Origin Agritech LTD
Form 20-F
January 14, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2009

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

o SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 000-5157

Origin Agritech Limited
(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

British Virgin Islands
(Jurisdiction of incorporation or organization)

No. 21 Sheng Ming Yuan Road, Changping District, Beijing 102206, China
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered

Ordinary Shares	The NASDAQ Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 23,013,692 ordinary shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o x No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes o x No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer o Accelerated filer x Non-accelerated filer o

Indicate by a check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP x	International Financial Reporting Standard as Issued by the International Accounting Standards Board o	Other o

Indicate by check mark which financial statement item the registrant has elected to follow:

o Item 17 o Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

o Yes x No

ORIGIN AGRITECH LIMITED

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INTRODUCTION

Except where the context otherwise requires and for purposes of this Annual Report only:

- "we," "us," "our company," "our," the "Company" and "Origin" refer to Origin Agritech Limited and, in the context of describing our operations, also include State Harvest Holdings Limited and the following, which are collectively described in this Annual Report as "our PRC Operating Companies": Beijing Origin State Harvest Biotechnology Limited, or Origin Biotechnology, Beijing Origin Seed Limited, or Beijing Origin, and its five subsidiaries, Changchun Origin Seed Technology Development Limited, or Changchun Origin, Henan Origin Cotton Technology Development Limited, or Henan Origin, Denong Zhengcheng Seed Limited, or Denong, Jilin Changrong High-tech Seed Limited, or Jilin Changrong and Linze Origin Seed Limited, or Linze Origin;

- "last year," "fiscal year 2009," "the year ended September 30, 2009" and "the fiscal year ended September 30, 2009" refer to the twelve months ended September 30, 2009, which is the period covered by this Annual Report;

- all references to "Renminbi," "RMB" or "yuan" are to the legal currency of China; all references to "U.S. dollars," "dollars," "$" or "US$" are to the legal currency of the United States. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding;

- "China" or "PRC" refers to the People's Republic of China, excluding Taiwan, Hong Kong and Macau;

- "Hong Kong" refers to the Hong Kong Special Administrative Region of the People's Republic of China; and

- "shares" and "ordinary shares" refer to our ordinary shares, "preferred shares" refers to our preferred shares.

FORWARD-LOOKING INFORMATION

This Annual Report on Form 20-F contains forward-looking statements that are based on our current expectations, assumptions, estimates and projections about our company and industry. All statements other than statements of historical fact in this Annual Report are forward-looking statements. These forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "anticipate," "estimate," "plan," "believe," "is/are likely to" or similar expressions. The forward-looking statements included in this Annual Report relate to, among others:

- our goals and strategies, including how we implement our goals and strategies;
- our expectations for our future business and product development, business prospects, results of business operations and current financial condition;
- expected changes in our margins and certain costs or expenditures;
- our future pricing strategies or pricing policies;
- our ability to successfully anticipate market demand for crop seeds in our market and plan our volume and product mix;
- our plans for development of seed or technology internally, including our ability to successfully develop, produce, receive approval for and distribute proprietary seed products;
- our expectations regarding our need to produce seeds and other bio-technology under licenses from third parties;
- the future development of agricultural biotechnology as a whole and the impact of genetically modified crop seeds in our industry;
- the scope and impact of the policies and regulations regarding genetically modified seed products in China, and our ability to apply for and receive necessary approvals and to develop, produce, market and distribute genetically modified crop seeds;
- our plans to license or co-develop any seed product or technology;

- our plans regarding any future business combination or business acquisition;
- PRC and other international governmental policies and regulations relating to the crop seed industry;
- our plans to expand our business level or corporate level operations and product offerings;
- the likelihood of recurrence of accounting charges or impairments;
- expected changes in our sources of revenue from our business operations or other sources;
- competition in the crop seed industry in China and other international markets;
- the future development of the crop seed industry in China and other international markets;
- our plans for current staffing requirements, research and development and regional business focus;
- our ability to successfully raise capital to accommodate growing company needs under acceptable terms and at reasonable cost; and
- the adequacy of our facilities for our future operations.

We believe it is important to communicate our expectations to our shareholders. However, there may be certain events in the future that we are not able to predict with accuracy or over which we have no control. The risk factors and cautionary language discussed in this Annual Report provide examples of risks, uncertainties and events that may cause actual results to differ materially from the expectations in these forward-looking statements, including among other things:

- changing interpretations of generally accepted accounting principles and the adoption or use of international accounting standards in the future;
- outcomes of PRC and international government reviews, inquiries, investigations and related litigation;

- continued compliance with the government regulations of the PRC and other governments;
- legislative and regulatory environments, requirements or changes adversely affecting the businesses in which we and our PRC operating companies are engaged;
- fluctuations in the PRC or international customer demand;
- management of the growth of our business and introduction of genetically modified products;
- timing of approval and market acceptance of new products;
- general economic conditions in the PRC and worldwide; and
- geopolitical events and regulatory changes.

The forward-looking statements in this Annual Report involve various risks, assumptions and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, we cannot be certain that our expectations will materialize. Our actual results could be materially different from and worse than our expectations. Important risks and factors that could cause our actual results to be materially different from our expectations are generally set forth in Item 3.D of this Annual Report, “Key information — Risk Factors” and elsewhere in this Annual Report.

This Annual Report also contains information relating to the crop seed market in China. The market data include projections that are based on a number of assumptions. The crop seed market may not grow at the rates we project or at all. The failure of this market to grow at the projected rates may have a material adverse effect on our business and the market price of our shares. In addition, the relatively new and rapidly changing nature of the genetically modified crop seed industry subjects any projections or estimates relating to the growth prospects or future condition of our markets to significant uncertainties. Furthermore, if any one or more of the assumptions underlying the market data turns out to be incorrect, actual results may differ based on these assumptions.

The forward-looking statements made in this Annual Report relate only to events or information as of the date on which the statements are made in this Annual Report. Readers should read these statements in conjunction with the risk factors disclosed in Item 3.D of this Annual Report.

All forward-looking statements included herein attributable to us or other parties or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable laws and regulations, we undertake no obligations to update these forward-looking statements to reflect events or circumstances after the date of this Annual Report or to reflect the occurrence of unanticipated events.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

A. Selected financial data .

The following selected consolidated financial information has been derived from our fiscal year end consolidated financial statements. The following information should be read in conjunction with those statements and Item 5, “Operating and Financial Review and Prospects.” Our summary consolidated statements of operations and comprehensive income data for the years ended September 30, 2007, 2008 and 2009 and our summary consolidated balance sheet data as of September 30, 2008 and 2009, as set forth below, are derived from, and are qualified in their entirety by reference to, our audited consolidated financial statements, including the notes thereto, which are included in this Annual Report. The summary statement of operations and comprehensive income data for the year ended December 31, 2005 and the nine months ended September 30, 2006 and the summary balance sheet data as of December 31, 2005, September 30, 2006 and 2007, set forth below are derived from our audited consolidated financial statements which are not included herein.

Our consolidated financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States, or U.S. GAAP.

(in thousands, except share data)	For the year ended December 31, 2005 RMB	For the nine months ended September 30, 2006 RMB	2007 RMB	For the year ended September 30,
Consolidated statement of operations and comprehensive income data:				
Net revenues	207,291	522,999	489,379	
Cost of revenues	(129,162)	(362,982)	(462,852)	
Gross profit	78,129	160,017	26,527	
Selling and marketing	(27,037)	(49,651)	(57,994)	
General and administrative	(28,983)	(40,933)	(92,246)	
Research and development	(6,977)	(13,144)	(28,441)	
Total operating expenses	(62,997)	(103,728)	(178,681)	
Other operating income	2,309	-	-	
Income (loss) from operations	17,441	56,289	(152,154)	
Interest income	886	8,783	10,942	
Interest expenses	(1,829)	(5,005)	(21,697)	
Other income (expense)	300	2,893	1,312	
Equity in earnings of associated company	879	12,828	(669)	
Changes in the fair value of embedded derivatives	-	-	12,601	
Income (loss) before income taxes	17,677	75,788	(149,665	
Income benefit (tax)	(1,405)	(367)	(49)	
Income (loss) before minority	16,272	75,421	(149,616)	

interests			
Minority interests	(137)	910	(13,584
Net income (loss)	16,409	76,331	(163,200
Income (loss) attributable to ordinary shareholders	16,409	76,331	(163,200)
Net income (loss) per share:			
Basic	1.52	3.25	(7.01)

adversely change our obligation to redeem any Notes on a redemption date;

adversely change our obligation to redeem any Note upon a designated event;

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impair the right of a holder to institute suit for payment on any Note;

change the currency in which any Note is payable;

impair the right of a holder to convert any Note or reduce the number of common sha
or any other property receivable upon conversion;

reduce the quorum or voting requirements under the indenture; or

subject to specified exceptions, modify certain of the provisions of the indenture relat
to modification or waiver of provisions of the indenture.

We are permitted to modify certain provisions of the indenture without the consent of the h
of the I

Form, Denomination and Registr

The Notes are is

in fully registered form;

without interest coupons; and

in denominations of $1,000 principal amount and integral multiples of $1,000.

Global Note, Book-Entry

The Notes are evidenced by one or more global Notes. We have deposited the global n
Notes with DTC and registered the global Notes in the name of Cede & Co. as DTC s no
Except as set forth below, a global note may be transferred, in whole or in part, only to a
nominee of DTC or to a successor of DTC or its nor

Beneficial interests in a global note may be held through organizations that are participa
DTC (called participants). Transfers between participants will be effected in the ordinar
accordance with DTC rules and will be settled in clearing house funds. The laws of some
require that certain persons take physical delivery of securities in definitive form. As a resu
ability to transfer beneficial interests in the global note to such persons may be li

Beneficial interests in a global note held by DTC may be held only through participar
certain banks, brokers, dealers, trust companies and other parties that clear through or main
custodial relationship with a participant, either directly or indirectly (called indirect partic
So long as Cede & Co., as the nominee of DTC, is the registered owner of a global note, C
Co. for all purposes will be considered the sole holder of such global note. Except as pro
below, owners of beneficial interests in a global note

not be entitled to have certificates registered in their names;

not receive physical delivery of certificates in definitive registered form; and

not be considered holders of the global note.

We will pay interest on and the redemption price of a global Note to Cede & Co.,
registered owner of the global note, by wire transfer of immediately available funds on
interest payment date or the redemption date, as the case may be. Neither we, the trustee no
paying agent will be responsible or l

for the records relating to, or payments made on account of, beneficial ownership inte
in a global Note; or

for maintaining, supervising or reviewing any records relating to the beneficial owne
interests.

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Neither we, the trustee, registrar, paying agent nor conversion agent will have any respons
for the performance by DTC or its participants or indirect participants of their resp
obligations under the rules and procedures governing their operations. DTC has advised us
will take any action permitted to be taken by a holder of Notes, including the presentat
Notes for conversion, only at the direction of one or more participants to whose accoun
DTC interests in the global Note are credited, and only in respect of the principal amount
Notes represented by the global note as to which the participant or participants has or have
such dire

DTC has advised us tha

a limited purpose trust company organized under the laws of the State of New York,
member of the Federal Reserve System;

a clearing corporation within the meaning of the Uniform Commercial Code; and

a clearing agency registered pursuant to the provisions of Section 17A of the Exch
Act.

DTC was created to hold securities for its participants and to facilitate the clearanc
settlement of securities transactions between participants through electronic book-entry ch
to the accounts of its participants. Participants include securities brokers, dealers, banks
companies and clearing corporations and other organizations. Some of the participants o
representatives, together with other entities, own DTC. Indirect access to the DTC sys
available to others such as banks, brokers, dealers and trust companies that clear throu
maintain a custodial relationship with a participant, either directly or indi

DTC has agreed to the foregoing procedures to facilitate transfers of interests in a globa
among participants. However, DTC is under no obligation to perform or continue to pe
these procedures, and may discontinue these procedures at any time. We will issue No
definitive certificate form o

DTC notifies us that it is unwilling or unable to continue as depositary or DTC ceases
be a clearing agency registered under the Securities and Exchange Act of 1934, as
amended, and a successor depositary is not appointed by us within 90 days;

an event of default shall have occurred and the maturity of the Notes shall have been
accelerated in accordance with the terms of the Notes and any holder shall have requ
in writing the issuance of definitive certificated Notes; or

we have determined in our sole discretion that the Notes shall no longer be represente
global Notes.

Registration Rights of the Noteho

We entered into a registration rights agreement with the initial purchaser in which we agr
file the shelf registration statement of which this prospectus is a part with the SEC cov
resale of the registrable securities within 90 days after the closing date. We will use ou
efforts to cause the shelf registration statement to become effective within 180 days of the cl
date. We will use our best efforts to keep the shelf registration statement effective until th
there are no longer any registrable secu

When we use the term registrable securities in this section, we are referring to the Note
common stock issuable upon conversion of the Notes until the earl

the sale pursuant to Rule 144 under the Securities Act or the shelf registration statem
all registrable securities; and

the expiration of the holding period applicable to such securities held by persons that
not affiliates of DURECT under Rule 144(k) under the Securities Act or any successo
provision.

We may suspend the use of the prospectus under certain circumstances relating to pe
corporate developments, public filings with the SEC and similar events. Any suspension p
sha

exceed 30 days in any three-month period; or

an aggregate of 90 days for all periods in any 12-month period.

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Notwithstanding the foregoing, we will be permitted to suspend the use of the prospectus
to 60 days in any 3-month period under certain circumstances relating to possible acquis
financings or other similar transac

We will pay predetermined liquidated damages on any interest payment date if the
registration statement is not timely filed or made effective or if the prospectus is unavailab
periods in excess of those permitted a

on the Notes at an annual rate equal to 0.5% of the aggregate principal amount of the
Notes outstanding until the registration statement is filed or made effective or during
additional period the prospectus is unavailable; and

on the common stock that has been converted, at an annual rate equal to 0.5% of an
amount equal to $1,000 divided by the conversion rate in effect during such periods.

A holder who elects to sell registrable securities pursuant to the shelf registration statemer
be requir

be named as a selling stockholder in the related prospectus;

deliver a prospectus to purchasers; and

be subject to the provisions of the registration rights agreement, including indemnific
provisions.

Under the registration rights agreement we

pay all expenses with respect to the shelf registration statement;

provide each registered holder copies of the prospectus;

notify holders when the shelf registration statement has become effective; and

take other reasonable actions as are required to permit unrestricted resales of the
registrable securities in accordance with the terms and conditions of the registration r
agreement.

The plan of distribution of the shelf registration statement will permit resales of regis
securities by selling security holders through brokers and de

This summary of the registration rights agreement is not complete. This summary is subj
and is qualified in its entirety by reference to, all the provisions of the registration
agree

Rule 144A Information Re

We will furnish to the holders or beneficial holders of the Notes or the underlying common
and prospective purchasers, upon their request, the information required under Rule 144A
under the Securities Act until such time as such securities are no longer restricted se
within the meaning of Rule 144 under the Securities Act, assuming these securities have no
owned by an affiliate of

Information Concerning the Tr

We have appointed The Bank of New York, the trustee under the indenture, as paying
conversion agent, note registrar and custodian for the N

The trustee or its affiliates may provide banking and other services to us in the ordinary cou
their business. The indenture contains certain limitations on the rights of the trustee, if it or a
its affiliates is then our creditor, to obtain payment of claims in certain cases or to real
certain property received on any claim as security or otherwise. The trustee and its affiliate
be permitted to engage in other transactions with us. However, if the trustee or any af
continues to have any conflicting interest and a default occurs with respect to the Note
trustee must eliminate such conflict or r

Governing

The Notes and the indenture shall be governed by, and construed in accordance with, the la
the State of New

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DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 110,000,000 shares of common stock, $0.0001 par
and 10,000,000 shares of undesignated preferred stock, $0.0001 par value. As of Octob
2003, there were 51,106,435 shares of common stock outstanding and warrants to pur
1,000,770 shares of common stock outsta

Common

The holders of common stock are entitled to one vote for each share held of record on all m
submitted to a vote of the stockholders. Subject to preferential rights with respect
outstanding preferred stock, holders of common stock are entitled to receive ratably
dividends as may be declared by the board of directors out of funds legally available there
the event of our liquidation, dissolution or winding up, the holders of common stock are en
to share ratably in all assets remaining after payment of liabilities and satisfaction of prefer
rights of any outstanding preferred stock. The common stock has no preemptive or conv
rights or other subscription rights. There are no sinking fund provisions applicable
common stock. The outstanding shares of common stock are, and the shares of common st
be issued upon completion of this offering will be, fully paid and non-asses

Preferred

Our board of directors is authorized to issue preferred stock in one or more series and to f
rights, preferences, privileges and restrictions thereof, including dividend rights, dividend
conversion rights, voting rights, terms of redemption, redemption prices, liquidation prefer
and the number of shares constituting any series or the designation of such series, without f
vote or action by the stockho

The issuance of preferred stock may have the effect of delaying, deferring or preventing a c
in our control without further action by the stockholders. The issuance of preferred stock
voting and conversion rights may adversely affect the voting power of the holders of com
stock, including voting rights, of the holders of common stock. In certain circumstances
issuance could have the effect of decreasing the market price of the common

Op

As of October 24, 2003, options to purchase a total of 5,810,171 shares of common stock
outstanding with a weighted-average exercise price of $4.67 per share. Up to 3,42
additional shares of common stock may be subject to options granted in the future under the
stock plan and the 2000 directors stock optio

War

As of October 24, 2003, we had an outstanding warrant for the purchase of 1,000,000 sha
common stock at an exercise price of $12.00 per share. This warrant expires on October 3,
We also had an additional outstanding warrant for the purchase of an aggregate of 770 sha
common stock at an exercise price of $8.50 per share. This warrant expires on May 11,

Registration R

In accordance with our Common Stock Purchase Agreement with Endo Pharmaceutical
(Endo) and an Agreement and Plan of Merger by and among us, Absorbable Po
Technologies, Inc. and Birmingham Polymers, Inc., we filed a registration statement on For
with the SEC on August 29, 2003 to register 2,261,425 shares of our common stock for r
The registration statement was declared effective by the SEC on September 26,

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Stockholder Rights

Our board of directors has adopted a stockholder rights plan. The stockholder rights pla
adopted to give our board of directors increased power to negotiate in our best interests
discourage appropriation of control of us at a price that is unfair to our stockholders. It
intended to prevent fair offers for acquisition of control determined by our board of direct
be in the best interest of us and out stockholder, nor is it intended to prevent a person or
from obtaining representation on or control of our board of directors through a proxy cont
to relieve our board of directors of its fiduciary duty to consider any proposal for our acqui
in good

The stockholder rights plan involved the distribution of one preferred share purchase ri
dividend on each outstanding share of our common stock to all holders of record on Ju
2001. Each right will entitle the holder to purchase one one-thousandth of a share of our Se
participating preferred stock at an exercise price of $120.00 per one one-thousandth of a sh
preferred stock. The rights trade in tandem with the common stock until, and become exerc
following, the occurrence of certain triggering events. Our board of directors retains the ri
amend the stockholder rights plan in any respect until 10 days following our announcement
occurrence of any such triggering

Effect of Certain Certificate of Incorporation and Bylaw Prov

Our certificate of incorporation and bylaws to provide, among other things, that our director
be elected without the application of cumulative voting. In addition, any action requi
permitted to be taken by our stockholders may be taken only at a duly called annual or s
meeting of the stockholders. Our bylaws also contain procedures, including advance
procedures with regard to the nomination, other than by or at the direction of the bo
directors, of candidates for election as directors. The foregoing provisions could have the
of making it more difficult for a third party to effect a change in the control of our bo
directors. In addition, these provisions could have the effect of making it more difficult for a
party to acquire, or of discouraging a third party from attempting to acquire, a majority
outstanding voting

Certain Anti-Takeover Effects of Provisions of Our Certificate of Incorporatio
Bylaws and Of Delaware Law Ge

General. Certain provisions of Delaware law and our certificate of incorporation and b
could have the effect of making it more difficult for a third party to acquire, or of discoura
third party from acquiring, control of us. Such provisions could limit the price that c
investors might be willing to pay in the future for shares of our common stock. These prov
of Delaware law and our certificate of incorporation and bylaws may also have the eff
discouraging or preventing certain types of transactions involving an actual or threatened c
in our control, including unsolicited takeover attempts, even though such a transaction may
our stockholders the opportunity to sell their stock at a price above the prevailing market

Delaware Takeover Statute. We are subject to the business combination provisions o
203 of the Delaware General Corporation Law. In general, those provisions prol
publicly-held Delaware corporation from engaging in various business combination tra
with any interested stockholder for a period of three years after the date of the transact
which the person became an interested stockholder, u

the transaction is approved by the board of directors prior to the date the interested stockholder obtained interested stockholder status;

upon consummation of the transaction that resulted in the stockholder s becoming a interested stockholder, the stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purpos determining the number of shares outstanding those shares owned by (a) persons wh directors and also officers and (b) employee stock plans in which employee participa not have the right to determine confidentially whether shares held subject to the plan be tendered in a tender or exchange offer; or

on or subsequent to the date the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirm vote of at least 66 2/3% of the outstanding voting stock that is not owned by the intere stockholder.

A business combination is defined to include mergers, asset sales and other transactions in financial benefit to a stockholder. In general, an interested stockholder is a per together with affiliates and associates, owns, or within three years, did own, 15% or mo corporation s voting stock. The statute could prohibit or delay mergers or other take change in control attempts with respect to us and, accordingly, may discourage attem acqu

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Certificate of Incorporation and Bylaws. Our certificate of incorporation provides th
action to be taken by our stockholders must be effected at an annual or special stockl
meeting and may not be taken by written consent. Our bylaws provide that special meeti
our stockholders may be called by the board of directors, the Chairman of the board or b
President. Our bylaws also require advance written notice by a stockholder of a propo
director nomination that such stockholder desires to present at an annual or special stockh
meeting. No business other than that stated in the notice may be transacted at any s
meeting. These provisions will delay consideration of a stockholder proposal until th
annual meeting unless a special meeting is called by the board of dire

Our bylaws provide that the authorized number of directors may be changed by an amendm
the bylaws adopted by the board of directors or by the stockholders. Vacancies on the bo
directors may be filled either by holders of a majority our voting stock or a majority of dir
in office, although less than a quorum. Our certificate of incorporation also provides
staggered board of directors. Under a staggered board of directors, each director is designa
one of three categories. Each year the directors positions in one of the three categories are
to election so that it would take three years to replace the entire board, absent resignat
premature expiration of a director s term, which may have the effect of deterring a
takeover or delaying or preventing changes in our control or manage

Limitations on Liability and Indemnification of Officers and Dire

Our certificate of incorporation limits the liability of directors to the fullest extent permitt
the Delaware law. In addition, the certificate of incorporation and bylaws provide that w
indemnify our directors and officers to the fullest extent permitted by Delaware law. We
entered into separate indemnification agreements with its directors and executive officer
provide these persons indemnification protection in the event the certificate of incorporat
subsequently ame

Transfer Agent and Reg

The transfer agent and registrar for our common stock is EquiServe Trust Company
EquiServe is located at 150 Royall Street, Canton, Massachusetts 02021, and its tele
number is (877) 282-

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

This section summarizes the material U.S. federal income tax considerations relating
purchase, ownership and disposition of the Notes and the shares of common stock into whi
Notes may be converted. This summary is based on the Internal Revenue Code of 19
amended (the Code), existing and proposed Treasury Regulations, admin
pronouncements and judicial decisions, each as available on the date hereof. All of the fore

are subject to change, possibly with retroactive effect or different interpretations. In such
the federal income tax consequences of purchasing, owning or disposing of the Notes,
common stock acquired upon conversion of the Notes, could differ from those described
summary. This summary generally applies only to U.S. holders (as defined below) that pu
the Notes in the initial offering at their issue price and hold the Notes, or common stock ac
upon conversion of the Notes, as capital assets. The summary does not address any asp
state, local or foreign tax law, nor does it address U.S. federal, estate and gift ta

For purposes of this summary, U.S. holders are beneficial owners of the Notes or the co
stock that, for U.S. federal income tax purpose

a citizen or resident of the United States;

a corporation created or organized under the laws of the United States or any State th
(including the District of Columbia);

an estate if its income is subject to U.S. federal income taxation regardless of its sour

a trust if such trust validly elects to be treated as a United States person for U.S. fede
income tax purposes or if (1) a court within the United States is able to exercise prim
supervision over its administration and (2) one or more United States persons have th
authority to control all of the substantial decisions of such trust.

A non-U.S. holder is a holder that is not a U.S. h

This summary generally does not address federal income tax considerations that may be re
to particular investors, su

financial institutions;

insurance companies;

partnerships or other entities classified as partnerships for U.S. federal income tax
purposes;

real estate investment trusts;

regulated investment companies;

dealers or traders in securities or currencies;

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tax-exempt entities;

persons that will hold the Notes or common stock as part of a hedging or convers transaction or as a position in a straddle for U.S. federal income tax purposes;

U.S. holders that have a functional currency other than the United States dollar; ar

persons subject to the alternative minimum tax.

YOU SHOULD CONSULT YOUR OWN TAX ADVISOR REGARDING APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO YOUR PARTICU SITUATION AND THE CONSEQUENCES OF FEDERAL ESTATE OR GIFT TAX L FOREIGN, STATE, OR LOCAL LAWS AND TAX TREA

U.S. Ho

Taxation of In

U.S. holders will be required to recognize as ordinary income any interest paid or accrued Notes in accordance with their regular method of tax accounting for U.S. federal incon purposes. It is expected that the Notes will be issued without original issue discount fo federal income tax purposes; however, if the stated redemption price at maturity of t (generally, the sum of all payments required under the Notes other than payments of interest unconditionally payable at least annually at a single fixed rate) exceeds their issue by more than a de minimus amount, a U.S. holder will be required to include such excess in income as original issue discount, as it accrues, using a constant-yield m

We may be required to make additional payments to holders of the Notes if we do not cause to become effective a registration statement, as described under Descrip Notes Registration Rights of the Noteholders, or if there is an event of default under th The original issue discount rules allow contingent payments such as these to be disregar determining whether a Note has original issue discount if the contingency is remote. W that the possibility is remote that we will make the additional payments described abov determination in this regard is binding on U.S. holders unless they disclose their co pos

Sale, Exchange or Redemption of the

A U.S. holder will generally recognize capital gain or loss if the holder disposes of a No
sale, redemption or exchange other than a conversion of the Note into common stoc
holder s gain or loss will equal the difference between the proceeds received by the holder
holder s adjusted tax basis in the Note. The proceeds received by the holder will incl
amount of any cash and the fair market value of any other property received for the Not
holder s tax basis in the Note generally will equal the amount the holder paid for the No
portion of any proceeds that is attributable to accrued interest will not be taken into acco
computing the holder s capital gain or loss. Instead, that portion will be recognized as o
interest income to the extent that the holder has not previously included the accrued inte
income. The gain or loss recognized by a holder on a disposition of the Note will be long
capital gain or loss if the holder held the Note for more than one year. Long-term capital ga
non-corporate taxpayers are taxed at lower rates than those applicable to ordinary income
deductibility of capital losses is subject to limitation. The registration of the Notes w
constitute a taxable exchange for U.S. federal income tax purposes and, thus, a U.S. holde
not recognize any gain or loss upon such registr

Conversion of the Notes into Common

A U.S. holder generally will not recognize any income, gain or loss on converting a Not
common stock, except that the fair market value of common stock received with resp
accrued interest will be taxed as a payment of interest as described under U.S. Holders
of Interest, above. If the holder receives cash in lieu of a fractional share of commo
however, the holder would be treated as if such holder received the fractional share and th
fractional share was redeemed for the cash. The holder would recognize capital gain or loss
to the difference between the cash received and that portion of such holder s tax basi
common stock attributable to the fractional share. The holder s aggregate tax basis in the c
stock will equal the holder s adjusted tax basis in the Note, increased, for a cash method
by the amount of income recognized with respect to accrued interest, and decreased
portion of tax basis allocable to the fractional share. The holder s holding period for the c
stock will include the period during which such holder held the Note, except that the ho
period of any common stock received with respect to accrued interest will commence on th
after the date of conve

Constructive Divi

If at any time the conversion rate of the Notes is increased, such increase may be deemed
the payment of a constructive taxable dividend, for U.S. federal income tax purposes,
holders of the Notes. For example, an increase in the conversion rate in the event of distrib
of our debt instruments, or our assets, or an increase in the event of an extraordinary
dividend, generally may result in deemed dividend treatment to the holders of the N

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Divi

If, after a U.S. holder converts a Note into common stock, we make a distribution in resp
that stock, the distribution will be treated as a dividend to the extent it is paid from our curr
accumulated earnings and profits. Under recently enacted 2003 federal tax legislation, qua
dividend income (generally, dividends received from a domestic U.S. corporation or qua
foreign corporation if a stock holding period requirement is satisfied and certain limitatio
not apply) received by individual U.S. holders in tax years beginning prior to 2009 is taxa
the same rate as net capital gain; otherwise, dividends are taxable to U.S. holders as ord
income. If the distribution exceeds our current and accumulated profits, the excess will be t
first as a tax-free return of the holder s investment, up to the holder s tax basis in the
stock. Any remaining excess will be treated as capital gain. If the U.S. holder is a
corporation, it generally would be able to claim a dividends received deduction equal to a p
of any dividends received, subject to customary limitations and condi

Sale or Exchange of Common

A U.S. holder will generally recognize capital gain or loss on a sale or exchange of com
stock. The holder s gain or loss will equal the difference between the proceeds received
holder and the holder s adjusted tax basis in the stock. The proceeds received by the hol
include the amount of any cash and the fair market value of any other property received f
stock. The gain or loss recognized by a holder on a sale or exchange of stock will be long
capital gain or loss if the holder held the shares for more than one year. The registration
common stock issuable upon conversion of the Notes will not constitute a taxable exchan
U.S. federal income tax purposes and, thus, a U.S. holder will not recognize any gain o
upon such registr

Non-U.S. Ho

Taxation of In

Payments of interest to non-U.S. holders generally are subject to U.S. federal income tax at
of 30%, collected by means of withholding by the payor. Payments of interest on the No
most non-U.S. holders, however, will qualify as portfolio interest, and thus will be exempt
the withholding tax, if the holders certify their nonresident status as described below
portfolio interest exemption will not apply to payments of interest to a non-U.S. holde

owns, directly or indirectly (taking into account certain constructive ownership rules)
least 10% of our voting stock, or

is a controlled foreign corporation that is related to us.

Even if the portfolio interest exemption does not apply, the 30% withholding tax might not a
or might apply at a reduced rate, under the terms of an income tax treaty between the U
States and the non-U.S. holder s country of residence. The portfolio interest exe
entitlement to treaty benefits and several of the special rules for non-U.S. holders desc
below apply only if the holder certifies its nonresident status. A non-U.S. holder can me
certification requirement in the manner described under Backup Withholding and Infor
Reporting,

Sale, Exchange or Redemption of

Non-U.S. holders generally will not be subject to U.S. federal income tax on any gain realiz
the sale, exchange, or other disposition of the Notes. This general rule, however, is subj
several exceptions. For example, the gain would be subject to U.S. federal income

the gain is effectively connected with the conduct by the non-U.S. holder of a U.S. tra
business;

the non-U.S. holder was a citizen or resident of the United States and is subject to spe
rules that apply to expatriates;

the non-U.S. holder is an individual present in the United States for 183 days or more
the taxable year of such sale or exchange and certain other conditions are met; or

the rules of the Foreign Investment in Real Property Tax Act (FIRPTA)
(described below) treat the gain as effectively connected with a U.S. trade or
business.

The FIRPTA rules may apply to a sale, exchange or other disposition of Notes if we are, or
been within the shorter of the five-year period preceding such sale, exchange or dispositio
the period the non-U.S. holder held the Notes, a U.S. real property holding corpo
(USRPHC). In general, we would be a USRPHC if the fair market value of our interest
real estate equal or exceed 50% of the fair market value of our assets. We do not believe th
are a USRPHC or that we will become one in the f

Conversion of the

A non-U.S. holder generally will not recognize any income, gain or loss on converting a
into common stock, except that the fair market value of common stock received with resp
accrued interest will be taxed as a payment of interest as described under No
Holders Taxation of Interest, above. If the holder receives cash in lieu of a fractional
common stock, however, the holder would be treated as if such holder received the frac
share and then the fractional share was redeemed for the cash. Any gain recognized as a res
the holder s receipt of cash in lieu of a fractional share of common stock would also gener
be subject to U.S. federal income tax. See Non-U.S. Holders Sale or Exchange of Commo

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Divi

Dividends (including any constructive dividends resulting from certain adjustments conversion rate, see U.S. Holders Constructive Dividends, above) paid to a non-U.S. common stock received on conversion of a Note generally will be subject to U.S. withholdi at a 30% rate. The withholding tax might not apply, however, or might apply at a reduce under the terms of a tax treaty between the United States and the non-U.S. holder s cou residence. A non-U.S. holder must demonstrate its entitlement to treaty benefits by certify nonresident status as described under Backup Withholding and Information Reporting,

Sale or Exchange of Common

Non-U.S. holders will generally not be subject to U.S. federal income tax on any gains re on the sale, exchange or other disposition of common stock. This general rule, howe subject to exceptions. For example, the gain would be subject to U.S. federal income

the gain is effectively connected with the conduct by the non-U.S. holder of a U.S. tr business;

the non-U.S. holder was a citizen or resident of the United States and is subject to spe rules that apply to expatriates;

the non-U.S. holder is an individual present in the United States for 183 days or more the taxable year of such sale or exchange and certain other conditions are met; or

the FIRPTA rules treat the gain as effectively connected with a U.S. trade or business

Income or Gains Effectively Connected With a U.S. Trade or Bu

The preceding discussion of the tax consequences of the purchase, ownership or disposit Notes or common stock by a non-U.S. holder assumes that the holder is not engaged in trade or business. If any interest on Notes, dividends on common stock or gain from th exchange or other disposition of Notes or common stock is effectively connected with trade or business conducted by the non-U.S. holder, then the income or gain will be sub U.S. federal income tax in the same manner as if derived by a U.S. holder. If the non-U.S. is eligible for the benefits of a tax treaty between the United States and the holder s cou residence, any effectively connected income or gain will generally be subject to U.S income tax only if it is also attributable to a permanent establishment maintained by the hol the United States. Payments of interest or dividends that are effectively connected with trade or business, and therefore included in the gross income of a non-U.S. holder, will subject to the 30% withholding tax. To claim this exemption from withholding, the holde certify its qualification by filing Internal Revenue Service (IRS) Form W-8ECI. If the

holder is a corporation, that portion of its earnings and profits that are effectively connected
its U.S. trade or business generally would be subject to a branch profits tax. The branch p
tax rate is generally 30%, although an applicable tax treaty might provide for a lowe

Backup Withholding and Information Repo

The Code and the Treasury regulations require those who make specified payments to repo
payments to the IRS. Among the specified payments are interest, dividends and proceeds pa
brokers to their customers. The required information returns enable the IRS to determine wh
the recipient properly included the payments in income. This reporting regime is reinforc
backup withholding rules. These rules require the payors to withhold tax at a rate of up to
from payments subject to information reporting if the recipient fails to cooperate wi
reporting regime by failing to provide the recipient s taxpayer identification number to the
furnishing an incorrect identification number or repeatedly failing to report interest or divi
on the recipient s returns. The information reporting and backup withholding rules do not a
payments to corporations, whether domestic or fo

Payments of interest or dividends to non-corporate U.S. holders of Notes or common stoc
generally be subject to information reporting, and will be subject to backup withholding u
the holder provides us or our paying agent with a correct taxpayer identification nu

The information reporting and backup withholding rules do not apply to payments th
subject to the 30% (or lower treaty rate) withholding tax on dividends or interest p
nonresidents, or to payments that are exempt from that tax by application of a tax treaty or s
exception. Therefore, payments of dividends on common stock or interest on Notes to non
holders generally will not be subject to information reporting or backup withholding assu
appropriate certification requirements are satisfied. A non-U.S. holder can meet this certifi
requirement by providing a completed IRS Form W-8BEN or appropriate substitute form to
our paying agent. If the holder holds the Notes through a financial institution or other
acting on the holder s behalf, the holder will be required to provide appropriate document
the agent. The holder s agent will then be required to provide certification to us or our
agent, either directly or through other intermed

Payments made to U.S. holders by a broker upon a sale of Notes or common stock gen
will be subject to information reporting and backup withholding. If, however, the sale is
through a foreign office of a U.S. broker, the sale will be subject to information reporting b
backup withholding. If the sale is made through a foreign office of a foreign broker, the sal

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generally not be subject to either information reporting or backup withholding. This exc
may not apply, however, if the foreign broker is owned or controlled by U.S. persons
engaged in a U.S. trade or bus

Payments made to a non-U.S. holder by a broker upon a sale of Notes or common stock w
be subject to information reporting or backup withholding provided the holder certifies its fo
status. Any amounts withheld from a payment to a holder of Notes or common stock und
backup withholding rules can be credited against any U.S. federal income tax liability
holder and may entitle the holder to a refund, provided the required information is furnis
th

Tax Disclosure Authoriz

Notwithstanding anything herein to the contrary, investors (and each employee, representat
other agent of the investors) may disclose to any and all persons, without limitation of any
the U.S. federal income tax treatment and tax structure of the offering and all materials o
kind (including opinions or other tax analyses) that are provided to the investors relating to
tax treatment and tax structure. For this purpose, tax structure is limited to facts releva
U.S. federal income tax treatment of the offering and does not include information relating
identity of the issuer, its affiliates, agents or adv

THE PRECEDING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME
CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY. IT IS NOT TAX ADV
YOU SHOULD CONSULT YOUR OWN TAX ADVISOR REGARDING THE PARTICU
U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCE
PURCHASING, HOLDING AND DISPOSING OF OUR NOTES OR COMMON ST
INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICA
L

SELLING SECURITYHOLDERS

The Notes were originally issued to and resold by Morgan Stanley & Co. Incorpora
transactions exempt from the registration requirements of the Securities Act to pe
reasonably believed by them to qualified institutional buyers, as defined by Rule 144A u
Securities Act. The selling securityholders may from time to time offer and sell pursuant t
prospectus any or all of the Notes and the common stock into which the Notes are conve
When we refer to the selling securityholders in this prospectus, we mean those persons
the table below, as well as their transferees, pledgees, donees or succe

The table below sets forth the name of each selling securityholder, the principal amount of
at maturity that each selling securityholder may offer pursuant to this prospectus and the nu
of shares of common stock into which the Notes are convertible. Unless set forth below, no

the selling securityholders has had within the past three years any material relationship with
any of our predecessors or affi

We have prepared the table based on information given to us by the selling securityholders
before October 24, 2003. Because the selling securityholders may offer, pursuant
prospectus, all or some portion of the Notes or common stock listed below, no estimate c
given as to the amount of Notes or common stock that will be held by the selling securityh
upon consummation of any sales. In addition, the selling securityholders listed in the tabl
have sold or transferred, in transactions exempt from the registration requirements
Securities Act, some or all of their Notes since the date as of which the information in the ta
pres

Information about the selling stockholders may change over time. Any changed inform
given to us by the selling securityholders will be set forth in prospectus supplements if and
nece

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Selling Securityholder	Principal Amount of Notes Beneficially Owned and Offered	Percentage of Outstanding Notes	Common Stock Issuable Upon Conversion of the Notes that May be Sold(1)
AIG DKR SoundShore Opportunity Holding Fund Ltd.	$ 2,500,000	4.2%	793,6
Alexandra Global Master Fund, L.T.D	$ 4,000,000	6.7%	1,269,8
Arbitex Master Fund, L.P.	$ 5,000,000	8.3%	1,587,3
Argent Classic Convertible Arbitrage Fund, L.P.	$ 1,400,000	2.3%	444,4
Argent Classic Convertible Arbitrage Fund II, L.P.	$ 400,000	*	126,9
BNP Paribos Equity Strategies, SNC	$ 1,373,000	2.2%	435,87
Citadel Equity Fund Ltd.	$ 2,910,000	4.9%	923,8
Citadel Jackson Investment Fund Ltd.	$ 310,000	*	98,4
Clinton Multistrategy Master Fund, Ltd.	$ 1,690,000	2.8%	536,5
Clinton Riverside Convertible Portfolio Limited	$ 1,610,000	2.7%	511,1
CooperNeff Convertible Strategies (Cayman) Master Fund, L.P.	$ 1,353,000	2.3%	429,5
DBAG London	$ 2,000,000	3.3%	634,9
Highbridge International LLC	$ 2,000,000	3.3%	634,9
KD Convertible Arbitrage Fund L.P.	$ 1,000,000	1.7%	317,4
Lyxor/Convertible Arbitrage Fund, Ltd.	$ 84,000	*	26,6
Morgan Stanley & Co. Incorporated(4)	$ 5,905,000	9.8%	1,874,6
PRS Convertible Arbitrage Master Fund L.P.	$ 500,000	*	158,7
Sagamore Hill Hub Fund Ltd.	$ 8,895,000	14.8%	2,823,8
Singlehead U.S. Convertible Arbitrage Fund	$ 246,000	*	78,0
Salomon Brothers Asset Management, Inc.	$ 825,000	1.4%	261,9
Sturgeon Limited	$ 194,000	*	61,5
Sutton Brook Capital Portfolio LP	$ 2,500,000	4.2%	793,6
Xavex Convertible Arbitrage 10 Fund	$ 400,000	*	126,9
Unnamed securityholders or any future transferees, pledgees, donees or successors of or from any such unnamed securityholder	$ 12,905,000	21.5%	4,096,8

* Less than one percent (1%).

(1) Assumes conversion of all of the securityholder s Notes at a conversion rate of 317.460 shares of common stock per $1,000 principal amount of the Notes. This conversion rate subject to adjustment as described under Description of the Notes Conversion Rights result, the number of shares of common stock issuable upon conversion of the Notes ma increase in the future. Excludes shares of common stock that may be issued by us upon repurchase of the Notes.

(2) Calculated based on Rule 13d-3(d)(i) of the Exchange Act, using 51,106,435 shares of c common stock outstanding as of the close of business on October 24, 2003. In calculatin this amount for each holder, we treated as outstanding the number of shares of common issuable upon conversion of all of that holder s Notes, but we did not assume conversio any other holder s Notes.

(3) Includes 11,465 shares of our common stock owned by BNP Paribos Equity Strategies,

(4)

Morgan Stanley & Co. Incorporated and/or its affiliates have performed financial adviso
and investment banking services for us within the past three years.

(5) Includes 716 shares of our common stock owned by Morgan Stanley & Co. Incorporate

(6) Salomon Brothers Asset Management, Inc. acts as discretionary investment advisor with
respect to the following accounts that hold the indicated principal amounts of Notes:
Salomon Brothers Archer Investors Ltd. ($527,000) and Salomon Brothers Archer Inves
L.P. ($298,000).

Generally, only selling securityholders identified in the foregoing table who beneficially ov
securities set forth opposite their respective names may sell offered securities und
registration statement of which this prospectus forms a part. We may from time to time in
additional selling securityholders in an amendment to this registration statement or a supple
to this prosp

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LEGAL MATTERS

The validity of the issuance of the Notes and the common stock offered by this prospectus w
passed upon by Heller Ehrman White & McAuliffe LLP, Menlo Park, California, cour
DURECT Corporation. Mark B. Weeks, a shareholder of Heller Ehrman White & McA
LLP, is our Secr

EXPERTS

Ernst & Young LLP, independent auditors, have audited our consolidated financial state
and schedule included in our Annual Report on Form 10-K for the year ended Decemb
2002, as set forth in their report, which is incorporated by reference in this prospectu
elsewhere in the registration statement. Our financial statements and schedule are incorporat
reference in reliance on Ernst & Young LLP s report, given on their authority as ex
accounting and auc

WHERE YOU CAN FIND MORE INFORMATION

This prospectus is part of a registration statement on Form S-3 that we filed with the Secu
and Exchange Commissions. Certain information in the registration statements has been or
from this prospectus in accordance with the rules of the SEC. We file proxy statemen
annual, quarterly and special reports and other information with the SEC. You can inspe
copy the registration statement as well as the reports, proxy statements and other informati
have filed with the SEC at the public reference room maintained by the SEC at 450 Fifth S
N.W., Washington, D.C. 20549, and at the SEC Regional Offices located at Citicorp Cente
West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and the Woolworth Bui
233 Broadway Street, New York, New York 10004. You can call the SEC at 1-800-732-03
further information about the public reference rooms. We are also required to file elec
versions of these documents with the SEC, which may be accessed from the SEC s Worl
Web site at http://www.sec.gov. Reports, proxy and information statements and other inform
concerning DURECT Corporation may be inspected at The Nasdaq Stock Market at 1
Street, N.W., Washington, D.C. 2

The SEC allows us to incorporate by reference certain of our publicly-filed documents
prospectus, which means that information included in those documents is considered part o
prospectus. Information that we file with the SEC after the date of this prospectu
automatically update and supersede this information. We incorporate by reference the docu
listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15
the Exchange Act, until the selling securityholders have sold all the registrable secu

The following documents filed with the SEC are incorporated by reference in this prosp

1. Our Annual Report on Form 10-K for the year ended December 31, 2002 (Fi
000-3

2. Our Quarterly Reports on Form 10-Q for the quarter ended March 31, 2003 and for the q
ended June 30, 2003 (File No. 000-3

3. Our definitive Proxy Statement dated April 16, 2003, filed in connection with our June 4,
Annual Meeting of Stockholders (File No. 000-3

4. Our Current Reports on Form 8-K filed with the SEC on April 28, 2003, June 12, 2003
13, 2003, July 14, 2003, July 24, 2003, September 2, 2003, September 23, 2003, October 9,
and October 17, 2003 (File No. 000-3

5. The description of our common stock in our Registration Statements on Form 8-A filed
the SEC on September 22, 2000, July 10, 2001 and June 24, 2003 (File No. 000-3

All documents subsequently filed by us pursuant to Sections 13(a), 13(c), 14 or 15(d)
Securities Exchange Act of 1934, as amended after the date of this registration stateme
prior to the effectiveness of this registration statement, shall be deemed to be incorporat
refe

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We will furnish without charge to you, on written or oral request, a copy of any or all
documents incorporated by reference, other than exhibits to those documents. You should
any requests for documents to Thomas A. Schreck, at 10240 Bubb Road, Cupertino, CA 9
telephone: (408) 777-

FORWARD-LOOKING STATEMENTS

This prospectus contains or incorporates by reference certain forward-looking statements
the meaning of Section 27A of the Securities Act and Section 21E of the Exchang
including those identified by the words believes, expects, may, will, shoul
anticipates and similar expressions. These forward-looking statements include, amon
statements rega

the trends we see in our business and the markets in which we operate;

the features, functionality and market acceptance of our products (including products
under development); and

our expectations for our future operating results and cash flows.

These statements are subject to risks and uncertainties, including those set forth in th
Factors section beginning on page 5, and actual results could differ materially fro
expressed or implied in these statements. All forward-looking statements included
prospectus are made as of the date hereof. We assume no obligation to update an
forward-looking statement or reason why actual results might differ except as required
Exchange Act. You should carefully review the section entitled Risk Factors and our su
filings with the

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses payable by the Registrant in conn with the sale and distribution of the common stock being registered. Selling commissio brokerage fees and any applicable transfer taxes and fees and disbursements of counsel f selling securityholders are payable individually by the selling securityholders. All am shown are estimates except the SEC registratio

	Amount to be Paid
SEC registration fee	$ 4,793.33
Nasdaq National Market(1)	$ 22,500
Legal fees and expenses	$ 118,000
Accounting fees and expenses	$ 10,000
Transfer Agent fees and expenses	$ 10,000
Printing expenses	$ 20,000
Miscellaneous expenses	$ 2,500
Total	$ 187,793.33

(1) Nasdaq National Market bills companies for the listing of additional shares on a quarter basis, and the amount billed is determined by the change in the company s total shares outstanding from one quarter to the next. The total amount billable in one quarter is cap $22,500. Since all of the Notes are convertible on the same basis, solely for the purpose estimating the expenses payable by DURECT in connection with issuance and distributi the Notes and underlying common stock, we have assumed the conversion of all Notes i shares of DURECT common stock during one quarter.

Item 15. Indemnification of Directors and Officers.

Our Amended Bylaws provide generally for indemnification of our officers, directors, agen employees to the extent authorized by the General Corporation Law of the State of Del (DGCL). Pursuant to Section 145 of the DGCL, a corporation generally has the indemnify its present and former directors, officers, employees and agents against exp incurred by them in connection with any suit to which they are, or are threatened to be m party by reason of their serving in such positions so long as they acted in good faith an manner they reasonably believed to be in, or not opposed to, the best interests of a corpor and with respect to any criminal action, they had no reasonable cause to believe their co was unlawful. With respect to suits by or in the right of a corporation, however, indemnifi is not available if such person is adjudged to be liable for negligence or misconduct

performance of his duty to the corporation unless the court determines that indemnificat
appropriate. In addition, a corporation has the power to purchase and maintain insurance fo
person. The statute also expressly provides that the power to indemnify that it authorizes
exclusive of any rights granted under any bylaw, agreement, vote of stockholders or disinte
directors or othe

As permitted by Section 102 of the DGCL, our stockholders have approved and incorp
provisions into Article XIII of our Amended and Restated Certificate of Incorporation and A
VI of our Amended Bylaws eliminating a director s personal liability for monetary damag
and our stockholders arising from a breach of a director s fiduciary duty, except for liabilit
Section 174 of the DGCL or liability for any breach of the director s duty of loyalty to u
stockholders, for acts or omissions not in good faith or that involve intentional misconduc
knowing violation of law or for any transaction in which the director derived an imp
personal benefit. DURECT has also entered into agreements with its directors and certain
officers that will require DURECT, among other things, to indemnify them against c
liabilities that may arise by reason of their status or service as directors to the fullest exte
prohibited b

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Item 16. Exhibits.

Exhibit Number	Description of Document
3.1	Amended and Restated Certificate of Incorporation of the Company (1).
3.2	Amended and Restated Bylaws of the Company (1).
4.4	Indenture by and between DURECT Corporation and The Bank of New York as trustee dated as of June 18, 2003 (2).
4.5	Registration Right Agreement among DURECT Corporation as issuer and Morg Stanley & Co. Incorporated as initial purchaser dated as of June 18, 2003 (2).
5.1	Opinion of Heller Ehrman White & McAuliffe LLP.
10.35	Convertible Note Purchase Agreement by and between DURECT Corporation a Morgan Stanley & Co. Incorporated dated as of June 12, 2003 (2).
12.1	Computation of Ratio of Earnings to Fixed Charge (3).
23.1	Consent of Ernst & Young LLP, Independent Auditors (see page II-5).
23.2	Consent of Heller Ehrman White & McAuliffe LLP (included in Exhibit 5.1).
24.1	Power of Attorney (3).
25.1	Statement of Eligibility of Trustee on Form T-1 (3).

(1) Filed as an exhibit to our Registration Statement on Form S-1, as amended (File No. 333-35316), originally filed with the SEC on April 20, 2000, and incorporated herein by reference.
(2) Filed as an exhibit to our Registration Statement on Form 10-Q (File No. 000-31615), fi with the SEC on August 8, 2003 and incorporated herein by reference.
(3) Filed as an exhibit to our Registration Statement on Form S-3 (File No. 333-108398), originally filed with the SEC on August 29, 2003, and incorporated herein by reference.

Item 17. Undertakings.

The undersigned Registrant hereby under

(1) To file, during any period in which offers or sales are being made, a post-eff amendment to this Registration State

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 19 ame

(ii) To reflect in the prospectus any facts or events arising after the effective date registration statement (or the most recent post-effective amendment thereof) which, indivi or in the aggregate, represent a fundamental change in the information set forth in the regist statement. Notwithstanding the foregoing, any increase or decrease in volume of sec offered (if the total dollar value of securities offered would not exceed that which was regis

and any deviation from the low or high end of the estimated maximum offering range m
reflected in the form of prospectus filed with the Securities and Exchange Commission pu
to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more th
percent change in the maximum aggregate offering price set forth in the Calcul
Registration Fee table in the effective registration sta

(iii) To include any material information with respect to the plan of distribution not prev
disclosed in the registration statement or any material change to such information
registration state

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each
post-effective amendment shall be deemed to be a new registration statement relating
securities offered therein, and the offering of such securities at that time shall be deemed to
initial bona fide offering th

(3) To remove from registration by means of a post-effective amendment any of the secu
being registered which remain unsold at the termination of the off

(4) That, for purposes of determining any liability under the Securities Act of 1933, each fil
the Registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Se
Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s
report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporat
reference in the Registration Statement shall be deemed to be a new registration stat
relating to the securities offered therein, and the offering of such securities at that time sh
deemed to be the initial bona fide offering th

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Insofar as indemnification for liabilities arising under the Securities Act of 1933 m
permitted to directors, officers and controlling persons of the Registrant pursuant
provisions referred to in Item 15 above or otherwise, the Registrant has been advised that
opinion of the Securities and Exchange Commission such indemnification is against
policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the
that a claim for indemnification against such liabilities (other than the payment by the Regi
of expenses incurred or paid by a director, officer or controlling person of the Registrant
successful defense of any action, suit or proceeding) is asserted against the Registrant by
director, officer or controlling person in connection with the securities being regi
hereunder, the Registrant will, unless in the opinion of its counsel the matter has been setti
controlling precedent, submit to a court of appropriate jurisdiction the question whethe
indemnification by it is against public policy as expressed in the Securities Act of 1933 an
be governed by the final adjudication of such

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that
reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 an
duly caused this amendment no. 1 to the registration statement to be signed on its behalf b
undersigned, thereunto duly authorized, in the City of Cupertino, State of California, on Oc
31,

DURECT CORPORATION

By: /s/ James E. Brow

James E. Brown
President and Chief Executive Of

Pursuant to the requirements of the Securities Act of 1933, this amendment no. 1
registration statement has been signed by the following persons in the capacities indicated o
31st day of October

Signature	Title
/s/ James E. Brown James E. Brown	President, Chief Executive Officer and Director (Principal Executive Officer)
* Felix Theeuwes	Chairman and Chief Scientific Officer
* Thomas A. Schreck	Chief Financial Officer and Director (Principal Financial and Accounting Officer)
* John L. Doyle	Director
* David Hoffman	Director
* Armand P. Neukermans	Director

*		Director
Albert L. Zesiger		
*By:	/s/ James E. Brown	
	James E. Brown	
	Attorney-In-Fact	

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CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption Experts in Amendment No
Registration Statement (Form S-3 No. 333-108398) and related Prospectus of DU
Corporation for the registration of $60,000,000 principal amount of DURECT Corpo
6.25% Convertible Notes due 2008 and the shares of its common stock issuable upon conv
thereof and to the incorporation by reference therein of our report dated January 24, 2003
respect to the consolidated financial statements and schedule of DURECT Corporation inc
in its Annual Report (Form 10-K) for the year ended December 31, 2002, filed with the Sec
and Exchange Commi

/s/ ERNST & YOUNG

Palo Alto, Cali

October 30,

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DURECT Corporation

INDEX TO EXHIBITS

Exhibit Number	Description of Document
3.1	Amended and Restated Certificate of Incorporation of the Company (1).
3.2	Amended and Restated Bylaws of the Company (1).
4.4	Indenture by and between DURECT Corporation and The Bank of New York a trustee dated as of June 18, 2003 (2).
4.5	Registration Right Agreement among DURECT Corporation as issuer and Mor Stanley & Co. Incorporated as initial purchaser dated as of June 18, 2003 (2).
5.1	Opinion of Heller Ehrman White & McAuliffe LLP.
10.35	Convertible Note Purchase Agreement by and between DURECT Corporation Morgan Stanley & Co. Incorporated dated as of June 12, 2003 (2).
12.1	Computation of Ratio of Earnings to Fixed Charges (3).
23.1	Consent of Ernst & Young LLP, Independent Auditors (see page II-5).
23.2	Consent of Heller Ehrman White & McAuliffe LLP (included in Exhibit 5.1).
24.1	Power of Attorney (3).
25.1	Statement of Eligibility of Trustee on Form T-1 (3).

(1) Filed as an exhibit to our Registration Statement on Form S-1, as amended (File No. 333-35316), originally filed with the SEC on April 20, 2000, and incorporated herein by reference.
(2) Filed as an exhibit to our Registration Statement on Form 10-Q (File No. 000-31615), fi with the SEC on August 8, 2003 and incorporated herein by reference.
(3) Filed as an exhibit to our Registration Statement on Form S-3 (File No. 333-108398), originally filed with the SEC on August 29, 2003, and incorporated herein by reference.