alcohol-dependent patients testing the safety and efficacy of repeat doses of Vivitrex, an injectable extended-release formulation of naltrexone. To date, our proprietary product candidate, Vivitrex, has only been tested in a small number of patients and there can be no assurance that the Phase III clinical trial will produce results sufficient to obtain regulatory approvals. Even if the Phase III clinical trial is successful and we submit an NDA to the FDA, there can be no assurance that the FDA will accept our data or that the NDA will be approved. We are relying on data from the original approval of oral naltrexone under Section 505(b)(2) of the U.S. Food, Drug and Cosmetic Act. While we believe only one Phase III efficacy study will be required for approval, the FDA will require that additional safety data be collected on Vivitrex's long-term use before approval. Even if an NDA is approved, we will have to market it ourselves or enter into co-promotion or sales and marketing arrangements with other companies. We currently have no sales force or any

marketing experience and arrangements with other companies will result in dependence on such other companies for revenues. In either event, a market for Vivitrex may not develop as expected. There are manufacturing risks that come with the manufacture of Vivitrex. See "Our manufacturing experience is limited." In addition, naltrexone is made using controlled substances and, therefore, we may be unable to obtain commercial-quantity supplies of naltrexone on commercially reasonable terms.

IF AND WHEN APPROVED, THE COMMERCIAL USE OF OUR PRODUCTS MAY CAUSE UNINTENDED SIDE EFFECTS OR ADVERSE REACTIONS, OR INCIDENCE OF MISUSE MAY APPEAR.

We cannot predict whether the commercial use of products (or product candidates in development if and when they are approved for commercial use) will produce undesirable or unintended side effects that have not been evident in the use of or clinical trials conducted for such products (and product candidates) to date. Additionally, incidents of product misuse may occur. These events, among others, could result in product recalls or withdrawals or additional regulatory controls.

PATENT PROTECTION FOR OUR PRODUCTS IS IMPORTANT AND UNCERTAIN.

The following factors are important to our success:

- receiving and maintaining patent protection for our products and product candidates and for those of our collaborative partners;
- maintaining our trade secrets;
- not infringing the proprietary rights of others; and
- preventing others from infringing our proprietary rights.

Patent protection only provides exclusive rights for the term of the patent. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary rights are covered by valid and enforceable patents or are effectively maintained as trade secrets.

We know of several U.S. patents issued to third parties that relate to our product candidates. One of those third parties has asked us to compare our Medisorb technology to that third party's patented technology. Another such third party has asked a collaborative partner to substantiate how our ProLease microspheres are different from that third party's patented technology. The manufacture, use, offer for sale, sale or importing of any of these product candidates might be found to infringe on the claims of these third party patents. A third party might file an infringement action against us. Our cost of defending such an action is likely to be high and we might not receive a favorable ruling.

We also know of patent applications filed by other parties in the United States and various foreign countries that may relate to some of our product candidates if such patents are issued in their present form. If patents are issued to any of these applicants, we may not be able to manufacture, use, offer for sale, or sell some of our product candidates without first getting a license from the patent holder. The patent holder may not grant us a license on reasonable terms or it may refuse to grant us a license at all. This could delay or prevent us from developing, manufacturing or selling those of our product candidates that would require the license.

We try to protect our proprietary position by filing U.S. and foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development of our business. Because the patent position of pharmaceutical and biotechnology companies involves complex legal and factual questions, enforceability of patents cannot be predicted with certainty. Patents, if issued, may be challenged, invalidated or circumvented. Thus, any patents that we own or license from others

may not provide any protection against competitors. Our pending patent applications, together with those we may file in the future, or those we may license from third parties, may not result in patents being issued. Even if issued, such patents may not provide us with sufficient proprietary protection or competitive advantages against competitors with similar technology. Furthermore, others may independently develop similar technologies or duplicate any technology that we have developed. The laws of certain foreign countries do not protect our intellectual property rights to the same extent as do the laws of the United States.

We also rely on trade secrets, know-how and technology, which are not

protected by patents, to maintain our competitive position. We try to protect this information by entering into confidentiality agreements with parties that have access to it, such as our collaborative partners, licensors, employees and consultants. Any of these parties may breach the agreements and disclose our confidential information or our competitors might learn of the information in some other way. If any trade secret, know-how or other technology not protected by a patent were to be disclosed to or independently developed by a competitor, our business and financial condition could be materially adversely affected.

WE ARE EXPOSED TO PRODUCT LIABILITY CLAIMS AND RECALLS.

We may be exposed to liability claims arising from the commercial sale of our products, Nutropin Depot or Risperdal Consta, or the use of our product candidates in clinical trials and those awaiting regulatory approval. These claims may be brought by consumers, our collaborative partners or third parties selling the products. We currently carry product liability insurance coverage in such amounts as we believe are sufficient for our business. However, we cannot provide any assurance that this coverage will be sufficient to satisfy any liabilities that may arise. As our development activities progress and we continue to have commercial sales, this coverage may be inadequate; we may be unable to obtain adequate coverage at an acceptable cost or we may be unable to get adequate coverage at all. This could prevent or limit our commercialization of our product candidates or commercial sales of our products. Even if we are able to maintain insurance that we believe is adequate, our financial condition may be materially adversely affected by a product liability claim.

Additionally, product recalls may be issued at our discretion or at the direction of the FDA, other government agencies or other companies having regulatory control for pharmaceutical product sales. We cannot assure you that product recalls will not occur in the future or that, if such recalls occur, such recalls will not adversely affect our business, financial condition or reputation.

WE MAY NOT BE SUCCESSFUL IN THE DEVELOPMENT OF PRODUCTS FOR OUR OWN ACCOUNT.

In addition to our development work with collaborative partners, we are developing proprietary product candidates for our own account by applying drug delivery technologies to off-patent drugs. Because we will be funding the development of such programs, there is a risk that we may not be able to continue to fund all such programs to completion or to provide the support necessary to perform the clinical trials, obtain regulatory approvals or market any approved products on a worldwide basis. We expect the development of products for our own account to consume substantial resources. If we are able to develop commercial products on our own, the risks associated with these programs may be greater than those associated with our programs with collaborative partners.

IF WE ARE NOT ABLE TO DEVELOP NEW PRODUCTS, OUR BUSINESS MAY SUFFER.

We compete with other pharmaceutical companies, including large pharmaceutical companies with financial resources and capabilities substantially greater than our resources and capabilities, in the development of new products. We cannot assure you that we will be able to:

- develop or successfully commercialize new products on a timely basis or at all; or

- develop new products in a cost effective manner.

Further, other companies may develop products or may acquire technology for the development of products that are the same as or similar to the product candidates we have in development. Because there is rapid technological change in the industry and because other companies have more resources than we do, other companies may:

- develop their products more rapidly than we can;
- complete any applicable regulatory approval process sooner than we can; or
- offer their newly developed products at prices lower than our prices.

Any of the foregoing may negatively impact our sales of newly developed products. Technological developments or the FDA's approval of new therapeutic indications for existing products may make our existing products or those product candidates we are developing obsolete or may make them more difficult to market successfully, any of which could have a material adverse effect on our business and financial condition.

WE FACE COMPETITION IN THE BIOTECHNOLOGY AND PHARMACEUTICAL INDUSTRIES.

We can provide no assurance that we will be able to compete successfully against the competitive forces in developing our product and product candidates.

We face intense competition from academic institutions, government agencies, research institutions and biotechnology and pharmaceutical companies, including other drug delivery companies. Some of these competitors are also our collaborative partners. These competitors are working to develop and market other drug delivery systems, pharmaceutical products, vaccines and other methods of preventing or reducing disease, and new small-molecule and other classes of drugs that can be used without a drug delivery system.

There are other companies developing extended-release drug delivery systems and pulmonary delivery systems. In many cases, there are products on the market or in development that may be in direct competition with our products or product candidates. In addition, we know of new chemical entities that are being developed that, if successful, could compete against our product candidates. These chemical entities are being designed to work differently than our product candidates and may turn out to be safer or to be more effective than our product candidates. Among the many experimental therapies being tested in the U.S. and Europe, there may be some that we do not now know of that may compete with our drug delivery systems or product candidates. Our collaborative partners could choose a competing drug delivery system to use with their drugs instead of one of our drug delivery systems.

Many of our competitors have much greater capital resources, manufacturing, research and development resources and production facilities than we do. Many of them also have much more experience than we do in preclinical testing and clinical trials of new drugs and in obtaining FDA and foreign regulatory approvals.

Major technological changes can happen quickly in the biotechnology and pharmaceutical industries, and the development by competitors of technologically improved or different products or drug delivery technologies may make our product candidates or platform technologies obsolete or noncompetitive.

Further, our product candidates may not gain market acceptance among physicians, patients, healthcare payors and the medical community. The degree of market acceptance of any product candidates that we develop will depend on a number of factors, including:

- demonstration of their safety and clinical efficacy;
- their cost-effectiveness;
- their potential advantage over alternative treatment methods;
- the marketing and distribution support they receive; and
- reimbursement policies of government and third-party payors.

Our product candidates, if successfully developed and approved for commercial sale, will compete with a number of drugs and therapies currently manufactured and marketed by major pharmaceutical and other biotechnology companies. Our product candidates may also compete with new products currently under development by others or with products which may cost less than our product candidates. Physicians, patients, third-party payors and the medical community may not accept or utilize any of our product candidates that may be approved. If our products do not achieve significant market acceptance, our business and financial condition will be materially adversely affected.

WE MAY NOT BE ABLE TO RETAIN OUR KEY PERSONNEL.

Our success depends on the services of key employees in executive, research and development, manufacturing, and regulatory positions. The loss of the services of key employees could have a material adverse effect on our business. On August 26, 2002, we announced a restructuring program to reduce our cost structure as a result of our expectations regarding the financial impact of the non-approvable letter for Risperdal Consta received by our partner, J&J PRD. The restructuring program reduced our workforce by 122 employees, representing approximately 23% of our employees, and includes plans for consolidation and closure of certain leased facilities in Cambridge, Massachusetts, closure of our medical affairs office in Cambridge, England, write-off of leasehold improvements at leased facilities being vacated and reductions of other expenses. In connection with the restructuring program, we recorded a charge of $3.7 million in the quarter ended September 30, 2002. We can provide no assurance that further reductions in force will not occur or that such reductions will not result in the loss of key personnel.

IF WE ISSUE ADDITIONAL COMMON STOCK, YOU MAY SUFFER DILUTION OF YOUR INVESTMENT AND A DECLINE IN STOCK PRICE.

As discussed above under "We will need to spend substantial funds to become profitable," we may issue additional equity securities to raise funds, thus reducing the ownership share of the current holders of our common stock, which may adversely affect the market price of the common stock. In addition, we were obligated, at September 30, 2002, to issue 12,334,949 shares of common stock upon the vesting and exercise of stock options and vesting of stock awards. Any of our shareholders could sell all or a large number of their shares, which could adversely affect the market price of our common stock.

OUR COMMON STOCK PRICE IS HIGHLY VOLATILE.

The realization of any of the risks described in these "Risk Factors" or

other unforeseen risks could have a dramatic and adverse effect on the market price of our common stock. Additionally, market prices for securities of biotechnology and pharmaceutical companies, including ours, have historically been very volatile. The market for these securities has from time to time experienced significant price and volume fluctuations for reasons that were unrelated to the operating performance of any one

company. In particular and in addition to circumstances described elsewhere under "Risk Factors," the following factors can adversely affect the market price of our common stock:

- non-approval or set-backs in development of our product candidates and success of our research and development programs;
- public concern as to the safety of drugs developed by us or others;
- announcements of issuances of common stock or acquisitions by Alkermes;
- developments of our corporate partners;
- announcements of technological innovations or new therapeutic products by us or others;
- changes in government regulations or patent decisions; and
- general market conditions.

WE MAY ENCOUNTER DIFFICULTIES INTEGRATING FUTURE ACQUISITIONS.

We have in the past and may again acquire novel technologies, compounds or the rights to certain products through acquisitions of such technologies and intellectual property rights or through the acquisition of businesses or companies. We cannot assure you that any such future acquisition will be completed, successfully integrated with our current businesses, will achieve revenues or will be profitable. We may have difficulty assimilating the operations, technology and personnel of any acquired businesses.

If we make significant acquisitions for stock consideration, the current holders of our common stock may be significantly diluted. If we make significant acquisitions for cash consideration, we may be required to use a substantial portion of our available cash.

ANTI-TAKEOVER PROVISIONS MAY NOT BENEFIT SHAREHOLDERS.

We are a Pennsylvania corporation. Anti-takeover provisions of Pennsylvania law could make it more difficult for a person or group to acquire control of us, even if the change in control would be beneficial to shareholders. Our articles of incorporation and bylaws also contain certain provisions that could have a similar effect. The articles provide that our board of directors may issue, without shareholder approval, preferred stock having such voting rights, preferences and special rights as the board of directors may determine. The issuance of such preferred stock could make it more difficult for a third party to acquire us.

RISKS RELATED TO THE NEW NOTES

THE NEW NOTES ARE SUBORDINATED TO OUR SENIOR DEBT, BUT SENIOR IN PAYMENT TO THE EXISTING NOTES.

The new notes will be unsecured and subordinated in right of payment to senior debt, including our existing bank loan and equipment lease financing. The new notes are senior to the existing notes. As a result of such subordination, in the event of our liquidation or insolvency, a payment default with respect to senior debt, a covenant default with respect to designated senior debt or upon acceleration of the new notes due to an event of default, our assets will be available to pay obligations on the new notes only after all senior debt has been paid in full, and there may not be sufficient assets remaining to pay amounts due on any or all of the new notes then outstanding. Neither we nor our subsidiaries are prohibited under the new notes indenture from incurring additional debt.

OUR SUBSIDIARIES WILL NOT BE PROHIBITED FROM INCURRING DEBTS IN THE FUTURE THAT WOULD BE SENIOR TO THE NEW NOTES.

At September 30, 2002, we had approximately $9.75 million of outstanding senior indebtedness.

The new notes are effectively subordinate to all indebtedness and other liabilities of our subsidiaries. Substantially all of our operations are conducted through our subsidiaries. Because substantially all of our operations are conducted through subsidiaries, claims of holders of indebtedness of such subsidiaries, as well as claims of regulators and creditors of such subsidiaries, will have priority with respect to the assets and earnings of such subsidiaries over the claims of creditors of Alkermes, Inc., including the new note holders.

The new notes are obligations exclusively of Alkermes, Inc. Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on the new notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations.

WE MAY NOT HAVE THE FINANCIAL RESOURCES TO REPURCHASE THE NEW NOTES IN THE EVENT OF A CHANGE IN CONTROL.

We may be unable to repurchase the new notes in the event of a change in control. Upon a change in control, you may require us to repurchase all or a portion of your new notes. If a change in control were to occur, we may not have enough funds to pay the repurchase price for all tendered new notes. Any future credit agreements or other debt agreements may prohibit repurchase of the new notes for cash, or expressly prohibit the repurchase of the new notes upon a change in control or may provide that a change in control constitutes an event of default under that agreement. If a change in control occurs at a time when we are prohibited from repurchasing the new notes, we could seek the consent of our lenders to repurchase the new notes or could attempt to refinance the debt agreements. If we do not obtain consent, we could not repurchase the new notes. Our failure to repurchase the new notes would constitute an event of default under the new notes indenture, which might constitute an event of default under the terms of our other debt. Our obligation to offer to repurchase the new notes

upon a change in control would not necessarily afford you protection in the event of a highly leveraged transaction, reorganization, merger or similar transaction.

IF AN ACTIVE MARKET FOR THE NEW NOTES FAILS TO DEVELOP, THE TRADING PRICE AND LIQUIDITY OF THE NEW NOTES COULD BE MATERIALLY ADVERSELY AFFECTED.

Prior to the offering there has been no trading market for the new notes. The dealer manager has advised us that it currently intends to make a market in the new notes. The liquidity of the trading market for the new notes will depend in part on the level of participation of the holders of existing notes in the exchange offer. The greater the participation in the exchange offer, the greater the liquidity of the trading market for the new notes and the lesser the liquidity of the trading market for the existing notes not tendered in the exchange offer. However, U.S. Bancorp Piper Jaffray is not obligated to make a market and may discontinue this market making activity at any time without notice. In addition, market making activity by U.S. Bancorp Piper Jaffray will be subject to the limits imposed by the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"). As a result, we cannot assure you that any market for the new notes will develop or, if one does develop, that it will be maintained. If an active market for the new notes fails to develop or be sustained, the trading price and liquidity of the new notes could be materially adversely affected.

WE EXPECT THE TRADING PRICE OF THE NEW NOTES AND THE UNDERLYING COMMON STOCK TO BE HIGHLY VOLATILE, WHICH COULD ADVERSELY AFFECT THE MARKET PRICE OF OUR NEW NOTES AND UNDERLYING COMMON STOCK.

The trading price of the new notes and the underlying common stock will fluctuate in response to variations in:

- our operating results;
- announcements by us or our competitors of technological innovations or new products; and
- general economic and market conditions.

In addition, stock markets have experienced extreme price volatility in recent years, particularly for biotechnology companies. In the past, our common stock has experienced volatility not necessarily related to announcements of our financial performance. Broad market fluctuations may also adversely affect the market price of our new notes and underlying common stock.

IF WE AUTOMATICALLY CONVERT THE NEW NOTES, YOU SHOULD BE AWARE THAT THERE IS A SUBSTANTIAL RISK OF FLUCTUATION IN THE PRICE OF OUR COMMON STOCK FROM THE DATE WE ELECT TO AUTOMATICALLY CONVERT TO THE CONVERSION DATE.

We may elect to automatically convert the new notes on or prior to maturity if our common stock price has exceeded 150% of the conversion price for at least 20 trading days during a 30-day trading period ending within five trading days prior to the notice of automatic conversion. You should be aware that there is a risk of fluctuation in the price of our common stock between the time when we may first elect to automatically convert the new notes and the automatic conversion date. This time period may extend up to 30 calendar days from the time we elect to automatically convert the new notes until the

conversion date.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled "Summary," "Risk Factors" and "Business" contains forward-looking information. This forward-looking information is subject to risks and uncertainties including the factors listed under "Risk Factors," as well as elsewhere in this prospectus. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and may be inaccurate. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various factors, including the risks outlined under "Risk Factors." These factors may cause our actual results to differ materially from any forward-looking statement. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

USE OF PROCEEDS

We will not receive any cash proceeds from the exchange of the existing notes for the new notes pursuant to the exchange offer. We also are offering up to $50,000,000 aggregate principal amount of additional new notes for cash. We intend to use the net proceeds, if any, from the sale of the additional new notes for research, development and clinical trial activities, especially for proprietary compounds, and for manufacturing facilities and equipment. We may also use the proceeds to license or otherwise acquire additional drug delivery technologies or compounds for use in proprietary products, although no such actions are currently contemplated. In addition, we expect to use the net proceeds for working capital and other corporate purposes. We have not yet determined the amount of net proceeds to be used specifically for each of these purposes. Pending such use, we intend to invest the net proceeds in cash equivalents, U.S. government obligations, high-grade corporate notes and commercial paper.

PRICE RANGE OF COMMON STOCK

Our common stock is traded on the NASDAQ National Market under the symbol ALKS. As of November 5, 2002, our common stock was held by 642 holders. Set forth below for the indicated periods are the high and low sale prices for our common stock. The closing share price of our common stock on November 25, 2002 was $9.09.

	HIGH	LOW
Fiscal year ending March 31, 2001		

First Quarter	$55.00	$21.56
Second Quarter	49.38	29.00
Third Quarter	43.50	25.69
Fourth Quarter	33.50	18.75
Fiscal year ending March 31, 2002		
First Quarter	$37.75	$20.38
Second Quarter	35.36	17.39
Third Quarter	28.90	18.22
Fourth Quarter	31.39	23.67
Fiscal year ending March 31, 2003		
First Quarter	$26.65	$14.65
Second Quarter	10.68	3.55
Third Quarter (through November 25, 2002)	11.31	6.86

DIVIDEND POLICY

No dividends have been paid on the common stock or non-voting common stock to date and we do not expect to pay cash dividends thereon in the foreseeable future.

RATIO OF EARNINGS TO FIXED CHARGES

	Year Ended March 31,					Six Months Ended Septem
	1998	1999	2000	2001	2002	2002
Ratio of earnings to fixed charges (1)	--	--	--	--	--	--

(1) For the fiscal years ended March 31, 1998, 1999, 2000, 2001 and 2002 and for the six months ended September 30, 2002, earnings were insufficient to cover fixed charges by $9,868,000, $37,488,000, $62,828,000, $4,670,000, $49,129,000 and $106,438,000, respectively. For this reason, no ratios are provided.

CAPITALIZATION

The following table sets forth the consolidated unaudited capitalization of Alkermes:

- at September 30, 2002:
- as adjusted to give effect to the issuance of the new notes in the exchange offer on the assumption that all of the outstanding existing notes were validly tendered and accepted for exchange;
- as adjusted to give effect to the issuance for cash of an

additional $50 million of new notes; and

- as adjusted to reflect a net gain of $80.9 million on the assumed early extinguishment of all outstanding existing notes. This extinguishment of debt will result in recognition of gain in our statement of operations in the period in which the exchange offer is consummated.

The interest make-whole provisions contained in the new notes will be separately accounted for as derivative financial instruments in accordance with Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." Of the aggregate principal amount of new notes to be issued in the exchange offer and cash offer, $9.0 million has been allocated to these instruments based on their estimated fair values. This derivative liability will be adjusted quarterly for changes in fair value through either the date the interest make-whole provisions expire, at which time the liability will be zero, or the date at which an interest make-whole provision is triggered, with the corresponding charge or credit to other expense or income. This allocation of value to the interest make-whole provisions has been recorded as a discount on the new notes and the new notes will be accreted to par value through quarterly interest charges over the seven-year term of the new notes.

To the extent that existing notes are not validly tendered or accepted in the exchange offer, the amount attributed to the new notes would decrease, the amount attributed to the existing notes would increase and the accumulated deficit would increase. The financial data at September 30, 2002 in the following table are derived from our unaudited financial statements for the quarter ended September 30, 2002.

	September 30, 2002	
	Actual	As Adjusted
	(unaudited) (dollars in thousands)	
Current portion of long-term debt	$ 3,700	$ 3,700
Long-term debt, less current portion:		
6.52% Convertible senior subordinated note (new notes) (net of $9.0 million discount)	--	156,000
3.75% Convertible subordinated notes (existing notes)	200,000	--
Other long-term debt	6,050	6,050
Total long-term debt	206,050	162,050
Shareholders' equity:		
Preferred stock, par value $.01 per share: authorized, 3,000,000 shares; none issued(1)	--	--
Common stock, par value $.01 per share: authorized, 160,000,000; issued and outstanding, 64,334,418 shares at September 30, 2002(1) (2)	643	643

Non-voting common stock, par value $.01 per share: authorized, 450,000; issued and outstanding, 382,632 shares at September 30, 2002(1)	3	3
Additional paid-in capital	444,832	444,832
Deferred compensation	(2,039)	(2,039)
Accumulated other comprehensive (loss) income	(47)	(47)
Accumulated deficit	(456,966)	(376,066)
Total shareholders' (deficiency) equity	(13,574)	67,326
Total capitalization	$ 196,176	$ 233,076

(1) We are authorized to issue an additional 1,550,000 shares that are undesignated capital stock. See "Description of Capital Stock."

(2) Outstanding shares exclude the shares reserved for issuance upon conversion of the new notes and 12,334,949 shares issuable under our stock option and award plans.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial data of Alkermes. The consolidated statements of operations data for the years ended March 31, 2002, 2001 and 2000, and the consolidated balance sheet data as of March 31, 2002 and 2001, have been derived from our consolidated financial statements, which are included elsewhere in this prospectus, and which have been audited by Deloitte & Touche LLP, independent auditors. The consolidated statement of operations data for the years ended March 31, 1999 and 1998 and the consolidated balance sheet data as of March 31, 2000, 1999 and 1998, are derived from audited consolidated financial statements not included in this prospectus. The financial data for the six-month periods ended September 30, 2002 and 2001 are derived from unaudited financial statements included elsewhere in this prospectus. The unaudited financial statements include all adjustments, consisting of normal recurring items, which Alkermes considers necessary for a fair presentation of the financial position and the results of operations for these periods. Operating results for the six months ended September 30, 2002 are not necessarily indicative of the results that may be expected for the entire year ending March 31, 2003. The data should be read in conjunction with the consolidated financial statements, related notes, and other financial information included herein.

ALKERMES, INC. AND SUBSIDIARIES
(in thousands, except per share data)

CONSOLIDATED STATEMENT OF OPERATIONS DATA: YEAR ENDED MARCH 31,

	2002	2001	2000	1999	1998
Revenues:					
Revenue under collaborative arrangements	$ 54,102	$ 56,030	$ 22,920	$ 33,892	$ 25,585
Expenses:					
Research and development	92,092	68,774	54,483	48,457	31,762
General and administrative	24,387	19,611	14,878	14,556	8,375
Restructuring costs	--	--	--	--	--
Noncash compensation (income) expense attributed to research and development	--	(2,448)	29,493	16,239	2,183
Purchase of in-process research and development	--	--	--	3,221	--
Total expenses	116,479	85,937	98,854	82,473	42,320
Net operating loss	(62,377)	(29,907)	(75,934)	(48,581)	(16,735
Total other income (expense)	6,426	13,038	7,887	7,525	4,153
Equity in losses of Reliant Pharmaceuticals, LLC	(5,404)	--	--	--	--
Net loss	(61,355)	(16,869)	(68,047)	(41,056)	(12,582
Preferred stock dividends	--	7,268	9,389	7,455	--
Net loss attributable to common shareholders	$ (61,355)	$ (24,137)	$ (77,436)	$ (48,511)	$ (12,582
Basic and diluted loss per common share	$ (0.96)	$ (0.43)	$ (1.52)	$ (0.99)	$ (0.27
Weighted average number of common shares outstanding	63,669	55,746	51,015	49,115	46,038

CONSOLIDATED BALANCE SHEET DATA:	AT MARCH 31,				A
	2002	2001	2000	1999	1998
Cash and cash equivalents and short-term investments	$ 152,347	$ 254,928	$ 337,367	$ 163,419	$ 194,257
Other current assets	24,290	16,678	8,474	5,745	8,562
Total assets	350,350	391,297	413,961	213,452	220,977
Current liabilities	42,886	31,062	22,487	28,500	19,517
Long-term obligations	207,800	211,825	222,792	28,417	12,933
Shareholders' equity (deficiency)	99,664	148,410	167,967	156,206	181,455

THE EXCHANGE OFFER

TERMS OF THE EXCHANGE OFFER; PERIOD FOR TENDERING EXISTING NOTES

We are offering to exchange your existing notes for new notes as follows:

- $575 principal amount of new notes for each $1,000 principal amount of existing notes for up to 100% of the aggregate outstanding principal amount of existing notes. The new notes will be issued in denominations of $1,000 and any integral multiple of $1,000. We will pay cash for any fractional portion of new notes.

Based on the principal amount outstanding as of the date of this prospectus, we are offering to acquire up to $200,000,000 aggregate principal amount of existing notes that are validly tendered on the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal. In addition, if you elect to tender existing notes in the exchange offer, you will have the right to participate in the cash offering of up to $50 million principal amount of additional new notes.

You may tender all, some or none of your existing notes, subject to the terms and conditions of the exchange offer. Holders of existing notes must tender their existing notes in a minimum $1,000 principal amount and multiples thereof.

The exchange offer is not being made to, and we will not accept tenders for exchange from, holders of existing notes in any jurisdiction in which the exchange offer or the acceptance of the offer would not be in compliance with the securities or blue sky laws of that jurisdiction.

OUR BOARD OF DIRECTORS AND OFFICERS DO NOT MAKE ANY RECOMMENDATION TO THE HOLDERS OF EXISTING NOTES AS TO WHETHER OR NOT TO EXCHANGE ALL OR ANY PORTION OF THEIR EXISTING NOTES. IN ADDITION, WE HAVE NOT AUTHORIZED ANYONE TO MAKE ANY RECOMMENDATION. YOU MUST MAKE YOUR OWN DECISION WHETHER TO TENDER YOUR EXISTING NOTES FOR EXCHANGE AND, IF SO, THE AMOUNT OF EXISTING NOTES TO TENDER.

EXPIRATION DATE

The expiration date for the offer is 5:00 p.m., New York City time, on December 24, 2002, unless we extend the offer. We may extend this expiration date for any reason. The last date on which tenders will be accepted, whether on December 24, 2002 or any later date to which the exchange offer may be extended, is referred to as the expiration date.

EXTENSIONS; AMENDMENTS

We expressly reserve the right, in our discretion, for any reason to:

- delay the acceptance of existing notes tendered for exchange, subject to the requirement that we promptly issue new notes or return tendered existing notes after expiration or withdrawal of the exchange offer;

- extend the time period during which the exchange offer is open, by

giving oral or written notice of an extension to the holders of existing notes in the manner described below; during any extension, all existing notes previously tendered and not withdrawn will remain subject to the exchange offer;

- waive any condition or amend the terms of the exchange offer other than the condition that the registration statement becomes effective under the Securities Act; and

- terminate the exchange offer, as described under "Conditions for Completion of the Exchange Offer" below.

If we consider an amendment to the exchange offer to be material, or if we waive a material condition of the exchange offer, we will promptly disclose the amendment in a prospectus supplement, and if required by law, we will extend the exchange offer for a period of five to ten business days.

We will give oral or written notice of any (1) extension, (2) amendment, (3) non-acceptance or (4) termination to the holders of the existing notes as promptly as practicable. In the case of any extension, we will issue a press release or other public announcement no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

PROCEDURES FOR TENDERING EXISTING NOTES

Your tender to us of existing notes and our acceptance of your tender will constitute a binding agreement between you and us upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal.

Tender of Existing Notes Held Through a Custodian. If you are a beneficial holder of the existing notes that are held of record by a custodian bank, depository institution, broker, dealer, trust company or other nominee, you must instruct the custodian, or such other record holder, to tender the existing notes on your behalf. Your custodian will provide you with their instruction letter, which you must use to give these instructions.

Tender of Existing Notes Held Through DTC. Any beneficial owner of existing notes held of record by The Depository Trust Company ("DTC") or its nominee, through authority granted by DTC may direct the DTC participant through which the beneficial owner's existing notes are held in the DTC to tender on such beneficial owner's behalf. To effectively tender existing notes that are held through DTC, DTC participants should transmit their acceptance through the Automated Tender Offer Program ("ATOP"), for which the transaction will be eligible, and the DTC will then edit and verify the acceptance and send an agent's message to the exchange agent for its acceptance. Delivery of tendered existing notes must be made to the exchange agent pursuant to the book-entry delivery procedures set forth below or the tendering DTC participant must comply with the guaranteed delivery procedures set forth below. No letters of transmittal will be required to tender existing notes through ATOP.

In addition, the exchange agent must receive:

- a completed and signed letter of transmittal or an electronic confirmation pursuant to DTC's ATOP system indicating the principal

amount of existing notes to be tendered and any other documents, if any, required by the letter of transmittal; and

- prior to the expiration date, a confirmation of book-entry transfer of such existing notes, into the exchange agent's account at DTC, in accordance with the procedure for book-entry transfer described below; or

- the holder must comply with the guaranteed delivery procedures described below.

Your existing notes must be tendered by book-entry transfer. The exchange agent will establish an account with respect to the existing notes at DTC for purposes of the exchange offer within two business days after the date of this prospectus. Any financial institution that is a participant in DTC must make book-entry delivery of existing notes by having DTC transfer such existing notes into the exchange agent's account at DTC in accordance with DTC's procedures for transfer. Although your existing notes will be tendered through the DTC facility, the letter of transmittal, or facsimile, or an electronic confirmation pursuant to DTC's ATOP system, with any required signature guarantees and any other required documents, if any, must be transmitted to and received or confirmed by the exchange agent at its address set forth below under "Exchange Agent," prior to 5:00 p.m., New York City time, on the expiration date. You or your broker must ensure that the exchange agent receives an agent's message from DTC confirming the book-entry transfer of your existing notes. An agent's message is a message transmitted by DTC and received by the exchange agent that forms a part of the book-entry confirmation which states that DTC has received an express acknowledgement from the participant in DTC tendering existing notes that such participant agrees to be bound by the terms of the letter of transmittal. Delivery of documents to DTC in accordance with its procedures does not constitute delivery to the exchange agent.

If you are an institution which is a participant in DTC's book-entry transfer facility, you should follow the same procedures that are applicable to persons holding existing notes through a financial institution.

Do not send letters of transmittal or other exchange offer documents to us or to U.S. Bancorp Piper Jaffray, the dealer manager.

It is your responsibility that all necessary materials get to State Street Bank and Trust Company, the exchange agent, before the expiration date. If the exchange agent does not receive all of the required materials before the expiration date, your existing notes will not be validly tendered.

Any existing notes not accepted for exchange for any reason will be returned without expense to the tendering holder as promptly as practicable after the expiration or termination of the exchange offer.

We will have accepted the validity of tendered existing notes if and when we give oral or written notice to the exchange agent. The exchange agent will act as the tendering holders' agent for purposes of receiving the new notes from us. If we do not accept any tendered existing notes for exchange because of an invalid tender or the occurrence of any other event, the exchange agent will return those existing notes to you without expense, promptly after the expiration date via book-entry transfer through DTC.

BINDING INTERPRETATIONS

We will determine in our sole discretion, all questions as to the validity, form, eligibility and acceptance of existing notes tendered for exchange. Our determination will b