UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

R **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2009

or

£ **TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 0-24006

NEKTAR THERAPEUTICS

(Exact name of registrant as specified in its charter)

Delaware	**94-3134940**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

201 Industrial Road
San Carlos, California 94070
(Address of principal executive offices)

650-631-3100
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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. Yes R No £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes £ No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer £	Accelerated filer R	Non-accelerated filer £ (Do not check if a smaller reporting company)	Smaller reporting company £

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes £ No R

The number of outstanding shares of the registrant's Common Stock, $0.0001 par value, was 93,197,705 on October 30, 2009.

NEKTAR THERAPEUTICS
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Forward-Looking Statements

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "1933 Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact are "forward-looking statements" for purposes of this Quarterly Report on Form 10-Q, including any projections of earnings, revenue or other financial items, any statements regarding the plans and objectives of management for future operations, any statements concerning proposed new products or services, any statements regarding future economic conditions or performance, any statements regarding expected benefits from the closing of the sale of pulmonary assets to Novartis on December 31, 2008, any statements regarded the timing of the move of our corporate headquarters to, and the estimated costs of, the facility subject to the Sublease with Pfizer dated September 30, 2009, any statements regarding the success of our collaborations, including in relation to the License Agreement with AstraZeneca AB dated September 20, 2009, and any statements of assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as "may," "will," "expects," "plans," "anticipates," "estimates," "potential" or "continue," or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, there can be no assurance that such expectations or any of the forward-looking statements will prove to be correct and actual results could differ materially from those projected or assumed in the forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including, but not limited to, the risk factors set forth in "Part II, Item 1A—Risk Factors" below and for the reasons described elsewhere in this Quarterly Report on Form 10-Q. All forward-looking statements and reasons why results may differ included in this report are made as of the date hereof and we do not intend to update any forward-looking statements except as required by law or applicable regulations. Except where the context otherwise requires, in this Quarterly Report on Form 10-Q, the "Company," "Nektar," "we," "us" and "our" refer to Nektar Therapeutics, a Delaware corporation, and, where appropriate, its subsidiaries.

Trademarks

All Nektar brand and product names, including, but not limited to, Nektar®, contained in this document are trademarks, registered trademarks or service marks of Nektar Therapeutics in the United States (U.S.) and certain other countries. This document also contains references to trademarks, registered trademarks and service marks of other companies that are the property of their respective owners.

PART I: FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements — Unaudited:

NEKTAR THERAPEUTICS
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share information)
(Unaudited)

	September 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,777	$ 155,584
Short-term investments	242,901	223,410
Accounts receivable, net of allowance of nil at September 30, 2009 and $92 at December 31, 2008, respectively	6,330	11,161
Inventory	8,930	9,319
Other current assets	7,275	6,746
Total current assets	$ 298,213	$ 406,220
Property and equipment, net	74,624	73,578
Goodwill	76,501	76,501
Other assets	3,313	4,237
Total assets	$ 452,651	$ 560,536
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,397	$ 13,832
Accrued compensation	9,711	11,570
Accrued clinical trial expenses	13,012	17,622
Accrued expenses	7,132	9,923
Deferred revenue, current portion	9,547	10,010
Other current liabilities	3,558	5,417
Total current liabilities	$ 49,357	$ 68,374
Convertible subordinated notes	214,955	214,955
Capital lease obligations	19,228	20,347
Deferred revenue	53,308	55,567
Deferred gain	5,245	5,901
Other long-term liabilities	4,458	5,238
Total liabilities	$ 346,551	$ 370,382
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.0001 par value; 10,000 shares authorized Series A; 3,100 shares designated; no shares issued or outstanding at September 30, 2009 and December 31, 2008	—	—
Common stock, $0.0001 par value; 300,000 shares authorized; 93,124 shares and 92,503 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively	9	9
Capital in excess of par value	1,323,907	1,312,796
Accumulated other comprehensive income	1,117	1,439
Accumulated deficit	(1,218,933)	(1,124,090)
Total stockholders' equity	106,100	190,154
Total liabilities and stockholders' equity	$ 452,651	$ 560,536

The accompanying notes are an integral part of these condensed consolidated financial statements.

NEKTAR THERAPEUTICS
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share information)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	**2008**	**2009**	**2008**
Revenue:				
Product sales and royalties	$ 7,461	$ 9,474	$ 24,456	$ 28,855
Collaboration and other	2,762	11,965	8,466	32,977
Total revenue	10,223	21,439	32,922	61,832
Operating costs and expenses:				
Cost of goods sold	5,691	5,349	21,021	18,020
Other cost of revenue	—	—	—	6,821
Research and development	23,474	38,265	71,514	109,138
General and administrative	9,917	12,386	30,024	37,661
Total operating costs and expenses	39,082	56,000	122,559	171,640
Loss from operations	(28,859)	(34,561)	(89,637)	(109,808)
Non-operating income (expense):				
Interest income	560	2,375	3,160	10,578
Interest expense	(2,928)	(3,988)	(9,213)	(11,835)
Other income (expense), net	120	(588)	368	483
Total non-operating income (expense)	(2,248)	(2,201)	(5,685)	(774)
Loss before provision for income taxes	(31,107)	(36,762)	(95,322)	(110,582)
(Benefit) provision for income taxes	(140)	276	(479)	536
Net loss	$ (30,967)	$ (37,038)	$ (94,843)	$ (111,118)
Basic and diluted net loss per share	$ (0.33)	$ (0.40)	$ (1.02)	$ (1.20)
Shares used in computing basic and diluted net loss per share	92,789	92,425	92,621	92,413

The accompanying notes are an integral part of these condensed consolidated financial statements.

NEKTAR THERAPEUTICS
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine months ended September 30,	
	2009	**2008**
Cash flows from operating activities:		
Net loss	$ (94,843)	$ (111,118)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	11,076	18,610
Stock-based compensation	7,290	6,955
Other non-cash transactions	(124)	759
Changes in assets and liabilities:		
Decrease (increase) in trade accounts receivable	4,505	13,122
Decrease (increase) in inventory	389	2,326
Decrease (increase) in other assets	(1,272)	2,659
Increase (decrease) in accounts payable	(4,047)	(1,476)
Increase (decrease) in accrued compensation	(1,859)	(229)
Increase (decrease) in accrued clinical trial expenses	(4,610)	4,659
Increase (decrease) in accrued expenses to contract manufacturers	—	(40,444)
Increase (decrease) in accrued expenses	(1,413)	(1,390)
Increase (decrease) in deferred revenue	(2,722)	(11,972)
Increase (decrease) in other liabilities	(2,823)	2,474
Net cash used in operating activities	$ (90,453)	$ (115,065)
Cash flows from investing activities:		
Purchases of investments	(298,054)	(411,417)
Sales of investments	11,923	28,590
Maturities of investments	266,202	506,348
Transaction costs from Novartis pulmonary asset sale	(4,440)	—
Purchases of property and equipment	(10,763)	(15,064)
Investment in Pearl Therapeutics Inc.	—	(4,236)
Net cash (used in) provided by investing activities	$ (35,132)	$ 104,221
Cash flows from financing activities:		
Payments of loan and capital lease obligations	(935)	(1,910)
Proceeds from issuances of common stock	3,821	477
Net cash provided by (used in) financing activities	$ 2,886	$ (1,433)
Effect of exchange rates on cash and cash equivalents	(108)	(303)
Net decrease in cash and cash equivalents	$ (122,807)	$ (12,580)
Cash and cash equivalents at beginning of period	155,584	76,293
Cash and cash equivalents at end of period	$ 32,777	$ 63,713

The accompanying notes are an integral part of these condensed consolidated financial statements.

Note 1—Organization and Summary of Significant Accounting Policies

Organization

We are a clinical-stage biopharmaceutical company headquartered in San Carlos, California and incorporated in Delaware. We are developing a pipeline of drug candidates that utilize our PEGylation and advanced polymer conjugate technology platforms designed to improve the therapeutic benefits of drugs.

Basis of Presentation and Principles of Consolidation

Our condensed consolidated financial statements include the financial position, results of operations and cash flows of our wholly-owned subsidiaries: Nektar Therapeutics AL, Corporation (Nektar AL), Nektar Therapeutics (India) Private Limited, Nektar Therapeutics UK, Ltd. (Nektar UK) and Aerogen, Inc. All intercompany accounts and transactions have been eliminated in consolidation. The merger of Nektar AL, an Alabama corporation, with and into its parent corporation, Nektar Therapeutics, was made effective July 31, 2009. As of the effective date, the separate existence of the Alabama corporation ceased, and all rights, privileges, powers and franchises of the Alabama corporation are vested in Nektar Therapeutics, the surviving corporation.

We prepared our Condensed Consolidated Financial Statements following the requirements of the Securities and Exchange Commission (SEC) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. generally accepted accounting principles ("GAAP") can be condensed or omitted. In the opinion of management, these financial statements include all normal and recurring adjustments that we consider necessary for the fair presentation of our financial position and operating results.

Our Condensed Consolidated Financial Statements are denominated in U.S. dollars. Accordingly, changes in exchange rates between the applicable foreign currency and the U.S. dollar will affect the translation of each foreign subsidiary's financial results into U.S. dollars for purposes of reporting our consolidated financial results. Translation gains and losses are included in accumulated other comprehensive income in the Stockholders' equity section of the Condensed Consolidated Balance Sheet. To date, such cumulative translation adjustments have not been material to our consolidated financial position.

Revenue, expenses, assets, and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim Condensed Consolidated Financial Statements may not be the same as those for the full year. We completed the sale of certain assets related to our pulmonary business, associated technology and intellectual property to Novartis Pharma AG and Novartis Pharmaceuticals Corporation (together referred to as "Novartis") on December 31, 2008; as a result, our results of operations for the three and nine months ended September 30, 2009 are not comparable to the three and nine month periods ended September 30, 2008.

The accompanying Condensed Consolidated Balance Sheet as of September 30, 2009, the Condensed Consolidated Statements of Operations for the three months and nine months ended September 30, 2009 and 2008, and the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2009 and 2008 are unaudited. The Condensed Consolidated Balance Sheet data as of December 31, 2008 was derived from the audited consolidated financial statements which are included in our Annual Report on Form 10-K filed with the SEC on March 6, 2009. The information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and the accompanying notes to those financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2008.

We evaluated subsequent events through November 4, 2009, the date on which this Quarterly Report on Form 10-Q was filed with the Securities and Exchange Commission.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Reclassifications

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current period presentation. Such reclassifications do not impact previously reported revenue, operating loss or net loss or total assets, liabilities or stockholders' equity.

Segment Information

We operate in one business segment which focuses on applying our technology platforms to improve the performance of established and novel medicines. We operate in one segment because our business offerings have similar economics and other characteristics, including the nature of products and production processes, types of customers, distribution methods and regulatory environment. We are comprehensively managed as one business segment by our Chief Executive Officer and his management team.

Significant Concentrations

Our customers are primarily pharmaceutical and biotechnology companies that are located in the U.S. and Europe. Our accounts receivable balance contains billed and unbilled trade receivables from product sales, royalties, and collaborative research agreements. We provide for an allowance for doubtful accounts by reserving for specifically identified doubtful accounts. We generally do not require collateral from our customers. We regularly review our customers' payment histories and associated credit risk. We have not experienced significant credit losses from our accounts receivable.

We are dependent on our partners and vendors to provide raw materials, drugs and devices of appropriate quality and reliability and to meet applicable regulatory requirements. Consequently, in the event that supplies are delayed or interrupted for any reason, our ability to develop and produce our products could be impaired, which could have a material adverse effect on our business, financial condition and results of operations.

Revenue

We enter into collaborative research and development arrangements and technology license agreements with pharmaceutical and biotechnology partners that may involve multiple deliverables. Our arrangements may contain the following elements: upfront fees, contract research, milestone payments, manufacturing and supply, royalties, and license fees. We evaluate and account for our revenue arrangements as required by the Revenue Recognition Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Revenue is recognized when there is persuasive evidence that an arrangement exists, delivery has occurred, the price is fixed or determinable, and collection is reasonably assured. Allowances are established for estimated sales returns and uncollectible amounts. Each deliverable in the arrangement is evaluated to determine whether it meets the criteria to be accounted for as a separate unit of accounting or whether it should be combined with other deliverables.

Product sales and royalties

Product sales are primarily derived from cost-plus manufacturing and supply agreements with our collaboration partners, and revenue is recognized in accordance with the terms of the related collaboration agreement. We have not experienced any significant returns from our customers.

Generally, we are entitled to royalties from our partners based on their net sales once their products are approved for commercial sale. We recognize royalty revenue when the cash is received or when the royalty amount to be received is estimable and collection is reasonably assured.

Collaboration and other

Collaborative research and development arrangements

Upfront fees received are recognized ratably over our expected performance period under the arrangement. Management makes its best estimate of the period over which we expect to fulfill our performance obligations from the arrangement. In collaborative research and development agreements we may have performance responsibilities through a certain phase of clinical development or through the commercial life of the product; the amortization period for upfront fees received may be as short as the development period, which is generally four to six years, or as long as the contractual life of the agreement, which is generally 10 to 12 years from the first commercial sale, or the end of the patent life, which is frequently 15 to 17 years. Given the uncertainties of research and development collaborations, significant judgment is required to determine the duration of the performance period.

Contract research revenue from collaborative research and development arrangements is recorded when earned based on the performance requirements of the contract. Advance payments for research and development revenue received in excess of amounts earned are classified as deferred revenue until earned. Amounts received under these arrangements are generally non-refundable even if the research effort is unsuccessful.

In arrangements in which we have a performance obligation, payments received for performance milestones achieved are deferred and recorded as revenue ratably over the period of time from the achievement of the milestone for which we received payment and our estimate of the date on which the next milestone will be achieved. Management makes its best estimate of the period of time until the next milestone is reached. The estimate affects the recognition of revenue for completion of the previous milestone. The original estimate is periodically evaluated to determine if circumstances have caused the estimate to change and if so, amortization of revenue is adjusted prospectively. Final milestone payments are recorded and recognized upon achieving the respective milestone, provided that collection is reasonably assured.

License Agreements

We have granted licenses for certain of our intellectual property assets for use in developing new molecules. We do not recognize revenue unless delivery has occurred. We consider delivery to have occurred when the license is granted on an exclusive basis and the license is for the duration of the intellectual property life. If we have performance obligations beyond delivery of the license, such as to assist in the technology transfer process, we recognize revenue ratably over the estimated performance obligation period.

Income Taxes

Our net income tax benefit is primarily comprised of a foreign income tax provision for India at an effective tax rate of 34% and a U.S. Federal income tax benefit relating to a refundable credit under the American Recovery and Reinvestment Act of 2009.

We account for income taxes under the liability method as prescribed by the Income Taxes Topic of the FASB ASC. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax reporting bases of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Realization of deferred tax assets is dependent upon future earnings, the timing and amount of which are uncertain.

Recent Accounting Pronouncements

FASB Accounting Standards Update 2009-13, Revenue Recognition (Topic 605) – Multiple-Deliverable Revenue Arrangements

In October 2009, the FASB published FASB Accounting Standards Update 2009-13, which amends the criteria to identify separate units of accounting within Subtopic 605-25, Revenue Recognition-Multiple-Element Arrangements. The revised guidance also expands the disclosure required for multiple-element revenue arrangements. FASB Accounting Standards Update 2009-13 is effective for fiscal years beginning on or after June 15, 2010, and may be applied retrospectively for all periods presented or prospectively to arrangements entered into or materially modified after the adoption date. Early adoption is permitted provided that the revised guidance is retroactively applied to the beginning of the year of adoption. We are currently evaluating the impact of adoption on our financial position and our results of operations.

FASB Accounting Standards Codification

In June 2009, the FASB issued SFAS No. 168, The *FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162* ("SFAS 168"). The statement confirmed that the *FASB Accounting Standards Codification* (the "Codification") has become the single official source of authoritative U.S. GAAP (other than guidance issued by the SEC), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force ("EITF"), and related literature. Only one level of authoritative U.S. GAAP exists. All other literature is now considered non-authoritative. The Codification did not change U.S. GAAP; instead, it introduced a new structure. The Codification, which changed the referencing of financial standards, became effective for interim and annual periods ending on or after September 15, 2009. We have applied the Codification beginning in this third quarter 2009 Form 10-Q and as a result, the majority of references to historically issued accounting pronouncements are now superseded by references to the FASB ASC. Certain accounting pronouncements, such as SFAS 168, will remain authoritative until they are integrated into the codification standard. The adoption of SFAS 168 has not had a substantive impact on our Condensed Consolidated Financial Statements or related footnotes.

Note 2—Cash, Cash Equivalents, and Available-For-Sale Investments

Cash, cash equivalents, and available-for-sale investments are as follows (in thousands):

	Estimated Fair Value at	
	September 30, 2009	**December 31, 2008**
Cash and cash equivalents	$ 32,777	$ 155,584
Short-term investments (less than one year to maturity)	242,901	223,410
Total cash, cash equivalents, and available-for-sale investments	$ 275,678	$ 378,994

Our portfolio of cash, cash equivalents, and available-for-sale investments includes (in thousands):

	Estimated Fair Value at	
	September 30, 2009	**December 31, 2008**
Cash and money market funds	$ 30,767	$ 145,394
Obligations of U.S. government agencies	120,386	91,667
Obligations of U.S. corporations	89,523	26,275
U.S. corporate commercial paper	29,976	115,658
Obligations of U.S. states and municipalities	5,026	—
Total cash, cash equivalents, and available-for-sale investments	$ 275,678	$ 378,994

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we invest in liquid, high quality debt securities. Our investments in debt securities are subject to interest rate risk. To minimize the exposure due to an adverse shift in interest rates, we invest in short-term securities and maintain a weighted average maturity of one year or less. At September 30, 2009, the average portfolio duration was approximately six months and the contractual maturity of any single investment did not exceed twelve months. At December 31, 2008, the average portfolio duration was approximately two months and the contractual maturity of any single investment did not exceed twelve months.

Gross unrealized gains and losses were insignificant at September 30, 2009 and at December 31, 2008. The gross unrealized losses were primarily due to changes in interest rates on fixed income securities. Based on our available cash and our expected operating cash requirements we do not intend to sell these securities and it is not more likely than not that we will be required to sell these securities before we recover the amortized cost basis. Accordingly, we believe there are no other-than-temporary impairments on these securities and have not recorded a provision for impairment.

The following table represents the fair value hierarchy for our financial assets measured at fair value on a recurring basis as of September 30, 2009 (in thousands):

	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 27,537	$ —	$ —	$ 27,537
Obligations of U.S. government agencies	—	120,386	—	120,386
Obligations of U.S. corporations	—	89,523	—	89,523
U.S. corporate commercial paper	—	29,976	—	29,976
Obligations of U.S. states and municipalities	—	5,026	—	5,026
Cash equivalents and available-for-sale investments	$ 27,537	$ 244,911	$ —	$ 272,448
Cash				3,230
Cash, cash equivalents, and available-for-sale investments				$ 275,678

Level 1 — Quoted prices in active markets for identical assets or liabilities.
Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Note 3 —Inventory

Inventory consists of the following (in thousands):

	September 30, 2009	December 31, 2008
Raw materials	$ 5,864	$ 6,964
Work-in-process	207	1,743
Finished goods	2,859	612
Total	$ 8,930	$ 9,319

Inventory is manufactured upon receipt of firm purchase orders from our licensing partners. Inventory includes direct materials, direct labor, and manufacturing overhead and is computed on a first-in, first-out basis. Inventory is stated at the lower of cost or market and is net of reserves of $4.4 million and $5.0 million as of September 30, 2009 and December 31, 2008, respectively. Reserves are determined using specific identification plus an estimated reserve for potential defective or excess inventory based on historical experience or projected usage.

Note 4—Mission Bay Facility

On September 30, 2009, we entered into an operating sublease with Pfizer, Inc. for a 102,283 square foot facility located at 455 Mission Bay Boulevard, San Francisco, California (the “Mission Bay Facility”). The Mission Bay Facility is currently under construction and is scheduled to be completed in the second half of 2010. When completed, the Mission Bay Facility will include an R&D center with biology, chemistry, pharmacology, and clinical development capabilities, as well as all of our functions currently located in San Carlos, California, including our corporate headquarters. We are currently working with our architects and general contractor to complete our tenant improvement design for the Mission Bay Facility and the related scope, cost and timing of construction.

Under the terms of the sublease, we will begin making non-cancelable lease payments in 2014, four years following the earliest of (i) our substantial completion of the tenant improvements, (ii) our occupancy of the Mission Bay Facility, or (iii) August 1, 2010. The Sublease term ends 114 months after occupancy but in no event later than January 30, 2020. Rent expense will be recognized ratably over the sublease term. In addition, throughout the term of the Sublease, we are responsible for paying certain costs and expenses specified in the sublease, including insurance costs and a pro rata share of operating expenses and applicable taxes for the Mission Bay Facility. Our future minimum lease payments under the Mission Bay sublease total $21.3 million for the years 2014 through 2020.

Note 5 - Commitments and Contingencies

Legal Matters

From time to time, we may be involved in lawsuits, claims, investigations and proceedings, consisting of intellectual property, commercial, employment and other matters, which arise in the ordinary course of business. In accordance with the Contingencies Topic of the FASB ASC, we make a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, ruling, advice of legal counsel, and other information and events pertaining to a particular case. Litigation is inherently unpredictable. If any unfavorable ruling were to occur in any specific period, there exists the possibility of a material adverse impact on the results of operations of that period or on our cash flows and liquidity.

Indemnifications in Connection with Commercial Agreements

As part of our collaboration agreement with our partners related to the license, development, manufacture and supply of drugs based on our proprietary technologies, we generally agree to defend, indemnify and hold harmless our partners from and against third party liabilities arising out of the agreement, including product liability (with respect to our activities) and infringement of intellectual property to the extent the intellectual property is developed by us and licensed to our partners. The term of these indemnification obligations is generally perpetual any time after execution of the agreement. There is generally no limitation on the potential amount of future payments we could be required to make under these indemnification obligations.

As part of our pulmonary asset sale to Novartis that closed on December 31, 2008, we and Novartis made representations and warranties and entered into certain covenants and ancillary agreements which are supported by an indemnity obligation. In the event it was determined that we breached any of the representations and warranties or covenants and agreements made by us in the transaction documents, we could incur an indemnification liability depending on the timing, nature, and amount of any such claims.

To date we have not incurred costs to defend lawsuits or settle claims related to these indemnification obligations. If any of our indemnification obligations is triggered, we may incur substantial liabilities. Because the obligated amount under these agreements is not explicitly stated, the overall maximum amount of the obligations cannot be reasonably estimated. No liabilities have been recorded for these obligations on our Consolidated Balance Sheets as of September 30, 2009 or December 31, 2008.

Note 6—Collaborative Agreements

On August 1, 2007, we entered into a co-development, license and co-promotion agreement with Bayer Healthcare LLC to develop a specially-formulated inhaled Amikacin (BAY41-6551). We are responsible for any future development of the nebulizer device included in the Amikacin product through the completion of Phase 3 clinical trials and scale-up for commercialization. Bayer Healthcare LLC is responsible for most future clinical development (other than $10.0 million of Phase 3 clinical trial costs to be reimbursed by Nektar) and commercialization costs, all activities to support worldwide regulatory filings, approvals and related activities, further development of BAY41-6551 and final product packaging. We received an upfront payment of $40.0 million and performance milestone payments of $20.0 million, of which the second performance milestone of $10.0 million will be used to reimburse Bayer for Phase 3 clinical trial costs. We recognized milestone revenue of $1.2 million and $5.2 million during the three month periods ended September 30, 2009 and 2008, respectively, and $3.9 million and $8.4 million during the nine month periods ended September 30, 2009 and 2008, respectively, included in Collaboration and other revenue in our Condensed Consolidated Statement of Operations. As of September 30, 2009 and December 31, 2008, $34.8 million and $38.7 million, respectively, of collaborative revenue was recorded as deferred revenue in our Condensed Consolidated Balance Sheets. We are entitled to development milestones and sales milestones upon achievement of certain annual sales targets and royalties based on annual worldwide net sales of BAY41-6551.

Note 7 – Stock based compensation

Total stock-based compensation expense was recorded in our Condensed Consolidated Financial Statements as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Cost of goods sold, net of inventory change	$ 58	$ 91	$ 211	$ 212
Other cost of revenue	—	—	—	23
Research and development expense	931	1,590	2,415	2,700
General and administrative expense	1,610	1,411	4,664	4,020
Total stock-based compensation expense	$ 2,599	$ 3,092	$ 7,290	$ 6,955

Aggregate Unrecognized Stock-Based Compensation Expense

Aggregate total unrecognized stock-based compensation expense is expected to be recognized as follows (in thousands):

Fiscal Year	As of September 30, 2009
2009 (remaining 3 months)	$ 2,694
2010	9,245
2011	7,738
2012	3,203
2013 and thereafter	1,154
	$ 24,034

Note 8—Net Loss Per Share

Basic net loss per share is calculated based on the weighted-average number of common shares outstanding during the periods presented. For all periods presented in the Condensed Consolidated Statements of Operations, the net loss available to common stockholders is equal to the reported net loss. Basic and diluted net loss per share are the same due to our historical net losses and the requirement to exclude potentially dilutive securities which would have an anti-dilutive effect on net loss per share. The weighted average of these potentially dilutive securities has been excluded from the diluted net loss per share calculation and is as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Convertible subordinated notes	9,989	14,638	9,989	14,638
Stock options	9,886	14,740	14,155	13,944
Total	19,875	29,378	24,144	28,582

Note 9—Subsequent Events

License Agreement with AstraZeneca AB

On September 20, 2009, we entered into a License Agreement (the "Agreement") with AstraZeneca AB, a Swedish corporation ("AstraZeneca"), in which we granted a worldwide exclusive license to NKTR-118 and NKTR-119. The Agreement was reviewed by the U. S. Government under the Hart-Scott-Rodino Act (the "HSR Act"). We received early termination of the waiting period under the HSR Act and the Agreement became effective on October 8, 2009.

Under the terms of the Agreement, Nektar and AstraZeneca agree to cooperate in researching and developing products derived from the application of Nektar's proprietary product candidates Oral NKTR-118 (PEGylated naloxol), a peripheral opioid antagonist in clinical development for the treatment of opioid-induced constipation (OIC) and other manifestations of opioid bowel dysfunction (OBD), and the Oral NKTR-119 program which combines Oral NKTR-118 with certain opioid compounds.

Under the terms of the Agreement, AstraZeneca agreed to pay us an upfront payment of $125.0 million, which we received on October 16, 2009. In relation to NKTR-118, we are eligible to receive up to $235.0 million in development milestones and up to $375.0 million in additional sales milestones as the product achieves certain commercial sales levels. AstraZeneca will use commercially reasonable efforts to develop one product based on NKTR-119 and has rights to develop multiple products based on NKTR-119. For each of the first two initial products based on NKTR-119, Nektar is eligible to receive for each of such products up to $75.0 million in development milestones and up to $310.0 million in additional sales milestones. We are also eligible to receive significant and escalating double-digit royalty payments, varying by country of sale and based on annual net sales. Our right to receive royalties (subject to certain adjustments) in any particular country will expire upon the later of (a) specified period of time after the first commercial sale of the product in that country (or in the European Union if the country is in the European Union) or (b) the expiration of patent rights in that particular country.

On an interim basis, we will supply AstraZeneca with its requirements for NKTR-118 clinical study material on a cost plus basis, until a technology transfer enabling AstraZeneca to undertake such manufacture is completed. AstraZeneca is responsible for all other clinical manufacturing and all commercial manufacturing. We granted AstraZeneca a worldwide, exclusive, perpetual, royalty-bearing, sublicensable license under our patents and know-how to develop, sell and otherwise exploit NKTR-118 and NKTR-119. AstraZeneca will bear all costs associated with research, development and commercialization and will control product development and commercialization decisions. Each party retains rights to its own intellectual property and an equal, undivided interest in jointly-developed intellectual property in connection with the work conducted under or in connection with the Agreement.

Pursuant to the terms of the Agreement, each of Nektar and AstraZeneca agrees, for a period of five years from the first commercial sale of a product in the United States or two other specified markets, not to conduct late stage development of, or commercialize, certain competing products for the prevention, treatment or amelioration of opioid-induced constipation or opioid-induced bowel dysfunction. The Agreement includes various representations, warranties, covenants, indemnities and other provisions customary for transactions of this nature. AstraZeneca may terminate the Agreement (i) for certain specified safety, efficacy or regulatory reasons, and (ii) on a country by country basis, in the event of certain intellectual property infringement events. Either party may terminate the Agreement in the event of an uncured material breach.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed here. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this section as well as factors described in "Part II, Item 1A—Risk Factors."

Overview

Strategic Direction of Our Business

We are a clinical-stage biopharmaceutical company developing a pipeline of drug candidates that utilize our PEGylation and advanced polymer conjugate technology platforms to improve the therapeutic benefits of drugs. Our proprietary product pipeline is comprised of drug candidates across a number of therapeutic areas, including oncology, pain, anti-infectives and immunology. We create our innovative product candidates by using our proprietary chemistry platform to modify the chemical structure of drugs using unique polymer conjugates. Additionally, we may utilize established pharmacologic targets to engineer a new drug candidate relying on a combination of the known properties of these targets and the attributes of our customized polymer chemistry. Our drug candidates are designed to correct deficiencies in the pharmacokinetics, half-life, oral bioavailability, metabolism or distribution of drugs to improve their therapeutic efficacy.

During 2009, we have continued to make substantial investments to advance our pipeline of drug candidates from early stage discovery research through clinical development. On March 2, 2009, we announced that we were terminating our Phase 2 clinical trial for Oral NKTR-118 (oral PEGylated naloxol) as a result of positive preliminary results and on September 20, 2009, we entered into a License Agreement with AstraZeneca (the "AstraZeneca License") for the worldwide development and commercialization of products based on NKTR-118 and NKTR-119 (a co-formulated product candidate including a long-acting opioid and NKTR-118). We also have several Phase 2 clinical trials for NKTR-102 (PEGylated irinotecan) directed at a number of different indications in the oncology therapeutic area that have been ongoing or scheduled to begin during 2009. In addition, on February 17, 2009, we announced that we had dosed the first patient in a Phase 1 clinical trial for NKTR-105 (PEGylated docetaxel) for patients with refractory solid tumors. We also have several other products in the early discovery or preclinical stage that we are preparing to move into clinical development.

Our focus on research and clinical development requires substantial investments that continue to increase as we advance each drug candidate through the development cycle. While we believe that our strategy has the potential to create significant value if one or more of our drug candidates demonstrates positive clinical results and/or receives regulatory approval in one or more major markets, drug development is an inherently uncertain process and there is a high risk of failure at every stage prior to approval and clinical results are very difficult to predict. Clinical development success and failures can have an unpredictable and disproportionate positive or negative impact on our scientific and medical prospects, financial prospects, financial condition, and market value.

Historically, we entered into a number of license and supply contracts under which we manufactured and supplied proprietary PEGylation reagents on a cost-plus or fixed price basis. Our current strategy is to manufacture and supply PEGylation reagents to support our proprietary drug candidates or for third party collaborators where we have a strategic development and commercialization relationship. As a result, whenever possible, we are renegotiating or not seeking renewal of legacy manufacturing supply arrangements that do not include a strategic development or commercialization component. While this will result in some revenue loss in the short-term, product sales from these legacy agreements is generally low-margin. Our strategy allows us to focus our proprietary manufacturing expertise and capacity on drugs and drug candidates where we have significant future economic opportunity.

We intend to decide on a product-by-product basis whether we wish to continue development into Phase 3 pivotal clinical trials and commercialize products on our own, or seek a partner, or pursue a combination of these approaches. Following completion of Phase 2 development, or earlier in the development cycle in certain circumstances, we will generally be seeking collaborations with one or more biotechnology or pharmaceutical companies to conduct Phase 3 clinical development, to be responsible for the regulatory approval process and, if such drug candidate is approved, to market and sell the drug in one or more world markets. The commercial terms of such future collaborations, if any, including, without limitation, upfront payments, development and sales milestone payments, and royalty rates, will be critical to the future prospects of our business and financial condition. For example, the success of our collaboration with AstraZeneca under the AstraZeneca License, which includes an upfront payment of $125.0 million that we received from AstraZeneca in October 2009 and significant potential development milestones, sales milestones and royalties on commercial sales for each of NKTR-118 and NKTR-119, will impact our financial condition. There can be no assurance that any future collaborations will be available to us on favorable terms.

We have a number of existing license and collaboration agreements with third parties who have licensed our proprietary technologies for drugs that have either received regulatory approval in one or more markets or drug candidates that are still in the clinical development stage. For example, the future clinical and commercial success of Bayer's Amikacin Inhale (BAY41-6551 or NKTR-061), AstraZeneca's development and commercialization of NKTR-118 and NKTR-119, UCB's CIMZIA™, Roche's MIRCERA and Affymax's Hematide, among others, will together have a material impact on our long-term revenue prospects, as will the success of Bayer's Cipro Inhale program, in relation to which we have certain royalty rights. Because drug development and commercialization is subject to a number of risks and uncertainties, there is a risk that our future revenue from one or more of these agreements will be less than we anticipate.

Key Developments and Trends in Liquidity and Capital Resources

At September 30, 2009, we had approximately $275.7 million in cash, cash equivalents, and short-term investments and $241.0 million in indebtedness. We may from time to time purchase or retire convertible subordinated notes through cash purchase or exchanges for other securities of the Company in open market or privately negotiated transactions, depending on, among other factors, our levels of available cash and the price at which such convertible notes are available for purchase. For instance, in the fourth quarter of 2008, we repurchased $100.0 million of the principal amount of our 3.25% convertible subordinated notes. We will evaluate similar future transactions, if any, in light of then-existing market conditions. These transactions, individually or in the aggregate, may be material to our business.

We have financed our operations primarily through revenue from product sales and royalties and research and development contracts and public and private placements of debt and equity. In October 2009, we received a payment of $125.0 million from AstraZeneca under the AstraZeneca License as an upfront payment for the worldwide rights to further develop and commercialize NKTR-118 and NKTR-119. To date we have incurred substantial debt as a result of our issuances of subordinated notes that are convertible into our common stock. Our substantial debt, the market price of our securities, and the general economic climate, among other factors, could have material consequences for our financial condition and could affect our sources of short-term and long-term funding. Our ability to meet our ongoing operating expenses and repay our outstanding indebtedness is dependent upon our and our partners' ability to successfully complete clinical development of, obtain regulatory approvals for and successfully commercialize new drugs. Even if we or our partners are successful, we may require additional capital to continue to fund our operations and repay our debt obligations as they become due. There can be no assurance that additional funds, if and when required, will be available to us on favorable terms, if at all.

Our substantial investment in our preclinical and clinical research and any potential new licensing or partnership agreements, if any, will be the key drivers of our results of operations and financial position during 2009. One of our collaboration partners has a one-time license extension option exercisable in December 2009. If this partner elects to exercise this license extension option right, we will receive a cash payment of $31.0 million in December 2009.

Results of Operations

Three Months and Nine Months Ended September 30, 2009 and 2008

Revenue (in thousands, except percentages)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Increase / (Decrease) 2009 vs. 2008	Percentage Increase / (Decrease) 2009 vs. 2008
Product sales and royalties	$ 7,461	$ 9,474	$ (2,013)	(21)%
Collaboration and other	2,762	11,965	(9,203)	(77)%
Total revenue	$ 10,223	$ 21,439	$ (11,216)	(52)%

	Nine months ended September 30, 2009	Nine months ended September 30, 2008	Increase / (Decrease) 2009 vs. 2008	Percentage Increase / (Decrease) 2009 vs. 2008
Product sales and royalties	$ 24,456	$ 28,855	$ (4,399)	(15)%
Collaboration and other	8,466	32,977	(24,511)	(74)%
Total revenue	$ 32,922	$ 61,832	$ (28,910)	(47)%

Our revenue is derived from our collaboration agreements, under which we may receive contract research payments, milestone payments based on clinical progress, regulatory progress or net sales achievements, royalties or product sales revenue. Significant variations in the timing of receipt of cash payments and our recognition of revenue can result from the nature of significant milestone payments based on the execution of new collaboration agreements, the timing of clinical, regulatory or sales events which often result in single milestone payments and the timing and success of the commercial launch of new drugs by our collaboration partners.

The decrease in total revenue for the three months and nine months ended September 30, 2009 compared to the three months and nine months ended September 30, 2008, is primarily attributable to lower product sales to our collaboration partners, the termination of our Tobramycin Inhalation Powder ("TIP") collaboration agreement with Novartis Vaccines and Diagnostics Inc., and the assignment of our Cipro Inhale collaboration agreement with Bayer Schering Pharma AG to Novartis. Pursuant to the terms of the transaction in which we assigned this collaboration agreement to Novartis, we maintain the right to receive certain potential royalties in the future based on net product sales if Cipro Inhale receives regulatory approval and is successfully commercialized.

In October 2009, we received a $125.0 million upfront payment from AstraZeneca in connection with the AstraZeneca License for NKTR-118 and NKTR-119. We will begin amortizing the $125.0 million upfront payment in the fourth quarter of 2009 over our estimated performance period.

In December, if one of our collaboration partners elects to exercise a one-time license extension option, we would receive a $31.0 million payment and we would expect to recognize the revenue over our estimated performance obligation period of the agreement.

Product sales and royalties

The decrease in product sales and royalties for the three months and nine months ended September 30, 2009 compared to the three months and nine months ended September 30, 2008 is primarily attributable to lower product sales volumes to our collaboration partners. We expect product sales and royalties in the last quarter of 2009 to remain at a consistent level as the three months ended September 30, 2009.

Collaboration and other

Collaboration and other revenue includes reimbursed research and development expenses, amortization of deferred upfront payments and milestone payments received from our collaboration partners, and intellectual property license fee revenue. Collaboration revenue fluctuates from year to year, and therefore future collaboration revenue cannot be predicted accurately. The level of collaboration and other revenue depends in part upon the continuation of existing collaborations, the stage of program development, and the achievement of milestones. The timing and future success of our product development programs are subject to a number of risks and uncertainties.

The decrease in collaboration and other revenue for the three months and nine months ended September 30, 2009 compared to the three months and nine months ended September 30, 2008 is primarily attributable to the termination of our TIP collaboration agreement and the assignment of the Cipro Inhale collaboration agreement as part of the Novartis asset sale transaction, which. These agreements accounted for approximately $5.6 million and $19.3 million of collaboration and other revenue, respectively, for the three months and nine months ended September 30, 2008. We do not expect to recognize any revenue related to these two agreements in 2009. Additionally, milestone revenue recognized from Bayer under our collaborative agreement for Amikacin Inhale decreased by $4.0 million and $4.5 million, respectively, for the three months and nine months ended September 30, 2009 compared to the same periods in 2008 due to changes in our estimates of clinical development progress for this program.

Cost of Goods Sold and Product Gross Margin (in thousands, except percentages)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Increase / (Decrease) 2009 vs. 2008	Percentage Increase / (Decrease) 2009 vs. 2008
Cost of goods sold	$ 5,691	$ 5,349	$ 342	6%
Product gross profit	$ 1,770	$ 4,125	$ (2,355)	(57)%
Product gross margin	24%	44%		

	Nine months ended September 30, 2009	Nine months ended September 30, 2008	Increase / (Decrease) 2009 vs. 2008	Percentage Increase / (Decrease) 2009 vs. 2008
Cost of goods sold	$ 21,021	$ 18,020	$ 3,001	(17)%
Product gross profit	$ 3,435	$ 10,835	$ (7,400)	(68)%
Product gross margin	14%	38%		

For the three months and nine months ended September 30, 2009 compared to the three months and nine months ended September 30, 2008, the decrease in product gross margin is primarily attributable to a shift in product mix and decreased manufacturing volume; the decreased manufacturing volume resulted in increased unabsorbed manufacturing overhead that was recognized as cost of goods sold. Additionally, for the nine months ended September 30, 2009, product gross margin decreased primarily due to a $2.1 million payment that became due during the first quarter of 2009 to one of our former consulting firms as the final payment under the agreement.

As a result of the fixed cost base associated with our manufacturing activities, we expect product gross margin to fluctuate in future periods depending on the level of manufacturing orders from our customers.

Other Cost of Revenue (in thousands, except percentages)

Other cost of revenue of $6.8 million for the nine months ended September 30, 2008 includes the costs of maintaining our Exubera manufacturing capacity after the termination of the Pfizer agreements on November 9, 2007 through the termination of our inhaled insulin programs in April 2008. There were no such costs in 2009.

Research and Development Expense (in thousands, except percentages)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Increase / (Decrease) 2009 vs. 2008	Percentage Increase / (Decrease) 2009 vs. 2008
Research and development expense	$ 23,474	$ 38,265	$ (14,791)	(39)%

	Nine months ended September 30, 2009	Nine months ended September 30, 2008	Increase / (Decrease) 2009 vs. 2008	Percentage Increase / (Decrease) 2009 vs. 2008
Research and development expense	$ 71,514	$ 109,138	$ (37,624)	(34)%

Research and development expenses consist primarily of personnel costs, including salaries, benefits, and stock-based compensation, clinical studies performed by contract research organizations (CROs), materials and supplies, licenses and fees, and overhead allocations consisting of various support and facilities related costs.

The decrease in research and development expense for the three months and nine months ended September 30, 2009 compared to the three months and nine months ended September 30, 2008, is primarily attributable to the completion of the sale of certain assets related to our pulmonary business, associated property, and intellectual property to Novartis on December 31, 2008 (referred to as the “Novartis Pulmonary Asset Sale”) and the workforce reduction executed in February 2008. As part of the Novartis Pulmonary Asset Sale, we transferred approximately 140 of our personnel dedicated to our pulmonary operations and our San Carlos research and manufacturing facility to Novartis. In addition, we ceased research activities on the TIP research and development program, the Cipro Inhale program and certain other proprietary pulmonary development programs, resulting in a decrease in outside direct costs of $2.0 million and $4.3 million, respectively, for the three months and nine months ended September 30, 2009 compared to the corresponding periods of 2008. For the three months and nine months ended September 30, 2009 compared to the three months and nine months ended September 30, 2008, personnel costs decreased by approximately $6.3 million and $22.3 million, respectively, and facilities costs decreased by approximately $3.2 million and $9.6 million, respectively.

General and Administrative Expense (in thousands, except percentages)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Increase / (Decrease) 2009 vs. 2008	Percentage Increase / (Decrease) 2009 vs. 2008
General and administrative expense	$ 9,917	$ 12,386	$ (2,469)	(20)%

	Nine months ended September 30, 2009	Nine months ended September 30, 2008	Increase / (Decrease) 2009 vs. 2008	Percentage Increase / (Decrease) 2009 vs. 2008
General and administrative expense	$ 30,024	$ 37,661	$ (7,637)	(20)%

General and administrative expense is associated with administrative staffing, business development and marketing. For the three months and nine months ended September 30, 2009 compared to the three months and nine months ended September 30, 2008, personnel costs decreased by approximately $1.0 million and $3.8 million, respectively, primarily due to headcount reductions made as part of our February 2008 workforce reductions and other operating efficiencies achieved after the Novartis Pulmonary Asset Sale, marketing costs decreased by approximately $0.2 million and $1.2 million, respectively, professional outside service costs decreased by approximately $0.5 million and $1.3 million, respectively, and travel, lodging and meals decreased by $0.2 million and $0.7 million, respectively.

Interest Income and Interest Expense (in thousands, except percentages)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Increase / (Decrease) 2009 vs. 2008	Percentage Increase / (Decrease) 2009 vs. 2008
Interest income	$ 560	$ 2,375	$ (1,815)	(76)%
Interest expense	$ (2,928)	$ (3,988)	$ (1,060)	(27)%

	Nine months ended September 30, 2009	Nine months ended September 30, 2008	Increase / (Decrease) 2009 vs. 2008	Percentage Increase / (Decrease) 2009 vs. 2008
Interest income	$ 3,160	$ 10,578	$ (7,418)	(70)%
Interest expense	$ (9,213)	$ (11,835)	$ (2,622)	(22)%

The decrease in interest income for the three months and nine months ended September 30, 2009, compared to the three months and nine months ended September 30, 2008, is primarily attributable to lower interest rates and a lower average balance of cash, cash equivalents, and short-term investments. The decrease in interest expense for the three months and nine months ended September 30, 2009, compared to the three months and nine months ended September 30, 2008, is primarily attributable to a lower average balance of convertible subordinated notes outstanding during 2009. We repurchased $100.0 million of the principal amount of our 3.25% convertible subordinated notes in the fourth quarter of 2008.

Liquidity and Capital Resources

We have financed our operations primarily through revenue from partner licensing, collaboration and manufacturing agreements, public and private placements of debt and equity securities, and financing of equipment acquisitions and certain tenant leasehold improvements.

We had cash, cash equivalents and short-term investments in marketable securities of $275.7 million and indebtedness of $241.0 million, including $215.0 million of 3.25% convertible subordinated notes due September 2012, $20.7 million in capital lease obligations, and $5.3 million in other liabilities as of September 30, 2009.

Due to the recent adverse developments in the credit markets, we may experience reduced liquidity with respect to some of our short-term investments. These investments are generally held to maturity, which is less than one year. However, if the need arose to liquidate such securities before maturity, we may experience losses on liquidation. At September 30, 2009, the average time to maturity of the investments held in our portfolio was approximately six months and the contractual maturity of any single investment did not exceed twelve months. To date we have not experienced any liquidity issues with respect to these securities, but should such issues arise, we may be required to hold some, or all, of these securities until maturity. We believe that, even allowing for potential liquidity issues with respect to these securities, our remaining cash, cash equivalents, and short-term investments will be sufficient to meet our anticipated cash needs for at least the next twelve months. Based on our available cash and our expected operating cash requirements we do not intend to sell these securities and it is not more likely than not that we will be required to sell these securities before we recover the amortized cost basis. Accordingly, we believe there are no other-than-temporary impairments on these securities and have not recorded a provision for impairment.

Cash flows from operating activities

Cash flows used in operating activities for the nine months ended September 30, 2009 totaled $90.5 million, which includes $4.9 million for employee bonus payments related to services performed in 2008, $7.0 million for interest payments on our convertible subordinated notes, $2.7 million for severance payments for employees terminated in December 2008, and $75.9 million of other net operating cash uses. Because of the nature and timing of certain cash receipts and payments, net cash utilization is not expected to be ratable over the four quarters of the year. In October 2009, we received an upfront payment of $125.0 million under the AstraZeneca License for the worldwide rights to further develop and commercialize NKTR-118 and NKTR-119. Additionally, one of our collaboration partners has a one-time license extension option exercisable in December 2009. If this partner elects to exercise this license extension option right, we will receive a cash payment of $31.0 million in December 2009.

For the nine months ended September 30, 2008, cash used in operations includes payments to Bespak Europe Ltd. and Tech Group North America, Inc. of $39.9 million for amounts due under our termination agreements with those companies related to the Exubera inhaler contract manufacturing agreement, all of which was recorded as an expense in 2007, $5.0 million to maintain Exubera inhaler manufacturing capacity at Tech Group's facility, and $5.3 million for severance, employee benefits, and outplacement services in connection with our workforce reduction plans.

Cash flows from investing activities

We purchased $10.8 million and $15.1 million of property and equipment in the nine months ended September 30, 2009 and 2008, respectively. During the nine months ended September 30, 2009, we paid $4.4 million of previously expensed transaction costs related to the Novartis Pulmonary Asset Sale, which was completed on December 31, 2008.

Cash flows from financing activities

We received $3.8 million from issuances of common stock to employees during the nine months ended September 30, 2009, resulting in net cash provided by financing activities. Cash used in financing activities were not significant for the nine months ended September 30, 2008.

Contractual Obligations

In the three months ended September 30, 2009, we entered into a sublease for the Mission Bay Facility which resulted in an increase of $21.3 million, in the aggregate, in our contractual obligations for the years 2014 through 2020. Other than the Mission Bay Sublease, there were no other material changes during the three or nine months ended September 30, 2009 to the summary of contractual obligations included in our Annual Report on Form 10-K for the year ended December 31, 2008.

Off-Balance Sheet Arrangements

We do not utilize off-balance sheet financing arrangements as a source of liquidity or financing.

Recent Accounting Pronouncements

FASB Accounting Standards Update 2009-13, Revenue Recognition (Topic 605) – Multiple-Deliverable Revenue Arrangements

In October 2009, the FASB published FASB Accounting Standards Update 2009-13, which amends the criteria to identify separate units of accounting within Subtopic 605-25, Revenue Recognition-Multiple-Element Arrangements. The revised guidance also expands the disclosure required for multiple-element revenue arrangements. FASB Accounting Standards Update 2009-13 is effective for fiscal years beginning on or after June 15, 2010, and may be applied retrospectively for all periods presented or prospectively to arrangements entered into or materially modified after the adoption date. Early adoption is permitted provided that the revised guidance is retroactively applied to the beginning of the year of adoption. We are currently evaluating the impact of adoption on our financial position and our results of operations.

FASB Accounting Standards Codification

In June 2009, the FASB issued SFAS No. 168, The *FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162* (SFAS 168)**.** The statement confirmed that the *FASB Accounting Standards Codification* (the Codification) has become the single official source of authoritative U.S. GAAP (other than guidance issued by the SEC), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force (EITF), and related literature. Only one level of authoritative U.S. GAAP exists. All other literature is now considered non-authoritative. The Codification did not change U.S. GAAP; instead, it introduced a new structure. The Codification, which changed the referencing of financial standards, became effective for interim and annual periods ending on or after September 15, 2009. We have applied the Codification beginning in this third quarter 2009 Form 10-Q and as a result, the majority of references to historically issued accounting pronouncements are now superseded by references to the FASB ASC. Certain accounting pronouncements, such as SFAS 168, will remain authoritative until they are integrated into the codification standard. The adoption of SFAS 168 has not had a substantive impact on our Condensed Consolidated Financial Statements or related footnotes.

Subsequent Events

We evaluated subsequent events through November 4, 2009, the date on which this Quarterly Report on Form 10-Q was filed with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our market risks at September 30, 2009 have not changed significantly from those discussed in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2008 on file with the Securities and Exchange Commission.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial disclosure.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon, and as of the date of, this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

We continuously seek to improve the efficiency and effectiveness of our internal controls. This results in refinements to processes throughout the Company. However, there was no change in our internal control over financial reporting that occurred in the three months ended September 30, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Approval of Non-Audit Services

In the three months ended September 30, 2009, the Audit Committee of the Board of Directors approved approximately $32,500 in non-audit related services related to tax compliance and advisory services to be provided by Ernst & Young LLP, our independent registered public accounting firm.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

Reference is hereby made to our disclosures in "Legal Matters" under Note 5 of the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q and the information under the heading "Legal Matters" is incorporated by reference herein.

Item 1A. Risk Factors

Investors in Nektar Therapeutics should carefully consider the risks described below before making an investment decision. The risks described below may not be the only ones relating to our company. This description includes any material changes to and supersedes the description of the risk factors associated with our business previously disclosed in Item 1A of our Annual Report on Form 10-K for the twelve months ended December 31, 2008. Additional risks that we currently believe are immaterial may also impair our business operations. Our business, results of operation, financial condition, cash flow and future prospects and the trading price of our common stock and our abilities to repay our convertible notes could be harmed as a result of any of these risks, and investors may lose all or part of their investment. In assessing these risks, investors should also refer to the other information contained or incorporated by reference in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2008, including our consolidated financial statements and related notes, and our other filings made from time to time with the Securities and Exchange Commission ("SEC").

Risks Related to Our Business

Drug development is an inherently uncertain process and there is a high risk of failure at every stage of development and development failures can significantly harm our business.

We have a number of proprietary product candidates and partnered product candidates in research and development ranging from the early discovery research phase through preclinical testing and clinical trials. Preclinical testing and clinical trials are long, expensive and a highly uncertain processes. It will take us, or our collaborative partners, several years to complete clinical trials. Drug development is an uncertain scientific and medical endeavor and failure can unexpectedly occur at any stage of clinical development even after early preclinical or clinical results suggest that the drug candidate has potential as a new therapy that may benefit patients. Typically, there is a high rate of attrition for product candidates in preclinical and clinical trials due to scientific feasibility, safety, efficacy, changing standards of medical care and other variables. We or our partners have a number of important product candidates in early to mid-stage development such as Bayer's Amikacin Inhale, Oral NKTR-118 (oral PEGylated naloxol) and NKTR-119, Affymax's Hematide, and NKTR-102 (PEGylated irinotecan) in a number of oncology indications. We also have an ongoing Phase 1 clinical trial for NKTR-105 (PEGylated docetaxel) for patients with refractory solid tumors. Any one of these trials could fail at any time as clinical development of drug candidates presents numerous risks and is very uncertain.

Even with success in preclinical testing and clinical trials, the risk of clinical failure remains high prior to regulatory approval.

A number of companies in the pharmaceutical and biotechnology industries have suffered significant unforeseen setbacks in later stage clinical trials (i.e., Phase 2 or Phase 3 trials) due to factors such as inconclusive efficacy results and adverse medical events, even after achieving positive results in earlier trials that were satisfactory both to them and to reviewing regulatory agencies. Although we recently announced positive Phase 2 clinical results for Oral NKTR-118 (oral PEGylated naloxol), there are still substantial risks associated with the future outcome of a Phase 3 clinical trial and the regulatory review process even following our recent development and commercialization agreement with AstraZeneca. In addition, although NKTR-102 (PEGylated irinotecan) continues in active Phase 2 clinical development, there remains a significant uncertainty as to clinical development results in all of the indications in which this drug candidate is being studied and whether this drug candidate will eventually receive regulatory approval or be a commercial success even if approved in any of the indications for which it is being studied. The risk of failure is increased for our product candidates that are based on new technologies, such as the application of our advanced polymer conjugate technology to small molecules, including without limitation Oral NKTR-118, Oral NKTR-119, NKTR-102, NKTR-105 and other drug candidates currently in the discovery research or preclinical development phases. If our PEGylation and advanced polymer conjugate technologies fail to generate new drug candidates with positive clinical trial results and approved drugs, our business, results of operations, and financial condition would be materially harmed.

If we are unable to establish and maintain collaboration partnerships on attractive commercial terms, our business, results of operations and financial condition could suffer.

We intend to continue to seek partnerships with pharmaceutical and biotechnology partners to fund a substantial portion of our research and development expenses and develop and commercialize our product candidates. The timing of any future partnership, as well as the terms and conditions of the partnership, will affect our ability to benefit from the relationship. If we are unable to find suitable partners or to negotiate collaborative arrangements with favorable commercial terms with respect to our existing and future product candidates or the licensing of our technology, or if any arrangements we negotiate, or have negotiated, are terminated or result in less future revenue than we anticipate, our business, results of operations and financial condition could suffer. While we received an upfront payment of $125.0 million pursuant to the AstraZeneca license agreement we entered on September 20, 2009, we currently expect revenue to decrease in 2009 as a result of the termination of our collaboration agreements with Novartis Vaccines and Diagnostics, Inc. for Tobramycin inhalation powder ("TIP") and our assignment of our rights and obligations, other than certain royalty rights, related to the Cipro Inhale program partnered with Bayer AG, both of which occurred as a result of the Novartis Pulmonary Asset Sale transaction. Revenue from the TIP and Cipro Inhale collaboration agreements was $2.7 million and $2.9 million, or 13% and 13% of revenue, respectively for the three months ended September 30, 2008 and $11.6 million and $7.7 million, or 19% and 12% of revenue, respectively, for the nine months ended September 30 2008. We will not receive any revenue related to these programs in 2009.

The commercial potential of a drug candidate in development is difficult to predict and if the market size for a new drug is significantly smaller than we anticipated, it could significantly and negatively impact our revenue, results of operations and financial condition.

It is very difficult to estimate the commercial potential of product candidates due to factors such as safety and efficacy compared to other available treatments, including potential generic drug alternatives with similar efficacy profiles, changing standards of care, third party payer reimbursement, patient and physician preferences, the availability of competitive alternatives that may emerge either during the long drug development process or after commercial introduction, and the availability of generic versions of our successful product candidates following approval by health authorities based on the expiration of regulatory exclusivity or our inability to prevent generic versions from coming to market in one or more geographies by the assertion of one or more patents covering such approved drug. If due to one or more of these risks the market potential for a product candidate is lower than we anticipated, it could significantly and negatively impact the commercial terms of any collaboration partnership potential for such product candidate or, if we have already entered into a collaboration for such drug candidate, the revenue potential from royalty and milestones could be significantly diminished and would negatively impact our revenue, results of operations and financial condition.

Our revenue is exclusively derived from our collaboration agreements, which can result in significant fluctuation in our revenue from period to period, and our past revenue is therefore not necessarily indicative of our future revenue.

Our revenue is derived from our collaboration agreements with partners, under which we may receive contract research payments, milestone payments based on clinical progress, regulatory progress or net sales achievements, royalties or manufacturing revenue. Significant variations in the timing of receipt of cash payments and our recognition of revenue can result from the nature of significant milestone payments based on the execution of new collaboration agreements, the timing of clinical, regulatory or sales events which result in single milestone payments and the timing and success of the commercial launch of new drugs by our collaboration partners. The amount of our revenue derived from collaboration agreements in any given period will depend on a number of unpredictable factors, including our ability to find and maintain suitable collaboration partners, the timing of the negotiation and conclusion of collaboration agreements with such partners, whether and when we or our partner achieve clinical and sales milestones, whether the partnership is exclusive or whether we can seek other partners, the timing of regulatory approvals in one or more major markets and the market introduction of new drugs or generic versions of the approved drug, as well as other factors.

If our partners, on which we depend to obtain regulatory approvals for and to commercialize our partnered products, are not successful, or if such collaborations fail, the development or commercialization of our partnered products may be delayed or unsuccessful.

When we sign a collaborative development agreement or license agreement to develop a product candidate with a pharmaceutical or biotechnology company, the pharmaceutical or biotechnology company is generally expected to:

- design and conduct large scale clinical studies;
- prepare and file documents necessary to obtain government approvals to sell a given product candidate; and/or
- market and sell our products when and if they are approved.

Our reliance on collaboration partners poses a number of risks to our business, including risks that:

- we may be unable to control whether, and the extent to which, our partners devote sufficient resources to the development programs or commercial marketing and sales efforts;
- disputes may arise in the future with respect to the ownership of rights to technology or intellectual property developed with partners;
- disagreements with partners could lead to delays in, or termination of, the research, development or commercialization of product candidates or to litigation or arbitration proceedings;
- contracts with our partners may fail to provide us with significant protection, or to be effectively enforced, in the event one of our partners fails to perform;
- partners have considerable discretion in electing whether to pursue the development of any additional product candidates and may pursue alternative technologies or products either on their own or in collaboration with our competitors;
- partners with marketing rights may choose to devote fewer resources to the marketing of our partnered products than they do to products of their own development or products in-licensed from other third parties;
- the timing and level of resources that our partners dedicate to the development program will affect the timing and amount of revenue we receive;
- we do not have the ability to unilaterally terminate agreements (or partner companies may have extension or renewal rights) that we believe are not on commercially reasonable terms or consistent with our current business strategy;
- partners may be unable to pay us as expected; and
- partners may terminate their agreements with us unilaterally for any or no reason, in some cases with the payment of a termination fee penalty and in other cases with no termination fee penalty.

Given these risks, the success of our current and future partnerships is highly unpredictable and can have substantial negative or positive impact on our business. We have entered into collaborations in the past that have been subsequently terminated, such as our collaboration with Pfizer for the development and commercialization of inhaled insulin that was terminated by Pfizer in November 2007. If other collaborations are suspended or terminated, our ability to commercialize certain other proposed product candidates could also be negatively impacted. If our collaborations fail, our product development or commercialization of product candidates could be delayed or cancelled, which would negatively impact our business, results of operations and financial condition.

If we or our partners do not obtain regulatory approval for our product candidates on a timely basis, if at all, or if the terms of any approval impose significant restrictions or limitations on use, our business, results of operations and financial condition will be negatively affected.

We or our partners may not obtain regulatory approval for product candidates on a timely basis, if at all, or the terms of any approval (which in some countries includes pricing approval) may impose significant restrictions or limitations on use. Product candidates must undergo rigorous animal and human testing and an extensive FDA mandated or equivalent foreign authorities' review process for safety and efficacy. This process generally takes a number of years and requires the expenditure of substantial resources. The time required for completing testing and obtaining approvals is uncertain, and the FDA and other U.S. and foreign regulatory agencies have substantial discretion to terminate clinical trials, require additional clinical development or other testing at any phase of development, delay or withhold registration and marketing approval and mandate product withdrawals, including recalls. In addition, undesirable side effects caused by our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restricted label or the delay or denial of regulatory approval by regulatory authorities.

Even if we or our partners receive regulatory approval of a product, the approval may limit the indicated uses for which the product may be marketed. Our partnered products that have obtained regulatory approval, and the manufacturing processes for these products, are subject to continued review and periodic inspections by the FDA and other regulatory authorities. Discovery from such review and inspection of previously unknown problems may result in restrictions on marketed products or on us, including withdrawal or recall of such products from the market, suspension of related manufacturing operations or a more restricted label. The failure to obtain timely regulatory approval of product candidates, any product marketing limitations or a product withdrawal would negatively impact our business, results of operations and financial condition.

We are a party to numerous collaboration agreements and other significant agreements, including in connection with the Novartis Pulmonary Asset Sale, which contain complex commercial terms that could result in disputes, litigation or indemnification liability that could adversely affect our business, results of operations and financial condition.

We currently derive, and expect to derive in the foreseeable future, all of our revenue from collaboration agreements with biotechnology and pharmaceutical companies. These collaboration agreements contain complex commercial terms, including:

- clinical development and commercialization obligations that are based on certain commercial reasonableness performance standards that can often be difficult to enforce if disputes arise as to adequacy of performance;

- research and development performance and reimbursement obligations for our personnel and other resources allocated to partnered product development programs;

- clinical and commercial manufacturing agreements, some of which are priced on an actual cost basis for products supplied by us to our partners with complicated cost allocation formulas and methodologies;

- intellectual property ownership allocation between us and our partners for improvements and new inventions developed during the course of the partnership;

- royalties on end product sales based on a number of complex variables, including net sales calculations, geography, patent life, generic competitors, and other factors; and

- indemnity obligations for third-party intellectual property infringement, product liability and certain other claims.

In addition, we have also entered into complex commercial agreements with Novartis in connection with the sale of certain assets related to our pulmonary business, associated technology and intellectual property to Novartis (Novartis Pulmonary Asset Sale), which was completed on December 31, 2008. Our agreements with Novartis contain complex representations and warranties, covenants and indemnification obligations that could result in substantial future liability and harm our financial condition if we breach any of our agreements with Novartis or any third party agreements impacted by this complex transaction. In addition to the asset purchase, we entered an exclusive license agreement with Novartis Pharma pursuant to which Novartis Pharma grants back to us an exclusive, irrevocable, perpetual, royalty-free and worldwide license under certain specific patent rights and other related intellectual property rights necessary for us to satisfy certain continuing contractual obligations to third parties, including in connection with development, manufacture, sale and commercialization activities related to our partnered program for BAY41-6551 with Bayer Healthcare LLC . We also entered into a service agreement pursuant to which we have subcontracted to Novartis certain services to be performed related to our partnered program for BAY41-6551 and a transition services agreement pursuant to which Novartis and we will provide each other with specified services for limited time periods following the closing of the Novartis Pulmonary Asset Sale to facilitate the transition of the acquired assets and business from us to Novartis.

From time to time, we have informal dispute resolution discussions with third parties regarding the appropriate interpretation of the complex commercial terms contained in our agreements. One or more disputes may arise in the future regarding our collaborative contracts or the Novartis Pulmonary Asset Sale that may ultimately result in costly litigation and unfavorable interpretation of contract terms, which would have a material adverse impact on our business, results of operations or financial condition.

If we or our partners are not able to manufacture drugs in quantities and at costs that are commercially feasible, our proprietary and partnered product candidates may experience clinical delays or constrained commercial supply which could significantly harm our business.

If we are not able to scale-up manufacturing to meet the drug quantities required to support large clinical trials or commercial manufacturing in a timely manner or at a commercially reasonable cost, we risk delaying our clinical trials or those of our partners and may breach contractual obligations and incur associated damages and costs. In some cases, we may subcontract manufacturing or other services. For instance, we entered a service agreement with Novartis pursuant to which we subcontract to Novartis certain important services to be performed in relation to our partnered program for BAY41-6551 with Bayer Healthcare LLC. If our subcontractors do not dedicate adequate resources to our programs, we risk breach of our obligations to our partners. Building and validating large scale clinical or commercial-scale manufacturing facilities and processes, recruiting and training qualified personnel and obtaining necessary regulatory approvals is complex, expensive and time consuming. In the past we have encountered challenges in scaling up manufacturing to meet the requirements of large scale clinical trials without making modifications to the drug formulation, which may cause significant delays in clinical development. Further, our drug and device combination products, such as BAY41-6551 and the Cipro Inhale program, require significant device design, formulation development work and manufacturing scale-up activities. As such, drug and device combinations are particularly complex, expensive, time-consuming and uncertain due to the number of variables involved in the final product design, including ease of patient/doctor use, maintenance of clinical efficacy, cost of manufacturing, regulatory approval requirements and standards and other important factors. Failure to manufacture products in quantities or at costs that are commercially feasible could cause us not to meet our supply requirements, contractual obligations or other requirements for our proprietary product candidates and, as a result, would negatively impact our business, results of operations and financial condition.

We purchase some of the raw starting material for drugs and drug candidates from a single source or a limited number of suppliers, and the partial or complete loss of one of these suppliers could cause production delays, clinical trial delays, substantial loss of revenue and contract liability to third parties.

We often face very limited supply of a critical raw material that can only be obtained from a single, or a limited number of, suppliers, which could cause production delays, clinical trial delays, substantial lost revenue opportunity or contract liability to third parties. For example, there are only a limited number of qualified suppliers, and in some cases single source suppliers, for the raw materials included in our PEGylation and advanced polymer conjugate drug formulations, and any interruption in supply or failure to procure such raw materials on commercially feasible terms could harm our business by delaying our clinical trials, impeding commercialization of approved drugs or increasing operating loss to the extent we cannot pass on increased costs to a manufacturing customer.

The current crisis in global credit and financial markets could materially and adversely affect our business, results of operations and financial condition.

Financial markets have experienced extreme disruption in recent months, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations. There could be further deterioration in credit and financial markets and confidence in economic conditions. While we do not currently require access to credit markets to finance our operations, these economic developments are likely to affect our business in various ways. The current tightening of credit in financial markets may harm the ability of our partners to finance operations and they may dedicate fewer resources to our partnered product candidates, which could result in delays in the regulatory approval process and increase the estimated time to commercialization of our product candidates. Since we expect that licensing deals, comprised of a combination of upfront and contract research fees, milestones, manufacturing product sales and product royalties, will represent the majority of our revenue in 2009, such delays could harm our business, results of operations and financial condition. Further, our partners may be unable to continue to develop our partnered product candidates, and some partners may terminate our collaborations. In addition, to date all of our revenue has come from payments from partners, and it may become more difficult to collect any payments due from our partners on a timely basis, or at all. The economic crisis may also affect the ability of suppliers of starting materials to meet our capacity requirements or cause them to increase the price of starting materials. We are unable to predict the likely duration and severity of the current disruption in financial markets and adverse economic conditions in the U.S. and other countries. As a result of the worldwide economic slowdown, it is extremely difficult for us and our partners to forecast future sales levels based on historical information and trends.

If any of our pending patent applications do not issue, or are deemed invalid following issuance, we may lose valuable intellectual property protection.

The patent positions of pharmaceutical, medical device and biotechnology companies, such as ours, are uncertain and involve complex legal and factual issues. We own approximately 80 U.S. and approximately 335 foreign patents and a number of pending patent applications that cover various aspects of our technologies. We have filed patent applications, and plan to file additional patent applications, covering various aspects of our PEGylation and advanced polymer conjugate technologies and our proprietary product candidates. There can be no assurance that patents that have issued will be valid and enforceable or that patents for which we apply will issue with broad coverage, if at all. The coverage claimed in a patent application can be significantly reduced before the patent is issued and, as a consequence, our patent applications may result in patents with narrow coverage. Since publication of discoveries in scientific or patent literature often lags behind the date of such discoveries, we cannot be certain that we were the first inventor of inventions covered by our patents or patent applications. As part of the patent application process, we may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office, which could result in substantial cost to us, even if the eventual outcome is favorable. Further, an issued patent may undergo further proceedings to limit its scope so as not to provide meaningful protection and any claims that have issued, or that eventually issue, may be circumvented or otherwise invalidated. Any attempt to enforce our patents or patent application rights could be time consuming and costly. An adverse outcome could subject us to significant liabilities to third parties, require disputed rights to be licensed from or to third parties or require us to cease using the technology in dispute. Even if a patent is issued and enforceable, because development and commercialization of pharmaceutical products can be subject to substantial delays, patents may expire early and provide only a short period of protection, if any, following commercialization of related products.

There are many laws, regulations and judicial decisions that dictate and otherwise influence the manner in which patent applications are filed and prosecuted and in which patents are granted and enforced. Changes to these laws, regulations and judicial decisions are subject to influences outside of our control and may negatively affect our business, including our ability to obtain meaningful patent coverage or enforcement rights to any of our issued patents. New laws, regulations and judicial decisions may be retroactive in effect, potentially reducing or eliminating our ability to implement our patent-related strategies to these changes. Changes to laws, regulations and judicial decisions that affect our business are often difficult or impossible to foresee, which limits our ability to adequately adapt our patent strategies to these changes.

We may not be able to obtain intellectual property licenses related to the development of our technology on a commercially reasonable basis, if at all.

Numerous pending and issued U.S. and foreign patent rights and other proprietary rights owned by third parties relate to pharmaceutical compositions, medical devices and equipment and methods for preparation, packaging and delivery of pharmaceutical compositions. We cannot predict with any certainty which, if any, patent references will be considered relevant to our or our collaborative partners' technology by authorities in the various jurisdictions where such rights exist, nor can we predict with certainty which, if any, of these rights will or may be asserted against us by third parties. In certain cases, we have existing licenses or cross-licenses with third parties however the scope and adequacy of these licenses is very uncertain and can change substantially during long development and commercialization cycles for biotechnology and pharmaceutical products. There can be no assurance that we can obtain a license to any technology that we determine we need on reasonable terms, if at all, or that we could develop or otherwise obtain alternate technology. If we are required to enter into a license with a third party, our potential economic benefit for the products subject to the license will be diminished. The failure to obtain licenses on commercially reasonable terms, or at all, if needed, would have a material adverse effect on us.

We rely on trade secret protection and other unpatented proprietary rights for important proprietary technologies, and any loss of such rights could harm our business, results of operations and financial condition.

We rely on trade secret protection for our confidential and proprietary information. No assurance can be given that others will not independently develop substantially equivalent confidential and proprietary information or otherwise gain access to our trade secrets or disclose such technology, or that we can meaningfully protect our trade secrets. In addition, unpatented proprietary rights, including trade secrets and know-how, can be difficult to protect and may lose their value if they are independently developed by a third party or if their secrecy is lost. Any loss of trade secret protection or other unpatented proprietary rights could harm our business, results of operations and financial condition.

We expect to continue to incur substantial losses and negative cash flow from operations and may not achieve or sustain profitability in the future.

In the three months and nine months ended September 30, 2009, we reported net losses of $31.0 million and $94.8 million, respectively. If and when we achieve profitability depends upon a number of factors, including the timing and recognition of milestone payments and license fees received, the timing of revenue under collaboration agreements, the amount of investments we make in our proprietary product candidates and the regulatory approval and market success of our product candidates. We may not be able to achieve and sustain profitability.

Other factors that will affect whether we achieve and sustain profitability include our ability, alone or together with our partners, to:

- develop products utilizing our technologies, either independently or in collaboration with other pharmaceutical or biotech companies;
- receive necessary regulatory and marketing approvals;
- maintain or expand manufacturing at necessary levels;
- achieve market acceptance of our partnered products;

- receive royalties on products that have been approved, marketed or submitted for marketing approval with regulatory authorities; and
- maintain sufficient funds to finance our activities.

If we do not generate sufficient cash flow through increased revenue or raising additional capital, we may not be able to meet our substantial debt obligations.

As of September 30, 2009, we had cash, cash equivalents, and short-term investments in marketable securities valued at approximately $275.7 million and approximately $241.0 million of indebtedness, including approximately $215.0 million in convertible subordinated notes due September 2012, $20.7 million in capital lease obligations, and $5.3 million of other long-term liabilities. We expect to use a substantial portion of our cash to fund our ongoing operations over the next few years. In October and November 2008, we repurchased approximately $100.0 million in par value of our 3.25% convertible subordinated notes for an aggregate purchase price of $47.8 million.

Our substantial indebtedness has and will continue to impact us by:

- making it more difficult to obtain additional financing;
- constraining our ability to react quickly in an unfavorable economic climate;
- constraining our stock price; and
- constraining our ability to invest in our proprietary product development programs.

Currently, we are not generating positive cash flow. If we are unable to satisfy our debt service requirements, substantial liquidity problems could result. In relation to our convertible subordinated notes, since the market price of our common stock is significantly below the conversion price, the holders of our outstanding convertible subordinated notes are unlikely to convert the notes to common stock in accordance with the existing terms of the notes. If we do not generate sufficient cash from operations to repay principal or interest on our remaining convertible subordinated notes, or satisfy any of our other debt obligations, when due, we may have to raise additional funds from the issuance of equity or debt securities or otherwise restructure our obligations. Any such financing or restructuring may not be available to us on commercially acceptable terms, if at all.

If we cannot raise additional capital, our financial condition will suffer.

We have no material credit facility or other material committed sources of capital. To the extent operating and capital resources are insufficient to meet our future capital needs, we will have to raise additional funds from new collaboration partnerships or the capital markets to continue the marketing and development of our technologies and proprietary products. Such funds may not be available on favorable terms, if at all. We may be unable to obtain suitable new collaboration partners on attractive terms and our substantial indebtedness may limit our ability to obtain additional capital markets financing. If adequate funds are not available on reasonable terms, we may be required to curtail operations significantly or obtain funds by entering into financing, supply or collaboration agreements on unattractive terms. Our inability to raise capital could harm our business and our stock price. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of such securities would result in dilution to our stockholders.

If government and private insurance programs do not provide reimbursement for our partnered products or proprietary products, those products will not be widely accepted, which would have a negative impact on our business, results of operations and financial condition.

In both domestic and foreign markets, sales of our partnered and proprietary products that have received regulatory approval will depend in part on market acceptance among physicians and patients, pricing approvals by government authorities and the availability of reimbursement from third-party payers, such as government health administration authorities, managed care providers, private health insurers and other organizations. Such third-party payers are increasingly challenging the price and cost effectiveness of medical products and services. Therefore, significant uncertainty exists as to the pricing approvals for, and the reimbursement status of, newly approved healthcare products. Moreover, legislation and regulations affecting the pricing of pharmaceuticals may change before regulatory agencies approve our proposed products for marketing and could further limit pricing approvals for, and reimbursement of, our products from government authorities and third-party payers. A government or third-party payer decision not to approve pricing for, or provide adequate coverage and reimbursements of, our products would limit market acceptance of such products.

We depend on third parties to conduct the clinical trials for our proprietary product candidates and any failure of those parties to fulfill their obligations could harm our development and commercialization plans.

We depend on independent clinical investigators, contract research organizations and other third-party service providers to conduct clinical trials for our proprietary product candidates. Though we rely heavily on these parties for successful execution of our clinical trials and are ultimately responsible for the results of their activities, many aspects of their activities are beyond our control. For example, we are responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial, but the independent clinical investigators may prioritize other projects over ours or communicate issues regarding our products to us in an untimely manner. Third parties may not complete activities on schedule or may not conduct our clinical trials in accordance with regulatory requirements or our stated protocols. The early termination of any of our clinical trial arrangements, the failure of third parties to comply with the regulations and requirements governing clinical trials or our reliance on results of trials that we have not directly conducted or monitored could hinder or delay the development, approval and commercialization of our product candidates and would adversely affect our business, results of operations and financial condition.

Our manufacturing operations and those of our contract manufacturers are subject to governmental regulatory requirements, which, if not met, would have a material adverse effect on our business, results of operations and financial condition.

We and our contract manufacturers are required in certain cases to maintain compliance with current good manufacturing practices ("cGMP"), including cGMP guidelines applicable to active pharmaceutical ingredients, and are subject to inspections by the FDA or comparable agencies in other jurisdictions to confirm such compliance. We anticipate periodic regulatory inspections of our drug manufacturing facilities and the manufacturing facilities of our contract manufacturers for compliance with applicable regulatory requirements. Any failure to follow and document our or our contract manufacturers' adherence to such cGMP regulations or satisfy other manufacturing and product release regulatory requirements may disrupt our ability to meet our manufacturing obligations to our customers, lead to significant delays in the availability of products for commercial use or clinical study, result in the termination or hold on a clinical study or delay or prevent filing or approval of marketing applications for our products. Failure to comply with applicable regulations may also result in sanctions being imposed on us, including fines, injunctions, civil penalties, failure of regulatory authorities to grant marketing approval of our products, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could harm our business. The results of these inspections could result in costly manufacturing changes or facility or capital equipment upgrades to satisfy the FDA that our manufacturing and quality control procedures are in substantial compliance with cGMP. Manufacturing delays, for us or our contract manufacturers, pending resolution of regulatory deficiencies or suspensions would have a material adverse effect on our business, results of operations and financial condition.

Significant competition for our polymer conjugate chemistry technology platforms and our partnered and proprietary products and product candidates could make our technologies, products or product candidates obsolete or uncompetitive, which would negatively impact our business, results of operations and financial condition.

Our PEGylation and advanced polymer conjugate chemistry platforms and our partnered and proprietary products and product candidates compete with various pharmaceutical and biotechnology companies. Competitors of our PEGylation and polymer conjugate chemistry technologies include The Dow Chemical Company, Enzon Pharmaceuticals, Inc., SunBio Corporation, Mountain View Pharmaceuticals, Inc., Neose Technologies, Inc., and NOF Corporation. Several other chemical, biotechnology and pharmaceutical companies may also be developing PEGylation technologies or technologies that have similar impact on target drug molecules. Some of these companies license or provide the technology to other companies, while others are developing the technology for internal use.

There are several competitors for our proprietary product candidates currently in development. For BAY41-6551 (Amikacin inhale), the current standard of care includes several approved intravenous antibiotics for the treatment of either hospital-acquired pneumonia or ventilator-associated pneumonia in patients on mechanical ventilators. For Oral NKTR-118 (PEGylated naloxol), there are currently several alternative therapies used to address opioid-induced constipation (OIC) and opioid-induced bowel dysfunction (OBD), including over-the-counter laxatives and stool softeners such as docusate sodium, senna and milk of magnesia. In addition, there are a number of companies developing potential products which are in various stages of clinical development and are being evaluated for the treatment of OIC and OBD in different patient populations, including Adolor Corporation, GlaxoSmithKline plc, Progenics Pharmaceuticals, Inc., Pfizer (via Wyeth acquisition completed in 2009), Mundipharma Int. Limited, Sucampo Pharmaceuticals and Takeda Pharmaceutical Company Limited. For NKTR-102 (PEG-irinotecan), there are a number of approved therapies for the treatment of colorectal cancer, including Eloxatin, Camptosar, Avastin, Erbitux, Vectibux, Xeloda, Adrucil and Wellcovorin. In addition, there are a number of drugs in various stages of preclinical and clinical development from companies exploring cancer therapies or improved chemotherapeutic agents to potentially treat colorectal cancer, including, but not limited to, products in development from Bristol-Myers Squibb Company, Pfizer, Inc., GlaxoSmithKline plc, Antigenics, Inc., F. Hoffmann-La Roche Ltd, Novartis AG, Cell Therapeutics, Inc., Neopharm Inc., Meditech Research Ltd, Alchemia Limited, Enzon Pharmaceuticals, Inc. and others. There are also a number of chemotherapies and cancer therapies approved today and in various stages of clinical development for ovarian, breast and cervical cancers including but not limited to: Avastin® (bevacizumab), Camptosar® (irinotecan), Doxil® (doxorubicin HCl), Ellence® (epirubicin), Gemzar® (gemcitabine), Herceptin® (trastuzumab), Hycamtin® (topotecan), Paraplatin® (carboplatin), and Taxol® (paclitaxel). These therapies are only partially effective in treating ovarian, breast or cervical cancers. Major pharmaceutical or biotechnology companies with approved drugs or drugs in development for these cancers include Bristol-Meyers Squibb, Genentech, Inc., GlaxoSmithKline plc, Johnson and Johnson, Pfizer, Inc., Eli Lilly & Co., and many others.

There can be no assurance that we or our partners will successfully develop, obtain regulatory approvals and commercialize next-generation or new products that will successfully compete with those of our competitors. Many of our competitors have greater financial, research and development, marketing and sales, manufacturing and managerial capabilities. We face competition from these companies not just in product development but also in areas such as recruiting employees, acquiring technologies that might enhance our ability to commercialize products, establishing relationships with certain research and academic institutions, enrolling patients in clinical trials and seeking program partnerships and collaborations with larger pharmaceutical companies. As a result, our competitors may succeed in developing competing technologies, obtaining regulatory approval or gaining market acceptance for products before we do. These developments could make our products or technologies uncompetitive or obsolete.

We could be involved in legal proceedings and may incur substantial litigation costs and liabilities that will adversely affect our business, results of operations and financial condition.

From time to time, third parties have asserted, and may in the future assert, that we or our partners infringe their proprietary rights. The third party often bases its assertions on a claim that its patents cover our technology. Similar assertions of infringement could be based on future patents that may issue to third parties. In certain of our agreements with our partners, we are obligated to indemnify and hold harmless our partners from intellectual property infringement, product liability and certain other claims, which could cause us to incur substantial costs if we are called upon to defend ourselves and our partners against any claims. If a third party obtains injunctive or other equitable relief against us or our partners, they could effectively prevent us, or our partners, from developing or commercializing, or deriving revenue from, certain products or product candidates in the U.S. and abroad. For instance, F. Hoffmann-La Roche Ltd, to which we license our proprietary PEGylation reagent for use in the MIRCERA product, was a party to a significant patent infringement lawsuit brought by Amgen Inc. related to Roche's proposed marketing and sale of MIRCERA to treat chemotherapy anemia in the U.S. Amgen prevailed in this lawsuit and a U.S. federal district court issued an injunction preventing Roche from marketing and selling MIRCERA in the U.S. Third-party claims could also result in the award of substantial damages to be paid by us or a settlement resulting in significant payments to be made by us. For instance, a settlement might require us to enter a license agreement under which we pay substantial royalties to a third party, diminishing our future economic returns from the related product. In 2006, we entered into a litigation settlement related to an intellectual property dispute with the University of Alabama in Huntsville pursuant to which we paid $11.0 million and agreed to pay an additional $10.0 million in equal $1.0 million installments over ten years ending with the last payment due on July 1, 2016. We cannot predict with certainty the eventual outcome of any pending or future litigation. Costs associated with such litigation, substantial damage claims, indemnification claims or royalties paid for licenses from third parties could have a material adverse effect on our business, results of operations and financial condition.

If product liability lawsuits are brought against us, we may incur substantial liabilities.

The manufacture, clinical testing, marketing and sale of medical products involve inherent product liability risks. If product liability costs exceed our product liability insurance coverage, we may incur substantial liabilities that could have a severe negative impact on our financial position. Whether or not we are ultimately successful in any product liability litigation, such litigation would consume substantial amounts of our financial and managerial resources and might result in adverse publicity, all of which would impair our business. Additionally, we may not be able to maintain our clinical trial insurance or product liability insurance at an acceptable cost, if at all, and this insurance may not provide adequate coverage against potential claims or losses.

Our future depends on the proper management of our current and future business operations and their associated expenses.

Our business strategy requires us to manage our business to provide for the continued development and potential commercialization of our proprietary and partnered product candidates. Our strategy also calls for us to undertake increased research and development activities and to manage an increasing number of relationships with partners and other third parties, while simultaneously managing the expenses generated by these activities. If we are unable to manage effectively our current operations and any growth we may experience, our business, financial condition and results of operations may be adversely affected. If we are unable to effectively manage our expenses, we may find it necessary to reduce our personnel-related costs through further reductions in our workforce, which could harm our operations, employee morale and impair our ability to retain and recruit talent. Furthermore, if adequate funds are not available, we may be required to obtain funds through arrangements with partners or other sources that may require us to relinquish rights to certain of our technologies or products that we would not otherwise relinquish.

We are dependent on our management team and key technical personnel, and the loss of any key manager or employee may impair our ability to develop our products effectively and may harm our business, operating results and financial condition.

Our success largely depends on the continued services of our executive officers and other key personnel. The loss of one or more members of our management team or other key employees could seriously harm our business, operating results and financial condition. The relationships that our key managers have cultivated within our industry make us particularly dependent upon their continued employment with us. We are also dependent on the continued services of our technical personnel because of the highly technical nature of our products and the regulatory approval process. Because our executive officers and key employees are not obligated to provide us with continued services, they could terminate their employment with us at any time without penalty. We do not have any post-employment noncompetition agreements with any of our employees and do not maintain key person life insurance policies on any of our executive officers or key employees.

Because competition for highly qualified technical personnel is intense, we may not be able to attract and retain the personnel we need to support our operations and growth.

We must attract and retain experts in the areas of clinical testing, manufacturing, regulatory, finance, marketing and distribution and develop additional expertise in our existing personnel. We face intense competition from other biopharmaceutical companies, research and academic institutions and other organizations for qualified personnel. Many of the organizations with which we compete for qualified personnel have greater resources than we have. Because competition for skilled personnel in our industry is intense, companies such as ours sometimes experience high attrition rates with regard to their skilled employees. Further, in making employment decisions, job candidates often consider the value of the stock options they are to receive in connection with their employment. Our equity incentive plan and employee benefit plans may not be effective in motivating or retaining our employees or attracting new employees, and significant volatility in the price of our stock may adversely affect our ability to attract or retain qualified personnel. If we fail to attract new personnel or to retain and motivate our current personnel, our business and future growth prospects could be severely harmed.

If earthquakes and other catastrophic events strike, our business may be harmed.

Our corporate headquarters, including a substantial portion of our research and development operations, are located in the San Francisco Bay Area, a region known for seismic activity and a potential terrorist target. In addition, we own facilities for the manufacture of products using our PEGylation and advanced polymer conjugate technologies in Huntsville, Alabama and lease offices in Hyderabad, India. There are no backup facilities for our manufacturing operations located in Huntsville, Alabama. In the event of an earthquake or other natural disaster or terrorist event in any of these locations, our ability to manufacture and supply materials for drug candidates in development and our ability to meet our manufacturing obligations to our customers would be significantly disrupted and our business, results of operations and financial condition would be harmed. Our collaborative partners may also be subject to catastrophic events, such as hurricanes and tornadoes, any of which could harm our business, results of operations and financial condition. We have not undertaken a systematic analysis of the potential consequences to our business, results of operations and financial condition from a major earthquake or other catastrophic event, such as a fire, sustained loss of power, terrorist activity or other disaster, and do not have a recovery plan for such disasters. In addition, our insurance coverage may not be sufficient to compensate us for actual losses from any interruption of our business that may occur.

We have implemented certain anti-takeover measures, which make it more difficult to acquire us, even though such acquisitions may be beneficial to our stockholders.

Provisions of our certificate of incorporation and bylaws, as well as provisions of Delaware law, could make it more difficult for a third party to acquire us, even though such acquisitions may be beneficial to our stockholders. These anti-takeover provisions include:

- establishment of a classified board of directors such that not all members of the board may be elected at one time;
- lack of a provision for cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates;
- the ability of our board to authorize the issuance of “blank check” preferred stock to increase the number of outstanding shares and thwart a takeover attempt;

- prohibition on stockholder action by written consent, thereby requiring all stockholder actions to be taken at a meeting of stockholders;

- establishment of advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings; and

- limitations on who may call a special meeting of stockholders.

Further, we have in place a preferred share purchase rights plan, commonly known as a "poison pill." The provisions described above, our "poison pill" and provisions of Delaware law relating to business combinations with interested stockholders may discourage, delay or prevent a third party from acquiring us. These provisions may also discourage, delay or prevent a third party from acquiring a large portion of our securities or initiating a tender offer or proxy contest, even if our stockholders might receive a premium for their shares in the acquisition over the then current market prices. We also have a change of control severance benefits plan which provides for certain cash severance, stock award acceleration and other benefits in the event our employees are terminated (or, in some cases, resign for specified reasons) following an acquisition. This severance plan could discourage a third party from acquiring us.

Risks Related to Our Securities

The price of our common stock and senior convertible debt are expected to remain volatile.

Our stock price is volatile. During the three months ended September 30, 2009, based on closing bid prices on the NASDAQ Global Select Market, our stock price ranged from $5.89 to $10.47 per share. We expect our stock price to remain volatile. In addition, as our convertible senior notes are convertible into shares of our common stock, volatility or depressed prices of our common stock could have a similar effect on the trading price of our notes. Also, interest rate fluctuations can affect the price of our convertible senior notes. A variety of factors may have a significant effect on the market price of our common stock or notes, including:

- announcements of data from, or material developments in, our clinical trials or those of our competitors, including delays in clinical development, approval or launch;

- announcements by collaboration partners as to their plans or expectations related to products using our technologies;

- announcements or terminations of collaboration agreements by us or our competitors;

- fluctuations in our results of operations;

- developments in patent or other proprietary rights, including intellectual property litigation or entering into intellectual property license agreements and the costs associated with those arrangements;

- announcements of technological innovations or new therapeutic products that may compete with our approved products or products under development;

- announcements of changes in governmental regulation affecting us or our competitors;

- hedging activities by purchasers of our convertible senior notes;

- litigation brought against us or third parties to whom we have indemnification obligations;

- public concern as to the safety of drug formulations developed by us or others; and

- general market conditions.

Our stockholders may be diluted, and the price of our common stock may decrease, as a result of the exercise of outstanding stock options and warrants or the future issuances of securities.

We may issue additional common stock, preferred stock, restricted stock units or securities convertible into or exchangeable for our common stock. Furthermore, substantially all shares of common stock for which our outstanding stock options or warrants are exercisable are, once they have been purchased, eligible for immediate sale in the public market. The issuance of additional common stock, preferred stock, restricted stock units or securities convertible into or exchangeable for our common stock or the exercise of stock options or warrants would dilute existing investors and could adversely affect the price of our securities.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None, including no purchases of any class of our equity securities by us or any affiliate pursuant to any publicly announced repurchase plan in the three months ended September 30, 2009.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

Except as so indicated in Exhibit 32.1, the following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit Number	Description of Documents
10.1(1)	License Agreement by and between AstraZeneca AB and Nektar Therapeutics, dated September 20, 2009.+
10.2(1)	Sublease, dated as of September 30, 2009, between Pfizer Inc. and Nektar Therapeutics.+
31.1(1)	Certification of Nektar Therapeutics' principal executive officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2(1)	Certification of Nektar Therapeutics' principal financial officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1(1)*	Section 1350 Certifications.

(1) Filed herewith.

\+ Confidential treatment with respect to specific portions of this Exhibit has been requested, and such portions are omitted and have been filed separately with the SEC.

* Exhibit 32.1 is being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall such exhibit be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act, except as otherwise stated in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

By: /s/ JOHN NICHOLSON
John Nicholson
Senior Vice President and Chief Financial Officer

Date: November 4, 2009

By: /s/ JILLIAN B. THOMSEN
Jillian B. Thomsen
Vice President and Chief Accounting Officer

Date: November 4, 2009

EXHIBIT INDEX

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Exhibit 10.1

EXECUTION VERSION

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

LICENSE AGREEMENT

by and between

ASTRAZENECA AB

and

NEKTAR THERAPEUTICS

DATE: September 20, 2009

EXECUTION VERSION

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

This License Agreement (the **"Agreement"**) is made as of the twentieth (20th) day of September, 2009 (the "**Execution Date**"), by and between:

(1) ASTRAZENECA AB, a Swedish corporation with offices at S-151 85 Södertälje, Sweden (**"AstraZeneca"**); and

(2) Nektar Therapeutics, a Delaware corporation with offices at 201 Industrial Road, San Carlos, California, USA 94070 (**"Nektar"**).

Recitals

(A) WHEREAS, Nektar has developed and owns intellectual property covering a pegylated form of the opioid receptor antagonist naloxol for the treatment and prevention of opioid-induced constipation;

(B) WHEREAS, Nektar has specialized experience in the pegylation of small molecule compounds;

(C) WHEREAS, AstraZeneca and its Affiliates have specialized experience in, among other things, the development and commercialization of pharmaceutical compounds worldwide; and

(D) WHEREAS, Nektar desires to grant a license to AstraZeneca, and AstraZeneca desires to take a license, to develop and commercialize the above-mentioned pharmaceutical compound and related compounds and products, including combination products, in accordance with the terms and conditions set forth below.

Agreement

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

1. Definitions

Unless otherwise specifically provided herein, the following terms, when used with a capital letter at the beginning, shall have the following meanings:

1.1. "[***]" means (a) those Patents described as [***] of this Agreement, (b) any Patents claiming priority from any such Patents, and (c) any foreign equivalents of any of the foregoing.

1.2. "[***]" means a [***] that has been added to the scope of Licensed Products pursuant to Section 7.4 or 7.10(b), as applicable.

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

1.3. "Adverse Event" means the development of an undesirable medical condition or the deterioration of a pre-existing medical condition in a patient or clinical investigation subject following or during exposure to or use of a Licensed Product, whether or not considered causally related to the Licensed Product, the exacerbation of any pre-existing condition(s) occurring following or during the use of the Licensed Product, or any other adverse experience or adverse drug experience (as described in the FDA's Investigational New Drug safety reporting and NDA post-marketing reporting regulations, 21 C.F.R. §§ 312.32 and 314.80, respectively, and any applicable corresponding regulations outside the United States, in each case as may be amended from time to time) occurring following or during exposure to or use of a Licensed Product. For purposes of this Agreement, "undesirable medical condition" shall include symptoms (*e.g.*, nausea, chest pain), signs (*e.g.*, tachycardia, enlarged liver) or the abnormal results of an investigation (*e.g.*, laboratory findings, electrocardiogram), including unfavorable side effects, toxicity, injury, overdose or sensitivity reactions.

1.4. "Affiliate" means, with respect to a particular Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such first Person. "Control" as used in this definition, and, with correlative meanings, the terms "controlled by" and "under common control with", means the power to direct and control the management or policies of the applicable Person, whether through ownership of voting securities or by contract relating to voting rights or corporate governance, resolution, regulation or otherwise; provided, however, that with respect to MedImmune Ventures, Inc. and any other subsidiary of MedImmune, LLC or MedImmune Limited that is primarily involved in investing in other companies, such subsidiaries shall not be deemed to "Control" any other Person unless, in addition to satisfying the foregoing voting control requirement, such MedImmune subsidiary directly or indirectly owns more than fifty percent (50%) of the outstanding voting securities or other ownership interest of such Person.

1.5. "Agreement" has the meaning set forth in the preamble.

1.6. "Ancillary Agreement" means, collectively, any Development Agreement, the Safety Agreement and the Manufacture and Technology Transfer Agreement.

1.7. "ANDA Act" has the meaning set forth in Section 16.4.

1.8. "Annual Net Sales" means the aggregate Net Sales made during a given Calendar Year.

1.9. "Applicable Law" means the applicable laws, rules and regulations, including any rules, regulations, guidelines or other requirements of the Health Authorities, that may be in effect from time to time.

1.10. "AstraZeneca Party" has the meaning set forth in Section 14.2.

1.11. "At-Issue Product" has the meaning set forth in Section 7.3.

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

1.12. "Authorized Generic Version" means, with respect to a particular Licensed Product being sold in a particular country, any other pharmaceutical product that (a) is sold under the Health Registration Approval for such Licensed Product in such country by or under the authority of AstraZeneca or its Affiliate, (b) is sold under a different Trademark than such Licensed Product (as sold by AstraZeneca and it Affiliates), and (c) in the United States, has a National Drug Code ("**NDC**") number that differs from the NDC number for such Licensed Product (other than on a temporary basis as may be necessary to launch the second product in the applicable market). For clarity, an "Authorized Generic Version" is a Licensed Product for all purposes of this Agreement.

1.13. "AZ Program Data" means any and all documentation, data and other Information Controlled by AstraZeneca and in tangible form at the time of termination of the Agreement that (a) have been generated in connection with the research or development of [***], and (b) are [***] to enable Nektar to develop (including seeking and obtaining Health Registration Approvals), or [***] to enable Nektar to commercialize, the [***] in the [***] (in the case of a partial termination of this Agreement) or the Territory (in the case of the termination of this Agreement in its entirety), as applicable.

1.14. "AZ Trigger Event" means, [***], the earlier to occur of (a) [***] and (b) the [***] anniversary of the date of the first written communication by or on behalf of AstraZeneca with the patent office in such country (provided that such date shall be extended to account for unanticipated patent office delays or other events outside of the control of AstraZeneca). [***].

1.15. "Bankruptcy Code" means Title 11, United States Code, as amended, or analogous provisions of Applicable Law outside the United States.

1.16. "Breaching Party" has the meaning set forth in Section 18.5(a).

1.17. "Calendar Quarter" means each successive period of three (3) calendar months commencing on 1st January, 1st April, 1st July and 1st October.

1.18. "Calendar Year" means each successive period of twelve (12) calendar months commencing on 1st January.

1.19. "Change of Corporate Control" means the occurrence of any of the following:

(a) Nektar enters into a merger, consolidation, stock sale or sale or transfer of all or substantially all of the assets, or other similar transaction or series of transactions with another Person unless, in the case of a merger, consolidation, stock sale, or other similar transaction or series of transactions, following such transaction or transactions, (i) the Persons who were the beneficial owners of the outstanding voting securities of Nektar immediately prior to such transaction beneficially own, directly or indirectly, at least fifty percent (50%) of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors or similar governing persons of the corporation or other entity resulting from such transaction ("**Successor**"), and (ii) at least fifty percent (50%) of the members of the Board of Directors or similar governing body of the Successor were members of the Board of Directors of Nektar at the time of the execution of the initial agreement, or the action of the Board of Directors of Nektar, providing for such transaction.

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(b) any transaction or series of related transactions in which any Person or group of related Persons acquires beneficial ownership of securities of Nektar representing more than [***] of the combined voting power of the then outstanding securities of Nektar.

1.20. "Combination Product" means a product in form suitable for human, veterinary or agricultural applications that (a) contains a Compound as an active ingredient together with one or more other active ingredients [***], and (b) is sold as a fixed dose combination, including any Opioid Combination Product (but excluding for clarity any Packaged 118 Opioid Products).

1.21. "Commercial Launch Bonus Milestone" has the meaning set forth in Section 7.10(a)(ii).

1.22. "Commercially Reasonable Efforts" means, with respect to the research, development, Manufacture or commercialization of a Compound or Licensed Product, as the case may be, conducting such tasks using such efforts and resources that are typically used by AstraZeneca in conducting the same tasks on its own compounds or products with similar commercial and scientific potential at a similar stage in their lifecycle and in a similar therapeutic area, taking into consideration their safety and efficacy, their cost to develop, the competitiveness of alternative compounds and products and the nature and extent of their market exclusivity (including Patent coverage and regulatory exclusivity), the likelihood of Regulatory Approval, their expected profitability, including the amounts of marketing and promotional expenditures with respect to the Licensed Products and Generic Products, and all other factors that are typically taken into consideration by AstraZeneca when determining the level of efforts and resources to apply to such tasks with respect to its own similar compounds or products (as described above). Commercially Reasonable Efforts shall be determined with respect to a specific market or groups of markets (taking account of effects outside of such markets, if any). For the avoidance of doubt, the commitment to use "Commercially Reasonable Efforts" shall not preclude (a) the suspension or discontinuance of specific efforts by AstraZeneca with respect to any particular Licensed Product, if such suspension or discontinuance is appropriate and would typically be effected by AstraZeneca with respect to its own similar compounds or products, based on all of the foregoing considerations, and (b) the delay of or decision not to launch commercial sales of the Licensed Product in a given country, if such delay or decision not to launch is appropriate and is consistent with AstraZeneca's usual actions with respect to a similar product of its own in such circumstances, in each case ((a) and (b)), given all the relevant circumstances and based on all of the foregoing considerations at the time.

1.23. "Committee" has the meaning set forth in Section 3.4.

1.24. "Competing Product" has the meaning set forth in Section 4.5(c)(i).

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1.25. "Competing Product IP" has the meaning set forth in Section 4.6.

1.26. "Competitive Indications" means [***].

1.27. "Competitive Measurements" has [***].

1.28. "Complaining Party" has the meaning set forth in Section 18.5(a).

1.29. "Compound" means (a) NKTR-118, or (b) [***], or (c) [***] or (d) [***].

1.30. "Confidential Information" of a Party means, subject to Section 11.3, any and all data, results, know-how (including the Licensed Know-How), plans, business information and other Information, whether oral or in writing or in any other form, disclosed before, on or after the date of this Agreement by or on behalf of such Party (or any of its Affiliates) to the other Party (or any of its Affiliates).

1.31. "Confidentiality Agreement" means that certain Amended and Restated Confidential Disclosure Agreement executed as of August 18, 2009 and made effective as of October 25, 2007 by and between Nektar and AstraZeneca UK Limited.

1.32. "Control" means, with respect to any item of Information, Patent or Intellectual Property Right, that the applicable Party or its Affiliates owns or has a license under such Information, Patent or Intellectual Property Right and has the legal right to assign, or grant a license, sublicense or other applicable right to or under, such Information, Patent or Intellectual Property Right to the other Party as provided for herein without violating the terms of any agreement or other arrangement with any Third Party.

1.33. "Counterparty" has the meaning set forth in Section 21.4.

1.34. "Counterparty Affiliate" has the meaning set forth in Section 21.4.

1.35. "CREATE ACT" has the meaning set forth in Section 15.4.

1.36. "Cure Period" has the meaning set forth in Section 18.5(a).

1.37.

1.38. "Delay Event Development Activity" has the meaning [***].

1.39. "Delay Period" has the meaning [***].

1.40. "Delay Week" has the meaning [***].

1.41. "Development Agreement" has the meaning set forth in Section 6.5.

1.42. "Development Plan" has the meaning set forth in Section 6.2.

1.43. [***].

1.44. "Disclosing Party" has the meaning set forth in Section 11.2.

1.45. "Dispute" has the meaning set forth in Section 19.1.

1.46. "Distributor" has the meaning set forth in Section 4.3.

1.47. "Effective Date" has the meaning set forth in Section 18.2.

1.48. "Embodiments of Intellectual Property" has the meaning set forth in Section 18.18.

1.49. "EMEA" means the European Medicines Agency, and any successor agency thereto.

1.50. "End of Phase II Meeting" has the meaning set forth in Section 6.7(e).

1.51. "Enforcing Party" has the meaning set forth in Section 16.5.

1.52. "[***]" means the earlier of: (a) the date [***] following the [***], and (b) the date on which AstraZeneca (after discussion with the JPT) [***] as set forth in Section 6.2.

1.53. "Europe" means the European Economic Area as it may be constituted from time to time.

1.54. "Excluded Know-How" means any Information that relates to Compounds or Licensed Products or their manufacture or use and is licensed or acquired by Nektar or its Affiliate from a Third Party after the Effective Date rights to which AstraZeneca rejects pursuant to Section 9.3.

1.55. "Excluded Patents" means any Patent rights that claim or cover Compounds or Licensed Products or their manufacture or use and are licensed or acquired by Nektar or its Affiliate from a Third Party after the Effective Date and which AstraZeneca rejects pursuant to Section 9.3(c).

1.56. "Excluded Sublicensee" means a Sublicensee for which AstraZeneca has elected pursuant to Section 7.6(a) to compensate Nektar as provided in Section 7.6(c) of this Agreement.

1.57. "Execution Date" has the meaning set forth in the preamble.

1.58. "Executives" means, (a) with respect to AstraZeneca, the President and CEO of AstraZeneca AB and (b) with respect to Nektar, the CEO of Nektar.

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1.59. "Existing Product" means the Stand-Alone Product containing NKTR-118 that was the subject of the clinical trial under protocol number [***].

1.60. "Existing Publications" has the meaning set forth in Section 6.9(a).

1.61. "Existing Reversion Product" means any Reversion Product that is or has been the subject of clinical development or commercialization, as such Reversion Product [***].

1.62. "Exploit" means to make, have made, import, use, sell, or offer for sale, including to research, develop, register, modify, enhance, improve, Manufacture, have Manufactured, hold/keep (whether for disposal or otherwise), formulate, optimize, have used, export, transport, distribute, promote, market or have sold or otherwise dispose or offer to dispose of, a product or process.

1.63. "Exploitation" means the act of Exploiting a product or process.

1.64. "FDA" means the United States Food and Drug Administration and any successor agency thereto.

1.65. "FFDCA" means the United States Federal Food, Drug, and Cosmetic Act, 21 U.S.C. 301, *et. seq.*, as it may be amended from time to time, and the rules, regulations, guidances, guidelines, and requirements promulgated or issued thereunder.

1.66. "Field Infringement" has the meaning set forth in Section 16.2(a).

1.67. "First Commercial Sale" means the first sale for monetary value for use or consumption by the general public of a Licensed Product in any country in the Territory after Health Registration Approval for such Licensed Product has been obtained in such country. For the avoidance of doubt, sales prior to receipt of all Health Registration Approvals necessary to commence regular commercial sales, such as so-called "treatment IND sales", "named patient sales" and "compassionate use sales", shall not be construed as a First Commercial Sale.

1.68. "First Enforcing Party" has the meaning set forth in Section 16.3.

1.69. "Force Majeure" has the meaning set forth in Section 22.1(a).

1.70. "Force Majeure Party" means a Party prevented or delayed in its performance under this Agreement by an event of Force Majeure.

1.71. "Generic Product" means, with respect to a Licensed Product, a product sold by a Third Party that (a) contains a Compound as an active ingredient, and (b) has been approved for sales introduction into interstate commerce by reference to such Licensed Product pursuant to (i) Section 505(b)(2) or Section 505(j) of the FFDCA (21 U.S.C. 355(b)(2) and 21 U.S.C. 355(j), respectively), (ii) Articles 10(1), 10(2), 10(3), 10(4) or 10a of Directive 2001/83/EC of the European Parliament and of the Council of 6 November 2001 on the Community code relating to medicinal products for human use, each as amended, or (iii) any similar approval in any country, which similar approval is based on reference to the Health Registration Approval for such Licensed Product in such country and a demonstration of bio-equivalence or similarity to such Licensed Product, *but excluding* for clarity all Licensed Products, including Opioid Combination Products and Authorized Generic Versions, sold by AstraZeneca, its Affiliates, Sublicensees and Distributors.

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1.72. "Good Manufacturing Practice" or "cGMP" means applicable current good manufacturing practices for pharmaceutical products (and components thereof) as described in regulations promulgated by the applicable Health Authority, as amended from time to time.

1.73. "Grant-Back Patents" has the meaning set forth in Section 18.12(a).

1.74. "Health Authority" means any applicable supra-national, federal, national, regional, state, provincial or local regulatory agencies, departments, bureaus, commissions, councils or other government entities regulating or otherwise having legal authority with respect to the Exploitation of Compounds or Licensed Products in the Territory.

1.75. "Health Registration Approval" means, with respect to a country in the Territory, any and all approvals, licenses, registrations or authorizations of any Health Authority necessary to commercially distribute, sell and market a Licensed Product in such country, including, where applicable, (a) pricing or reimbursement approval in such country, (b) pre- and post-approval marketing authorizations (including any prerequisite Manufacturing approval or authorization related thereto), (c) labeling approval and (d) technical, medical and scientific licenses.

1.76. "HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

1.77. "HSR Filing" has the meaning set forth in Section 18.1.

1.78. "Improvement" means any invention, discovery, development or modification with respect to a Compound or Licensed Product or directly relating to the Exploitation thereof, whether or not patented or patentable, that is conceived, reduced to practice, discovered, developed or otherwise made at any time during the Term, including any enhancement in the efficiency, operation, Manufacture, ingredients, preparation, presentation, formulation, means of delivery or dosage of such Compound or Licensed Product, any discovery or development of any new or expanded indications for such Compound or Licensed Product, any discovery or development that improves the stability, safety or efficacy of such Compound or Licensed Product, or any discovery or development of new Compounds.

1.79. "Included Sublicensees" means a Sublicensees for which AstraZeneca has elected pursuant to Section 7.6(a) to compensate Nektar as provided in Section 7.6(b) (by including in the calculation of royalties based on Net Sales the sales of Licensed Products by such Sublicensee).

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1.80. "IND" means an investigational new drug application filed with the FDA for authorization to commence human clinical trials in the U.S., and its equivalent in other countries or regulatory jurisdictions in the Territory.

1.81. "Indemnification Claim Notice" has the meaning set forth in Section 14.3.

1.82. "Indemnified Party" means a Party, its Affiliates or its or their respective directors, officers, employees, agents, partners and shareholders seeking to recover a Loss under Section 14.1 or 14.2.

1.83. "Indemnifying Party" means a Party from whom recovery of a Loss is sought under Section 14.1 or 14.2.

1.84. "Indirect Taxes" means value added taxes, sales taxes, consumption taxes and other similar taxes.

1.85. "Information" means all technical, scientific, business and other know-how and information, trade secrets, knowledge, technology, means, methods, processes, practices, formulae, instructions, skills, techniques, procedures, experiences, ideas, technical assistance, designs, drawings, assembly procedures, computer programs, apparatuses, specifications, data, results, laboratory notes and notebooks, and other material, including: high-throughput screening, gene expression, genomics, proteomics and other drug discovery and development technology; formulation; biological, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, pre-clinical, clinical, safety, manufacturing and quality control data and information, including study designs and protocols; assays and biological methodology; Manufacturing and quality control procedures and data, including test procedures; and synthesis, purification and isolation techniques, (whether or not confidential, proprietary, patented or patentable) in written, electronic or any other form now known or hereafter developed, and any products, apparatuses, cultures, biological materials and other materials and compositions, but excluding the Regulatory Documentation.

1.86. "Infringement Suit" has the meaning set forth in Section 17.3.

1.87. "Initial Phase III Program" has the meaning set forth in Section 6.3.

1.88. "Intellectual Property Rights" means trademarks, service marks, trade secrets, trade names, registered designs, design rights, copyrights (including rights in computer software), domain names, database rights and any rights or property similar to any of the foregoing (other than Patents) in any part of the world, whether registered or not, together with the right to apply for the registration of any such rights.

1.89. "Invalidity Action" has the meaning set forth in Section 17.2(a).

1.90. "IP" has the meaning set forth in Section 18.18(a).

1.91. "Joint Know-How" has the meaning set forth in Section 9.4.

1.92. "Joint Patents" has the meaning set forth in Section 9.4.

1.93. "Joint Project Team" or "JPT" has the meaning set forth in Section 3.2(a).

1.94. "Joint Steering Committee" or "JSC" has the meaning set forth in Section 3.1(a).

1.95. "Knowledge" means [***].

1.96. "Lead Product" means either (a) the Existing Product, or (b) a modified version of the Existing Product created or developed by AstraZeneca, its Affiliates or Sublicensees in the course of its development activities contemplated in Section 6.3 [***].

1.97. "Legal Matter" means any dispute regarding the rights or obligations of a Party that arise out of or relate to the existence, negotiation, validity, formation, interpretation, breach, performance or application of this Agreement or any Ancillary Agreement.

1.98. "Licensed Know-How" means all Information (including any applicable Improvements) that (a) is Controlled by Nektar or its Affiliates as of the Execution Date or at any time until the end of the Term, and (b) is necessary or useful for, or is otherwise directly related to, the Exploitation of the Compounds or the Licensed Products, but excluding the Excluded Know-How and any Information that is related exclusively to Nektar's or its Affiliates' proprietary compounds other than the Compounds.

1.99. "Licensed Patents" means (a) the Licensed Product Patents, or (b) the Nektar Technology Patents.

1.100. "Licensed Product Patents" means (a) all the Patents set forth in Schedule 1 or Schedule 2 of Exhibit E of this Agreement and (b) any other Patent(s) that (i) is Controlled by Nektar or its Affiliates as of the Execution Date or at any time thereafter until the end of the Term, (ii) has one or more claims that cover specifically one or more Compounds or Licensed Products, and (iii) is determined, pursuant to Section 15.1(a)(i), to be a Licensed Product Patent.

1.101. "Licensed Product" means any (a) Stand-Alone Product containing NKTR-118, (b) Opioid Combination Product, (c) Packaged 118 Opioid Product, or (d) Added Product. When the phrase "each Licensed Product" is used herein, Licensed Products (including Combination Products) that: (i) are [***], (ii) have the same [***] and (iii) have the same [***] shall be considered to be the same Licensed Product.

1.102. "Losses" means any and all direct or indirect liabilities, damages, losses or expenses, including interest, penalties, and reasonable lawyers' fees and disbursements.

1.103. "Major Commercial Market" means [***].

1.104. "Major European Market" means [***].

1.105. "Manufacture" and "Manufacturing" means, with respect to a product or compound, the synthesis, manufacturing, processing, formulating, packaging, labeling, holding and quality control testing of such product or compound.

1.106. "Manufacture and Technology Transfer Agreement" or "MTTA" has the meaning set forth in Section 8.2(b).

1.107. "Manufacturing Law" has the meaning set forth in Section 8.1(a).

1.108. "[***]" means any pharmaceutical product that contains as an active ingredient a [***] that exerts its primary pharmacological activity by binding to a [***]. The term "[***]" shall not include, with respect to AstraZeneca, the Licensed Products, or, with respect to Nektar, Reversion Products in Terminated Countries.

1.109. "NDA Acceptance Bonus Milestone" has the meaning [***].

1.110. "Nektar Party" has the meaning set forth in Section 14.1.

1.111. "Nektar Technology" means all Information that relates to Nektar's pegylation and other polymer conjugation platform technology generally, including [***] to a small molecule. For clarity, the Nektar Technology shall not include any Information that relates specifically to the Compounds or the Licensed Products.

1.112. "Nektar Technology Patents" means any Patents, other than the Licensed Product Patents, that (a) are Controlled by Nektar or its Affiliates as of the Execution Date or at any time thereafter until the end of the Term, and (b) claim or cover Information that is necessary or reasonably useful for the Exploitation of Compounds or the Licensed Products, but excluding (i) the Excluded Patents and (ii) any other Patents to the extent relating exclusively to Nektar's or its Affiliates' proprietary compounds other than the Compounds.

1.113. "Nektar Technology Within LPP Patents" has the meaning set forth in Section 15.1(a)(iii).

1.114. "Net Sales" means [***].

1.115. "New Patentable Licensed Know-How" has the meaning set forth in Section 15.1(a)(i).

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1.116. "NKTR-118" means the compound set forth on Exhibit F of this Agreement.

1.117. "Non-Field Infringement" has the meaning set forth in Section 16.2(a).

1.118. "Non-Terminated Country" has the meaning set forth in Section 18.6(b).

1.119. "Offset Amount" has the meaning set forth in Section 16.7.

1.120. "Opioid Combination Product" means a product that contains as the sole active ingredients (a) one or more opiates or opioids (but excluding any such [***], which [***], in a [***] with (b) NKTR-118, but excluding for clarity all Packaged 118 Opioid Products.

1.121. "Orange Book Listable Patent" has the meaning set forth in Section 15.6(a).

1.122. "Other Publication" means any public publication (including in abstracts, scientific posters, and other similar public presentations) that is not a Product Publication and that (a) incorporates, references, or discloses Information with respect to the Nektar Technology, whether such Information relates to activities conducted prior to, on, or following the Effective Date and (b) is likely (due to such publication) to have an adverse effect on the Exploitation of the Licensed Products; provided, however, that such public presentation shall not constitute an Other Publication as a result of the inclusion of Information with respect to which Nektar is bound by obligations of confidentiality to any Third Party.

1.123. "Packaged 118 Opioid Product" means a product that contains (a) one or more opiates or opioids (*but excluding* any such [***], that is combined in a [***] or other similar packaging with (b) a Stand-Alone Product containing NKTR-118 in a [***], in the aggregate as the [***], and where such product is sold at a single invoiced price (that is, there is not [***] for the components in (a) and (b) above of the product). Each Packaged 118 Opioid Product shall be a Licensed Product and shall be treated as a Stand-Alone Product that contains NKTR-118 for all purposes under this Agreement; provided, however, that calculations of Net Sales of Packaged 118 Opioid Products for all purposes under this Agreement, including applicable ceilings and thresholds, shall be subject to the adjustment in Section 7.3.

1.124. "Party" means either AstraZeneca or Nektar and "Parties" means both AstraZeneca and Nektar.

1.125. "Patents" means (a) all national, regional and international patents and patent applications, including provisional patent applications, (b) all patent applications filed either from such patents, patent applications or provisional applications or from an application claiming priority from either of these, including divisionals, continuations, continuations-in-part, provisionals, converted provisionals, and continued prosecution applications, (c) any and all patents that have issued or in the future issue from the foregoing patent applications ((a) and (b)), including utility models, petty patents and design patents and certificates of invention, (d) any and all extensions or restorations by existing or future extension or restoration mechanisms, including revalidations, reissues, re-examinations and extensions (including any supplementary protection certificates and the like) of the foregoing patents or patent applications ((a), (b) and (c)), and (e) any similar rights, including so-called pipeline protection, or any importation, revalidation, confirmation or introduction patent or registration patent or patent of additions to any such foregoing patent applications and patents.

1.126. "Patent Exclusivity List" has the meaning set forth in Section 15.6(b).

1.127. "Patent Family" means, with respect to a given country, one or more Licensed Product Patents that claim their priority dates from the same Patent.

1.128. "Patent Working Group" has the meaning set forth in Section 3.3(b).

1.129. "Payments" has the meaning set forth in Section 7.17(a).

1.130. "Person" means an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other similar entity or organization, including a government or political subdivision, department or agency of a government.

1.131. "Phase III Clinical Trial" means a pivotal, multi-center, human clinical trial (or set of trials, if required by a Health Authority) to be conducted in a number of patients estimated to be sufficient to primarily establish efficacy of a Licensed Product for the Primary Indication, or any other claimed major medical indication and at a standard suitable to obtain a Health Registration Approval in the United States or a Major European Market (excluding dose ranging studies). A Phase III Clinical Trial shall also include any well-controlled study (or studies) intended to provide the substantial evidence of efficacy necessary to support the filing of an approvable Health Registration Approval (such as a combined Phase II/Phase III study, or any Phase III study in lieu of a Phase II study), whether or not such study is a traditional Phase III study. A Phase III Clinical Trial shall be deemed to have commenced when the first patient is dosed in such Phase III Clinical Trial.

1.132. "Post-Termination Control Agreements" has the meaning set forth in Section 18.11.

1.133. "Primary Indication" means prevention or treatment of opioid-induced or opiate-induced constipation.

1.134. "Product Publication" means any public publication (including in abstracts, scientific posters, and other similar public presentations) that incorporates or otherwise discloses any Information (a) contained in any Regulatory Documentation relating primarily to a Compound, Licensed Product or Reserved Product, or (b) related directly to the Exploitation of any Compound, Licensed Product or Reserved Product, including any study data relating to such products, in each case, ((a) or (b)), whether such Information relates to activities conducted prior to, on, or following the Effective Date.

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1.135. "Prohibition Period" has the meaning set forth in Section 21.5.

1.136. "Prosecute" has the meaning set forth in Section 15.1(a)(ii).

1.137. "Prosecuting Party" means the Party having the right to Prosecute the relevant Patent.

1.138. "Publication" has the meaning set forth in Section 6.9.

1.139. "Receiving Party" has the meaning set forth in Section 11.2.

1.140. "Regulatory Documentation" means all applications, registrations, licenses, authorizations and approvals, all correspondence submitted to or received from Health Authorities (including minutes and official contact reports relating to any communications with any Health Authority) and all supporting documents and all clinical studies and tests, relating to any Compounds or Licensed Products, and all data contained in any of the foregoing, including all investigational new drug applications, Health Registration Approvals, regulatory drug lists, advertising and promotion documents, adverse event files and complaint files.

1.141. "Regulatory Reason" has the meaning set forth in Section 18.4(a).

1.142. "Reserved Product" means (a) a [***] *other than* NKTR-118, or (b) a [***] *other than* an Opioid Combination Product.

1.143. "Restricted Information" has the meaning set forth in Section 11.1.

1.144. "Reversion Products" means all Licensed Products that contain (a) NKTR-118 as the sole active ingredient, or (b) NKTR-118 and one or more generic opioids or opiates, as the sole active ingredients; and excluding (for clarity) any other Licensed Products.

1.145. "Review Period" has the meaning set forth in Section 18.4(a).

1.146. "ROW" means all countries in the Territory other than the United States.

1.147. "Safety Agreement" has the meaning set forth in Section 10.1.

1.148. "Safety Reasons" has the meaning set forth in Section 18.4(a).

1.149. "Second Enforcing Party" has the meaning set forth in Section 16.3.

1.150. "Stand-Alone Product" means any product in a form suitable for human, veterinary or agricultural applications that contains a Compound as the sole active ingredient.

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1.151. "Standard Sales Price" shall mean, with respect to a product and a country, the wholesale acquisition cost (in the case of product sold in the United States) or the ex-manufacturing price (in the case of product sold outside the United States), as such terms are commonly understood in the pharmaceutical industry, for such product in such country, where such price is the price at which product is sold to wholesalers or other direct customers in such country before giving effect to any prompt payment or other discounts.

1.152. "Statement" has the meaning set forth in Section 18.4(a).

1.153. "Subject Party" has the meaning set forth in Section 21.4.

1.154. "Sublicensee" has the meaning set forth in Section 4.2.

1.155. "Sublicense Income" has the meaning set forth in Section 7.6(c).

1.156. "Substitute Compound" has the meaning set forth in Section 7.10(b).

1.157. "Target Product Profile" means the actual "target product profile" for the Existing Product as set forth in the Development Plan, as provided in Section 6.2.

1.158. "Term" has the meaning set forth in Section 18.2.

1.159. "Terminated Country" has the meaning set forth in Section 18.6(b).

1.160. "Termination Notice" has the meaning set forth in Section 18.5(a).

1.161. "Territory" means all countries in the world, excluding all Terminated Countries.

1.162. "Third Party" means any Person not including the Parties, the Parties' respective Affiliates or Sublicensees.

1.163. "Third Party Claim" has the meaning set forth in Section 14.1.

1.164. "Third Party Infringing Activities" has the meaning set forth in Section 16.1.

1.165. "TPP Reason" has the meaning set forth in Section 18.4(a).

1.166. "Trademark" means any word, name, symbol, color, designation or device or any combination thereof for use in the course of trade, including any domain name, trademark, trade dress, brand mark, trade name, brand name, logo or business symbol used by AstraZeneca in connection with the Compounds or Licensed Products.

1.167. "Transition Agreement" has the meaning set forth in Section 18.12.

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1.168. "United States" or "U.S." means the United States of America, including its territories, possessions and Puerto Rico.

1.169. "Valid Claim" means, with respect to a Licensed Product in a particular country, any claim of a Licensed Patent that specifically or generically claims (x) the Compound included in such Licensed Product as a composition of matter, or (y) a method of treatment or other use of a Compound for one or more indications for which Health Registration Approval has been received for a Licensed Product in such country, and either:

(a) with respect to a granted and unexpired Licensed Patent in such country, that (i) has not been held permanently revoked, unenforceable or invalid by a final decision of a court or other governmental agency of competent jurisdiction, which decision is unappealable or unappealed within the time allowed for appeal, and (ii) has not been abandoned, disclaimed, denied or admitted to be invalid or unenforceable through reissue or disclaimer or otherwise; or

(b) with respect to a pending Licensed Patent application, that was filed and is being prosecuted in good faith and has not been [***] without the possibility of [***] of the application, provided that such claim [***] for more than [***] years.

2. Construction

Except where the context requires otherwise, whenever used the singular includes the plural, the plural includes the singular, the use of any gender is applicable to all genders and the word "or" has the inclusive meaning represented by the phrase "and/or". Whenever this Agreement refers to a number of days, unless otherwise specified, such number refers to calendar days. The headings of this Agreement are for convenience of reference only and do not define, describe, extend or limit the scope or intent of this Agreement or the scope or intent of any provision contained in this Agreement. The term "including" or "includes" as used in this Agreement means "including without limitation" and shall not be interpreted to limit the generality of any description preceding such term. The wording of this Agreement shall be deemed to be the wording mutually chosen by the Parties and no rule of strict construction shall be applied against any Party.

3. Governance.

3.1. Joint Steering Committee.

(a) Formation and Responsibilities. As of the Effective Date, the Parties have established a joint steering committee (the "**Joint Steering Committee**" or "**JSC**"), which shall have the following responsibilities: (i) overseeing at a high level the work of the JPT, and periodically receiving reports and other information submitted by the JPT; (ii) resolving all disputes referred to the JSC by the JPT; and (iii) making such other decisions as may be delegated to the JSC pursuant to this Agreement or by written agreement of the Parties.

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(b) Membership. Each Party shall designate, in its sole discretion, [***] employees to serve as members of the JSC, each with the requisite experience and seniority to make decisions on behalf of the Parties with respect to issues falling within the jurisdiction of the JSC. No member of the JSC may also serve on the JPT. Nektar and AstraZeneca shall designate their respective initial members of the JSC within [***] after the Effective Date. Each Party may invite non-voting representatives (up to [***] non-voting representatives) to attend JSC meetings; provided that such Party provides advance notice to the other Party of such attendance.

(c) Decision-Making and Dispute Resolution. The members of the JSC shall use reasonable efforts to reach agreement on all matters. If, despite such efforts, agreement on a particular matter cannot be reached by the JSC within [***] after the JSC first considers such matter (or such shorter time as may be reasonable in the circumstances), then the chair of the JSC shall have the right to make the final decision with regard to the disputed matter following good faith consideration of Nektar's comments. Notwithstanding the foregoing:

(i) disputes regarding whether AstraZeneca's efforts to meet its diligence obligations with respect to development, regulatory or commercial matters constitute Commercially Reasonable Efforts shall not be subject to the foregoing decision-making and shall be resolved pursuant to the procedures set forth in Section 18.5(b);

(ii) disputes arising out of matters within the jurisdiction of the Patent Working Group shall be resolved pursuant to the procedures set forth in Article 15;

(iii) disputes regarding the interpretation or an alleged breach of this Agreement (other than any dispute described in clause (i)) shall be resolved pursuant to expedited arbitration pursuant to Section 19.3;

(iv) the JSC, and the chair of the JSC, shall not have any authority to amend, modify or waive the provisions of this Agreement; and

(v) no final decision by the chair of the JSC without the consent of Nektar or Nektar's representative on the JSC shall be made that has the effect of materially increasing the obligations of Nektar or of reducing Nektar's rights under this Agreement or any Ancillary Agreement.

3.2. Joint Project Team.

(a) Formation and Responsibilities. As of the Effective Date, the Parties have established a joint project team (the "**Joint Project Team**" or "**JPT**"), which (x) shall oversee, coordinate and expedite the development of the Licensed Products in the Territory and the submission of applications for Health Registration Approvals and other regulatory submissions for Licensed Products in the Territory and shall facilitate the flow of information with respect to development activities being conducted for the Licensed Products and clinical studies in support of Health Registration Approvals for the Licensed Products in the Territory; and (y) shall serve as a forum for facilitating the flow of information with respect to commercialization of Licensed Products in the Territory. Specifically, the JPT shall have the following responsibilities:

(i) reviewing and adopting the Development Plan and updates and amendments thereto;

(ii) reviewing data, reports or other information submitted by AstraZeneca with respect to development activities conducted by or on behalf of AstraZeneca pursuant to Section 6.8 or otherwise, and discussing such data, reports and other information and reviewing the overall progress of Licensed Product development by or on behalf of AstraZeneca (or its Affiliates or Sublicensees);

(iii) facilitating the exchange of information and data between the Parties with respect to the commercialization of Licensed Product in the Territory (as expressly required under other terms of this Agreement), and conducting high-level discussion of such exchanged information and data;

(iv) making such other decisions as may be delegated to the JPT pursuant to this Agreement or by written agreement of the Parties;

(v) establishing and overseeing the Patent Working Group pursuant to Section 3.3(b); and

(vi) establishing other working groups to implement the foregoing responsibilities, which working groups shall have such responsibilities, and be comprised of such number of employees from each of the Parties with such expertise and seniority, as the JPT may direct from time to time, supervising and directing the activities of such working groups and accepting reports and recommendations from such working groups.

(b) Membership. Each Party shall designate, in its sole discretion, such number of employees as it reasonably determines (which number shall be at least [***] and no more than [***]), each with the requisite experience and seniority to make decisions on behalf of the Parties with respect to issues falling within the jurisdiction of the JPT. Nektar and AstraZeneca shall designate their respective initial members of the JPT within [***] after the Effective Date.

(c) Decision-Making and Dispute Resolution. The members of the JPT shall use reasonable efforts to reach agreement on all matters. If, despite such efforts, agreement on a particular matter within the jurisdiction of the JPT cannot be reached by the JPT within [***] after the JPT first considers such matter (or such shorter period as may be reasonable in the circumstances), then (i) if the matter is a material one, the JPT shall refer the disputed matter to the JSC for resolution, or (ii) if the matter is not a material one, the chair of the JPT shall have the right to make the final decision with regard to the disputed matter following good faith consideration of Nektar's comments. The JPT shall not have any authority to amend, modify or waive the provisions of this Agreement.

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3.3. Working Groups

(a) In General. The JPT may delegate specific matters or types of matters within its jurisdiction to working groups, the composition of which shall be determined by the JPT; provided, however, that unless the Parties otherwise agree, each working group shall include (unless otherwise agreed by the JPT) [***] representatives from each Party. Each working group shall operate pursuant to procedures to be defined by the JPT in establishing such working group. Each working group shall make recommendations to the JPT with respect to the matters delegated to such working group, and shall use reasonable efforts to have such recommendations reflect consensus of the Parties whenever possible.

(b) Patent Working Group. Within [***] after the Effective Date, the Parties shall cause their respective members on the JPT to establish a working group to coordinate and direct, in accordance with Article 15, the Prosecution of Licensed Patents and Joint Patents (the "**Patent Working Group**"), which working group shall include [***] internal patent counsel representing each Party, and shall include such additional representatives of each Party with appropriate expertise and authority as reasonably required for the Patent Working Group to conduct its role and exercise its authority efficiently and effectively.

3.4. General Provisions Governing Committees. The following general provisions shall govern the conduct of the JSC, JPT and any working groups the JSC or JPT may establish from time to time under this Agreement (each, including the JSC and the JPT, a "**Committee**"), except as otherwise expressly provided elsewhere in this Agreement or as agreed to by the Parties in writing:

(a) Chair; Membership. One of AstraZeneca's representatives shall be designated by AstraZeneca as the chair of each Committee. Each Party shall have the right at any time to substitute qualified individuals, on a permanent or temporary basis, for any of its previously designated representatives to each Committee, by giving written notice to the other Party.

(b) Meetings.

(i) Schedule of Meetings; Agenda. Each Committee shall establish a schedule of times for regular meetings. In addition, the chair of each Committee may convene a special meeting of the Committee with at least [***] written or email notice to the members of the Committee if such meeting is to be conducted in person (and if Nektar reasonably objects to such date due to a conflicting obligation, the chair will make good faith efforts to offer another date that will accommodate Nektar's schedule, but in no event shall the chair be obligated to delay such meeting for more than [***] additional [***]), and with at least [***] written or email notice if such meeting is to be conducted by teleconference, and shall prepare and circulate to each Committee member an agenda for each meeting not later than [***] prior to such meeting. Notwithstanding the foregoing, (A) notice of any such special meeting or receipt of such agenda may be waived in writing at any time, either before, during or after such meeting, and (B) attendance of any member at a meeting shall constitute a valid waiver of notice of any such special meeting or receipt of such agenda from such member, unless such member attends the meeting for the express purpose of objecting to the failure to provide valid notice or an agenda. Regular and special meetings of the Committee may be held in person or by teleconference or videoconference. The chair of the Committee shall determine the location of each regular and special meeting; provided that the location of meetings to be held in person shall alternate between sites designated by each Party.

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(ii) Quorum; Voting; Decisions. A Committee shall have the right to adopt such standing rules as shall be necessary for its work to the extent that such rules are not inconsistent with this Agreement. A quorum of a Committee shall exist whenever there is present at a meeting at least [***] appointed by each Party. Members of a Committee may attend a meeting either in person or by telephone, video conference or similar means in which each participant can hear what is said by, and be heard by, the other participants (with any written presentations by either Party provided by electronic means in advance of or simultaneously with such meeting to the participants of the other Party). Representation by proxy shall be allowed. A Committee shall take action by consensus of the members present at a meeting at which a quorum exists, with, subject to the final decision-making authority of the chair of the JSC and the JPT, respectively, as set forth in Section 3.1(c) and Section 3.2(c), each Party having [***] irrespective of the number of representatives of such Party in attendance or by a written resolution signed by at least [***] appointed by each Party. Reasonable numbers of employees of either Party that are not members of a Committee may attend any meeting of such Committee; provided, however, that such attendees (A) shall not vote or otherwise participate in the decision-making process of such Committee and (B) are bound by obligations of confidentiality and non-disclosure equivalent to those set forth in Article 11.

(iii) Minutes. Each Committee shall keep minutes of its meetings that record in reasonable detail all decisions and all actions recommended or taken. Drafts of the minutes shall be prepared and circulated to Committee members promptly after the meeting, and the Parties shall alternate responsibility for the preparation and circulation of the draft minutes. Each Committee member shall have the opportunity to provide comments on the draft minutes, which comments shall be provided to all Committee members as soon as practicable after circulation of the draft minutes. The minutes shall be deemed approved upon the approval of such minutes by at least [***] appointed by each Party, provided that minutes for such meeting may reflect a lack of consensus on an issue-by-issue basis, the person(s) responsible for resolving such matter and by what date such matter shall be resolved. Upon approval, final minutes shall be circulated to the members of the Committee by the chair.

(iv) Expenses. Each Party shall bear all costs of its representatives on a Committee related to their participation on the Committee and attendance at Committee meetings.

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(c) Limitations on Authority. Each Party shall retain the rights, powers and discretion granted to it under this Agreement and no such rights, powers, or discretion shall be delegated to or vested in a Committee unless such delegation or vesting of rights is expressly provided for in this Agreement or the Parties expressly so agree in writing. No committee shall have the power to amend, modify or waive compliance with this Agreement.

(d) Interactions Between Committees and Internal Teams. The Parties recognize that each Party possesses an internal structure (including various committees, teams and review boards) that will be involved in administering such Party's activities under this Agreement. Each Committee shall establish procedures to facilitate communications between such Committee and the relevant internal committee, team or board of each of the Parties in order to maximize the efficiency of such Committee and the performance of the Parties of their obligations under this Agreement, including by requiring appropriate members of such Committee to be available at reasonable times and places and upon reasonable prior notice for making appropriate oral reports to, and responding to reasonable inquiries from, the relevant internal committee, team or board.

(e) Nektar's Membership in Committees. Nektar's membership in any Committee shall be [***], for the sole purpose of participation in governance, decision-making, and information exchange with respect to activities within the jurisdiction of such Committee. [***] in any or all of the Committees [***] prior written notice to AstraZeneca, which notice shall be effective as to the relevant Committee upon the expiration of such [***] period (and for the avoidance of doubt, following such [***], Nektar and AstraZeneca shall each continue to be required to perform its respective obligations pursuant to this Agreement). Following the issuance of such notice for a given Committee, (i) Nektar's membership in such Committee shall be [***] (and AstraZeneca may [***] such Committee), (ii) Nektar shall not have the right to [***] therein, and (iii) Nektar shall have the right to continue to [***] it would otherwise be entitled to receive under the Agreement.

(i) [***] of JSC. If the JSC is [***] pursuant to this Section 3.4(e) or Section 21.3, then any dispute that would have been elevated to the JSC for resolution shall be elevated directly to the Executives for resolution pursuant to Section 19.1, and if such executives are unable to resolve the dispute, AstraZeneca's executive officer shall have the right to make the final decision with regard to such disputed matter; provided, however, that AstraZeneca's executive officer shall make such decision in good faith after reasonably considering Nektar's comments on such matter and in a manner consistent with the applicable then-current Development Plan. For the avoidance of doubt, disputes regarding whether AstraZeneca's efforts meet its development diligence obligations shall be resolved pursuant to the procedures set forth in Section 18.5(b).

(ii) [***] of JPT. If the JPT is [***] pursuant to this Section 3.4(e) or Section 21.3, then any dispute that would have been considered by the JPT shall be elevated directly to the JSC and the information that each Party is obligated to provide to the JPT pursuant to Section 6.8 shall be provided directly to the other Party.

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4. Grant of Rights

4.1. License Grants to AstraZeneca. Subject to the terms and conditions of this Agreement, Nektar hereby grants to AstraZeneca:

(a) an exclusive (including with regard to Nektar and its Affiliates), perpetual (subject to termination under the terms of this Agreement), right and license in the Territory, with the right to grant sublicenses pursuant to Section 4.2, under Nektar's and its Affiliates' rights, titles, and interests in and to the Licensed Patents, the Licensed Know-How, the Joint Patents and the Joint Know-How solely to Exploit the Compounds and Licensed Products for all purposes; provided, however, that Nektar shall retain, subject to Article 9, the non-exclusive right solely to perform its responsibilities under this Agreement or any Ancillary Agreement.

(b) an exclusive (including with regard to Nektar and its Affiliates), perpetual (subject to termination under the terms of this Agreement), right and license and right of reference in the Territory, with the right to grant sublicenses pursuant to Section 4.2, under Nektar's and its Affiliates' rights, titles and interests in and to the Regulatory Documentation and the Health Registration Approvals, to the extent not assigned pursuant to Section 4.9, to Exploit the Compounds and Licensed Products for all purposes; provided, however, that Nektar shall retain, subject to Article 9, the non-exclusive right solely to perform its responsibilities under this Agreement or any Ancillary Agreement.

(c) an exclusive (including with regard to Nektar and its Affiliates), perpetual (subject to termination under the terms of this Agreement), right and license in the Territory, without the right to grant sublicenses, under Nektar's and its Affiliates' rights, titles, and interests in and to the Licensed Patents, the Licensed Know-How, the Joint Patents and the Joint Know-How solely to Exploit the Reserved Products (including the Compound(s) therein) for all purposes.

4.2. Sublicenses. AstraZeneca shall have the right to grant sublicenses, through multiple tiers of sublicensees, under the licenses granted in Section 4.1(a) and (b), to its Affiliates and to any other Person. Where AstraZeneca grants a sublicense to a Person that is not an Affiliate of AstraZeneca, and such Person is not a Distributor or a Third Party to which AstraZeneca or its Affiliates grants sublicense to sell Generic Products by AstraZeneca, such Person shall be a "**Sublicensee**" for purposes of this Agreement. In the event AstraZeneca desires to grant a sublicense in the [***] or any country within a [***], AstraZeneca shall conduct such sublicensing efforts using such efforts and resources that are typically used by AstraZeneca, and consistent with its typical standards, in connection with evaluating and negotiating sublicensing transactions for its own compounds or products with similar commercial potential at a similar stage in their lifecycle. AstraZeneca shall ensure that all Persons to which it grants sublicenses comply with all applicable terms and conditions of this Agreement, and AstraZeneca shall be responsible for any failure of any such sublicensee to comply with such terms or conditions, with the further understanding that any action or omission by any such sublicensee that, if committed by AstraZeneca would be a breach of this Agreement (with respect to those country(ies) in which such sublicensee is sublicensed), will be deemed a breach by AstraZeneca of this Agreement (with respect to those country(ies) in which such sublicensee is sublicensed) for which AstraZeneca is responsible.

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4.3. Distributorships. AstraZeneca and its Affiliates shall have the right, in their sole discretion, to appoint any other Persons, in the Territory or in any country of the Territory, to distribute, market and sell the Licensed Products, including Authorized Generic Versions, (with or without packaging rights, but excluding in any case any rights to make Licensed Product), solely in circumstances where the Person purchases its entire requirements of Licensed Products from AstraZeneca or its Affiliates, but does not otherwise make any royalty or other payment to AstraZeneca with respect to its intellectual property rights. Where AstraZeneca or its Affiliates appoints such a Person in compliance with the foregoing and such Person is not an Affiliate of AstraZeneca, that Person shall be a "**Distributor**" for purposes of this Agreement. For clarity, AstraZeneca and any of its Affiliates shall have the right, in its sole discretion, to appoint one of its Affiliates to distribute, market and sell the Licensed Products in the Territory, but any Affiliates so appointed shall not be included in the term "**Distributor**" for purposes of this Agreement. The term "packaging rights" in this Section 4.3 means the right for the Distributor to package Licensed Products supplied in unpackaged bulk form into individual ready-for-sale packs. For clarity, any and all amounts paid by any Distributor to AstraZeneca or its Affiliate for such distribution appointment with respect to the Licensed Product and the sale of the Licensed Products to the Distributor shall be deemed to be included in the calculation of Net Sales.

4.4. Co-Promotion Rights. For the avoidance of doubt, AstraZeneca and its Affiliates shall have the right, in their sole discretion, to co-promote the Licensed Products with any other Person(s), or to appoint one or more Third Parties to promote the Licensed Products without AstraZeneca in all or any part of the Territory. Nothing in this Section 4.4 shall be construed to modify the definition of Distributor or Sublicensee, and it is understood and agreed that any such Third Party that promotes or co-promotes Licensed Products may also be a Distributor or Sublicensee, as the case may be, if such definition is satisfied.

4.5. Covenants

(a) Patent Filings. To the extent Applicable Law permits Nektar to conduct research and development activities with respect to Compounds, Licensed Products or Reserved Products notwithstanding the exclusive licenses grants to AstraZeneca under Section 4.1, Nektar agrees that neither it nor its Affiliates shall file any Patent applications based on any inventions conceived or reduced to practice in connection with such research and development activities without the prior written consent of AstraZeneca. Nothing contained in this Section 4.5(a) is in derogation of any provision of Section 4.5(c).

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(b) Covenants of AstraZeneca. AstraZeneca covenants and agrees that it and its Affiliates and Sublicensees shall not [***].

(c) Non-Compete. During the period prior to the [***] of the earlier to occur of (x) [***] of the first Licensed Product in the [***] or (y) the First Commercial Sale [***], each Party covenants that it and its Affiliates shall not:

(i) conduct any [***] of a [***] for any [***], or market or sell any [***] labeled for use in any [***] (each such product, a "**Competing Product**"); provided that the foregoing shall not be interpreted to prevent the [***] for use in an [***] other than a [***], whether or not such [***] includes one or more [***] (as such terms is defined below);

(ii) conduct any [***] of a [***] for an [***] other than the [***] with a [***] that includes as an [***] any [***], provided that the foregoing shall not prevent the Party from [***] that the [***] or the [***] requires or directs be collected, or that the Party reasonably believes would be required, in order to [***] the [***] with, or obtain [***] for, [***] for an [***] other than a [***];

(iii) affirmatively use any [***] in marketing or promoting a [***] (except to the extent required by Applicable Law);

(iv) conduct any activity with, for the benefit of, or sponsored by, any Third Party, which activity would constitute a violation of clauses (i), (ii) or (iii) if it were conducted by such Party solely on its own behalf; or

(v) knowingly grant any license or other rights to any Third Party to utilize any intellectual property Controlled by such Party or its Affiliates (including any Licensed Patents, Licensed Know-How, Joint Patents or Joint Know-How) for the express purpose of enabling such Third Party to conduct an activity which would constitute a violation of clauses (i), (ii) or (iii) if it were conducted by such Party solely on its own behalf;

(vi) provided, however, that in no event shall a Party or its Affiliates be restricted under this Section 4.5(c) from using a [***] (other than, in the case of Nektar, the Licensed Products or the Reserved Products) as a [***] of a product that is not a Competing Product, even if such [***] is for the [***] or would require the collection of [***].

The Parties acknowledge that all restrictions contained in this Section 4.5(c) are reasonable, valid and necessary for the adequate protection of the Licensed Product business and that the Parties would not have entered into this Agreement without the protection afforded to them by this Section 4.5(c).

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(d) No Conflicting Grant of Rights. Nektar shall not, and shall cause its Affiliates not to, assign or transfer any of its rights, title or interests in or to the Licensed Patents, Licensed Know-How, Joint Patents, Joint Know-How or Health Registration Approvals to any Third Party, except to a Person that is an assignee of Nektar of this Agreement pursuant to an assignment permitted under Section 21.1. Nektar shall not, and shall cause its Affiliates not to, grant any license or other rights or interests in the Licensed Patents, Licensed Know-How, Joint Patents, Joint Know-How or Health Registration Approvals to any Person that are within the scope of the licenses granted to AstraZeneca under Section 4.1 of this Agreement.

4.6. Right of First Negotiation. Prior to out-licensing or selling, assigning or transferring the results of any research or pre-clinical development conducted, by or on behalf of Nektar during the term of the non-compete covenant in Section 4.5(c), with respect to Competing Products other than Licensed Products or Reserved Products (or any Intellectual Property Rights with respect to such results) (collectively, the "**Competing Product IP**"), Nektar shall notify AstraZeneca in writing and AstraZeneca shall have [***] in which to respond and, if applicable, [***]. Provided that Nektar has given AstraZeneca such notice, Nektar may [***] regarding the terms of a possible agreement regarding such Competing Product IP to Exploit such Competing Products, provided that Nektar shall not enter into any such agreement except as provided in the following sentence. If either (a) AstraZeneca does not respond to Nektar's notice with an intention of interest within the [***] or (b) the Parties are unable to execute a definitive agreement [***], then, provided that in each case ((a) and (b)) the non-compete covenant in Section 4.5(c) either does not cover the rights being licensed or is no longer applicable, Nektar shall thereafter be free to enter into such an agreement with a Third Party. For clarity, nothing in the foregoing prevents Nektar (or its Affiliate) from negotiating and granting licenses under its Competing Product IP for uses *other than* with respect to a Competing Product, Reserved Product, Compound or Licensed Product.

4.7. Exclusivity Term. The exclusive nature of AstraZeneca's license rights granted by Section 4.1 shall expire with respect to each separate Licensed Product, on a country-by-country basis, on the date when AstraZeneca's obligation to pay royalties with respect to such Licensed Product pursuant to Section 7.9 expires in the applicable country. Upon such expiry of the exclusivity of AstraZeneca's license rights with respect to a Licensed Product in a country, AstraZeneca's license rights with respect to such Licensed Product in such country shall become non-exclusive, fully paid-up, perpetual and irrevocable, and the Net Sales of such Licensed Product in such country shall be excluded from the royalty calculations in Sections 7.2, 7.4, 7.5 and 7.10(b) (including the thresholds and ceilings) and the milestones in Section 7.1 that are based on Annual Net Sales. AstraZeneca and its Affiliates and Sublicensees shall be allowed to continue Exploiting such Licensed Product and using all Licensed Know-How and Joint Know-How in connection therewith on a non-exclusive basis in such country with no further consideration to Nektar with respect to such activities. Upon expiration of such exclusivity with respect to all Licensed Products then being commercialized in the applicable country, all the license rights granted to AstraZeneca shall automatically become non-exclusive, fully-paid, perpetual licenses rights in such country, and all license exclusivity under Section 4.1 shall terminate *except that* for any Licensed Product that is in active human clinical development by AstraZeneca or its Affiliate at the time of such expiration, such license exclusivity shall continue for so long as AstraZeneca or its Affiliate continues in good faith to actively develop or commercialize such Licensed Product.

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4.8. License Limitations; Retained Rights. AstraZeneca and its Affiliates and Sublicensees shall not intentionally use or practice any Licensed Know-How or Licensed Patents in a manner that would constitute misappropriate or infringement thereof, except to the extent permitted under the license rights expressly granted under Section 4.1 of this Agreement. Without limiting the foregoing, AstraZeneca and its Affiliates and Sublicensees shall not intentionally use or practice any Licensed Know-How or Licensed Patents, knowing that such use or practice would constitute misappropriate or infringement thereof, to discover, research, develop, make, use or sell any pegylated or other polymer conjugated compound other than a Compound or Licensed Product. Notwithstanding the foregoing two sentences, the covenants therein shall not apply to MedImmune, LLC, MedImmune Limited or any direct or indirect subsidiaries of MedImmune, LLC or MedImmune Limited. Notwithstanding the rights granted to AstraZeneca in Section 4.1, Nektar and its Affiliates retain the exclusive rights under all their respective technology and Intellectual Property Rights to conduct discovery, research, clinical trials and other development, to manufacture and use, and to promote, market, offer for sale and sell all pegylated or other polymer conjugated compounds other than Compounds, and to license Third Parties to do the same, throughout the world, but subject to the restrictions in Section 4.5(c).

4.9. Assignment of Regulatory Documentation. Nektar hereby assigns to AstraZeneca all of its rights, titles and interests in and to all Regulatory Documentation, including, to the extent permitted by Applicable Law, all Health Registration Approvals, owned or Controlled by Nektar as of the Effective Date and from time to time during the Term. Nektar shall duly execute and deliver, or cause to be duly executed and delivered, such instruments and shall do and cause to be done such acts and things, including the filing of such assignments, agreements, documents and instruments, as may be necessary under, or as AstraZeneca may reasonably request in connection with, or to carry out more effectively the purpose of, or to better assure and confirm unto AstraZeneca its rights under, this Section 4.9.

5. Confirmatory Patent Licenses

Nektar shall if reasonably requested to do so by AstraZeneca promptly enter into confirmatory license agreements in the form or substantially the form set out in Exhibit C for purposes of recording the licenses granted under this Agreement with such Patent Offices in the Territory as AstraZeneca considers reasonably necessary, including to avoid disclosure of this Agreement. As between the Parties, regardless of whether any required confirmatory licenses are executed, the Parties' respective rights and obligations in respect of the Licensed Patents shall be as set forth under this Agreement.

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6. Development and Commercialization.

6.1. Ongoing Development. As of the Effective Date, Nektar has conducted or is conducting certain clinical studies for the Existing Product. The Parties acknowledge and agree that additional development will be required to obtain Health Registration Approval for the Existing Product for the Primary Indication in the Territory.

6.2. Development Plan. The Parties agree that AstraZeneca shall prepare and finalize, in consultation and discussion with the JPT, its actual development plan governing the development of the Existing Product for the Primary Indication, and the filing of Regulatory Documentation (including Health Registration Approvals) in connection therewith (the "**Development Plan"**), no later than [***]. Such initial Development Plan shall reflect AstraZeneca's good faith plan of the activities required to develop the Existing Product for the Primary Indication in a manner that is consistent with its diligence obligations hereunder. The Development Plan shall include a Target Product Profile developed by AstraZeneca in good faith. AstraZeneca may but shall not be required to modify the Development Plan with respect to the development of the Existing Product or other Licensed Products in one or more countries from time to time, and shall discuss such proposed modifications with the JPT. From time to time, either Party may propose to the JPT for review any proposed amendments to the Development Plan. Nektar shall have the right and opportunity to review and comment upon all proposed updates or amendments to the Development Plan through its representatives on the JPT (and the JSC, as applicable).

6.3. AstraZeneca Development. Except as otherwise expressly provided in any Ancillary Agreement, AstraZeneca shall have the sole right and (subject to Section 6.4) responsibility, at its sole expense (which, for clarity, shall not include any costs incurred by Nektar prior to the Effective Date), to develop the Compounds and the Licensed Products and (subject to the other applicable terms of this Agreement) the Reserved Products. Whether or not AstraZeneca elects to modify the Development Plan, AstraZeneca shall keep Nektar reasonably apprised of its anticipated development activities through Nektar's representatives on the JPT (and the JSC, as applicable) as set forth in Section 6.8. AstraZeneca covenants that it shall use Commercially Reasonable Efforts to conduct and complete the development activities contained in the initial Development Plan (the "**Initial Phase III Program**"), as such program may be modified by AstraZeneca in its reports to the JPT pursuant to Section 6.8, subject only to the following provisions of this Section 6.3. The Parties anticipate that [***] required to obtain FDA approval of the Lead Product for the Primary Indication. Notwithstanding the foregoing, it is understood that: (a) AstraZeneca may discontinue immediately all or part of the Initial Phase III Program, including any clinical trial included therein, at any time for any Safety Reason, TPP Reason or Regulatory Reason, and (b) AstraZeneca may modify the Initial Phase III Program from time to time as it deems appropriate, in good faith, in the interest of securing FDA approval for the Lead Product for the Primary Indication for the United States or other Health Registration Approvals, which modifications shall be discussed with the JPT as provided in Sections 3.2(a) and 6.8. The Parties acknowledge that any timelines or estimates with respect to timing included in the Development Plan are for informational purposes only.

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6.4. Diligence Obligations.

(a) Development Diligence. AstraZeneca shall use Commercially Reasonable Efforts at its own cost and expense to develop the Lead Product and an Opioid Combination Product as necessary to obtain, and to seek to obtain, Health Registration Approvals therefor for use in humans in the Territory for the Primary Indication.

(b) Commercialization. AstraZeneca shall use Commercially Reasonable Efforts to promote, market, sell and otherwise commercialize Licensed Products for use in humans in the Territory for indications for which AstraZeneca (or its Affiliate or Sublicensee) has obtained Health Registration Approval for such Licensed Products.

It is expressly agreed that, to the extent that failure by Nektar (or, if applicable, its Affiliate) to perform its respective obligations under this Agreement or any Ancillary Agreement, including the information disclosure requirements pursuant to Section 6.10 or the supply of Licensed Product pursuant to Article 8, impedes or prevents AstraZeneca's ability to conduct specific development or commercialization activities with respect to the applicable Licensed Product, then AstraZeneca shall not be deemed in breach of its obligations under Section 6.4(a) or (b) or Section 6.3 (as applicable) with respect to the Initial Phase III Program due to AstraZeneca's inability to conduct such specific activities, so long as AstraZeneca otherwise continues to use Commercially Reasonable Efforts to proceed with development and (if applicable) commercialization of the applicable Licensed Products to the extent it is able to do so (notwithstanding such failure by Nektar (or its Affiliate)). Further, the Parties acknowledge and agree that nothing in Section 6.4(a) or Section 6.3 (as applicable) is intended, or shall be construed, to require AstraZeneca to develop any specific Licensed Product *other than* the Lead Product and at least one Opioid Combination Product. Other than its obligations set forth in Section 6.3 and this Section 6.4, AstraZeneca shall have no other obligation, express or implied, to Exploit the Licensed Products.

6.5. Development by Nektar. If AstraZeneca desires Nektar to perform any development activities with respect to the Licensed Products, AstraZeneca shall notify Nektar in writing of the specific activities requested, and the Parties then shall negotiate reasonably and in good faith a development agreement pursuant to which Nektar would undertake and be responsible for conducting such development activities (as set forth in such agreement), subject to reimbursement by AstraZeneca at Nektar's then-current rates (any such agreement, a "**Development Agreement**"). It is understood that, other than the obligation to transfer the Licensed Know-How and provide AstraZeneca with reasonable assistance with respect thereto pursuant to Section 6.10, Nektar has no obligation to conduct any development activities with respect to Licensed Products except pursuant to the terms of an agreed and executed Development Agreement, and further that Nektar is not obligated to enter into any such Development Agreement except on commercially reasonable terms acceptable to Nektar that do not materially impede or interfere with its other business activities and commitments.

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6.6. Acknowledgment Regarding AstraZeneca's Other Business Activities. Nektar acknowledges that AstraZeneca is in the business of researching, developing, manufacturing and selling small molecule, macromolecule and biologics products and, *except* as set forth in Section 4.5(c), nothing in this Agreement shall be construed as restricting such business or imposing on AstraZeneca a duty to market or sell and exploit the Licensed Products to the exclusion of, or in preference to, any other product or process, or in any way other than in accordance with its normal commercial practices and that of its Affiliates, provided that AstraZeneca in doing so complies with its obligations to use Commercially Reasonable Efforts to develop and commercialize Licensed Products as provided in Section 6.3 and Section 6.4 (as applicable).

6.7. Regulatory Matters.

(a) In General. AstraZeneca shall have the sole right and (subject to Section 6.4) responsibility, at its sole expense, to submit all applications for Health Registration Approval and make all other submissions with Health Authorities and to otherwise seek all Health Registration Approvals for Licensed Products in the Territory, as well as to conduct all correspondence and communications with Health Authorities regarding such matters. Without limitation of the reporting requirements in Section 6.8, AstraZeneca shall keep Nektar reasonably informed of submissions for Health Registration Approval in the [***], or to the [***] or in any [***] and the status and progress of such submissions.

(b) Opportunity to Comment on Regulatory Submissions. AstraZeneca shall provide Nektar with an opportunity to review and comment upon any applications for Health Registration Approval for the [***] and for the [***], in each case, for the [***], prior to the anticipated date of such submissions. AstraZeneca shall reasonably consider Nektar's comments with respect to such submissions in good faith.

(c) Written Communications with FDA. AstraZeneca shall promptly provide Nektar with copies of all material written or electronic communications received by it or its Affiliates from, or forwarded or submitted by it or its Affiliates to, the Health Authorities within the United States with respect to any Licensed Product (provided that AstraZeneca may redact any portions relating to aspects of any Combination Product that are proprietary to AstraZeneca, its Affiliates or any Third Party including any proprietary compounds or any other proprietary technology of AstraZeneca, its Affiliates or any Third Party). Such material communications shall be provided by AstraZeneca to Nektar [***] of such receipt or forwarding.

(d) Meetings with FDA. To the extent practicable, AstraZeneca shall [***] with prior written or email notice of all meetings, conferences and discussions that are scheduled with the FDA regarding any Licensed Product [***] after AstraZeneca or its Affiliate first receives notice of the scheduling of such meeting, conference or discussion (or within such shorter period as may be practicable and necessary in order to give Nektar a [***] to attend such meetings, conferences and discussions). For clarity, AstraZeneca shall not have any obligation to give Nektar the opportunity to attend meetings, conferences and discussions with the FDA that are [***], but shall use reasonable efforts to give Nektar notice as soon as practicable (whether prior to or after such meetings, conferences or discussions) of such meetings, conferences and discussions, if material. Subject to the confidentiality provisions set forth under Article 11, and to the extent permitted by the FDA, Nektar shall be entitled to have [***]. The number of representatives and the identities of such representatives to be present at any such meeting, conference or discussion shall be determined by AstraZeneca in its good faith judgment, based solely upon considerations relating to conducting an effective interaction with the FDA. AstraZeneca shall not be required to account for the schedules of the Nektar representatives in scheduling such meetings, conferences or discussions except to the extent that AstraZeneca is requiring the attendance of certain Nektar representatives, in which case AstraZeneca shall conduct such scheduling reasonably and in good faith. AstraZeneca shall promptly forward to Nektar copies of all meeting minutes and summaries of all such meetings, conferences and discussions with the FDA.

(e) End of Phase II Meeting. AstraZeneca shall involve Nektar in the development of the agenda and the preparation of materials to be submitted to FDA for the end of Phase II meeting with FDA relating to the Existing Product (the "**End of Phase II Meeting**"), and shall provide Nektar with an opportunity to review and comment upon the agenda and materials prior to their submission to FDA. [***]. AstraZeneca shall reasonably consider Nektar's comments with respect to such submission in good faith. Subject to Nektar's right to have [***], the number of Nektar representatives and the identities of such representatives to be present at such meeting shall be determined by AstraZeneca in its good faith judgment, based solely upon considerations relating to conducting an effective interaction with the FDA, but provided that [***]. AstraZeneca shall provide Nektar with an opportunity to reasonably review any materials to be submitted to FDA in response to the End of Phase II Meeting, and shall reasonably consider Nektar's comments with respect to any such submission in good faith.

6.8. Reporting.

(a) FDA and EMEA Activities. At each JPT meeting (but not more than once per [***]), AstraZeneca's members on the JPT will provide a report to the JPT of the development activities conducted on Compounds and Licensed Products relating to generating data intended to be used in filing for Health Registration Approvals by the FDA or the European Commission since the last meeting (including the filing of INDs with the FDA, the EMEA or Health Registration Authorities in any Major European Market), a reasonable summary of the results of such activities and progress of such development, which report is not required to be in writing. In addition, AstraZeneca shall provide Nektar with [***] written report on such development activities, which report shall contain (i) a summary of the development activities planned to be conducted in the next [***] and (ii) sufficient detail to enable the JPT to assess AstraZeneca's progress with respect to development activities that have been conducted [***] and compliance with its diligence obligations in Sections 6.3 and 6.4, including: (A) AstraZeneca's, or its Sublicensees' or its Affiliates' activities with respect to seeking and achieving Health Registration Approvals, and (B) clinical study results and other results of such development activities. In addition, AstraZeneca shall notify Nektar of the filing or approval of any application for Health Registration Approval for a Licensed Product or major supplements or amendments thereto with or by the FDA, the EMEA or the European Commission, no later than [***] after the filing or approval thereof in the [***], and no later than [***]after the filing or approval thereof [***] or the [***]. AstraZeneca shall have no obligation to provide a translation of any such application for Health Registration Approval (if there are any applications for Health Registration Approval in languages other than English) unless AstraZeneca has made such a translation for its own internal review.

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(b) Other Development Activities. At least once every [***], AstraZeneca shall also provide to the JPT a high-level report (which shall not be required to be in writing) of any development and regulatory efforts by AstraZeneca, its Affiliates and Sublicensees relating to Licensed Products in the Territory, other than those efforts already reported to the JPT under Section 6.8(a). In addition, AstraZeneca shall notify Nektar of the filing and approval of any application for Health Registration Approval for a Licensed Product or major supplements or amendments thereto with or by any Health Authority other than the FDA or the EMEA no later than [***] after such filing or approval. AstraZeneca shall have no obligation to provide a translation of any such application for Health Registration Approval (if there are any applications for Health Registration Approval in languages other than English) unless AstraZeneca has made such a translation for its own internal review.

(c) Commercialization. Commencing as of the first Health Registration Approval for a Licensed Product in the Territory, at each JPT meeting (but not more than once per [***]), AstraZeneca's members on the JPT shall provide an update to the JPT regarding AstraZeneca's general commercialization efforts relating to Licensed Products in the United States and the Major Commercial Markets since the last meeting (but in the case of the Major Commercial Markets, only to the extent such information is reasonably available to AstraZeneca's JPT members from such Major Commercial Markets at the time of such JPT meeting). The update shall generally describe, for each such country and Licensed Product, AstraZeneca's level of commercial efforts (such as prescription, sales, and promotion data), marketing strategy and plans for future commercialization efforts, but such update shall not require AstraZeneca to include information deemed to constitute highly proprietary or competitively sensitive marketing strategy or related information and is not required to be in writing. Commencing as of the first Health Registration Approval for a Licensed Product in the Territory, AstraZeneca shall provide Nektar with [***] written report on such commercialization activities, which report shall contain (i) a general summary of the commercialization activities planned to be conducted in the [***], and (ii) a high-level report of its commercialization efforts relating to Licensed Products in the Territory outside of the United States and the Major Commercial Markets, if there are any such efforts to report.

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6.9. Publications and Presentations. Nektar acknowledges that scientific publications relating to Compounds, Licensed Products and Reserved Products must be properly monitored to prevent any material adverse effect from premature publication of results of the research and development activities with respect to any of the foregoing. Accordingly, Nektar shall and shall cause its Affiliates to comply with Section 6.9(a) with respect to any publication or other public presentation or disclosure to a Third Party of any Product Publication or Other Publication (each, a "**Publication**").

(a) Review Process. Prior to disclosing any Publication, Nektar shall provide AstraZeneca with a written copy of the proposed Publication at least [***] prior to the scheduled date of publication, presentation, submission, or disclosure (unless the material is an abstract, scientific poster or presentation, in which case Nektar shall provide AstraZeneca with a written copy of the proposed Publication at least [***] prior to the scheduled date of publication, presentation, submission, or disclosure). Nektar shall not publish or otherwise publicly disclose the proposed Product Publication prior to consideration thereof by AstraZeneca, which consideration must be conducted by AstraZeneca [***] receipt by AstraZeneca, and Nektar shall consider in good faith any comments offered with respect thereto by AstraZeneca, including with respect to any proposed deletions of Confidential Information of AstraZeneca, Restricted Information, or patentable Information. With respect to any such Product Publication, the Parties shall endeavor to come to agreement on the content of such Product Publications and if the Parties are unable to come to agreement on such content, then AstraZeneca shall have the right to (i) require that Nektar remove from such Publication Confidential Information of AstraZeneca or Restricted Information and (ii) approve the content of such Publication, provided that such approval shall not be unreasonably withheld and that in making such decision AstraZeneca shall reasonably consider Nektar's comments and AstraZeneca's Publication policies, as such policies are modified from time to time by AstraZeneca. With respect to Other Publications, Nektar shall [***] any comments offered with respect thereto provided by AstraZeneca [***] of its receipt of the proposed Other Publication, including with respect to any proposed deletions of Confidential Information of AstraZeneca, Restricted Information, or patentable Information. Following such [***] of AstraZeneca's comments, Nektar may publish any Other Publications. The Parties acknowledge that as of the Execution Date, Nektar is planning to disclose or otherwise publish the Publications identified on Exhibit G (the "**Existing Publications**"). Notwithstanding the general procedures set forth in this Section 6.9(a), but subject to the right of AstraZeneca to require that Nektar remove from the applicable Publication Confidential Information of AstraZeneca or Restricted Information, AstraZeneca agrees that, following advance disclosure to AstraZeneca of such Publications as set forth in this Section 6.9(a) and good faith consideration of AstraZeneca's comments thereto, Nektar may publish the [***]. Nothing in the foregoing shall prevent, or be interpreted to prevent, Nektar from making such public disclosures as are required by Applicable Law or the requirements of any stock exchange on which Nektar's securities are listed.

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(b) AZ Publication Policy. Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement shall preclude AstraZeneca or any of its Affiliates from complying with AstraZeneca's publication policies with respect to the development and other activities contemplated by this Agreement, as such policies are modified from time to time by AstraZeneca in any respect or manner, provided that the foregoing shall not permit AstraZeneca to disclose any confidential [***] without Nektar's written consent.

6.10. Information Disclosure; Assistance.

(a) Nektar shall, and shall cause its Affiliates to, without additional compensation, disclose and make available to AstraZeneca, in whatever form AstraZeneca may reasonably request (provided that [***] any Information from its current form to any such requested form), Regulatory Documentation and all Licensed Know-How and Joint Know-How relating directly to or reasonably needed for AstraZeneca to develop or otherwise Exploit the Licensed Products that AstraZeneca is, at the applicable time, intending to Exploit (which, as of the Effective Date, include the Existing Product and an Opioid Combination Product), immediately after the Effective Date to the extent covering existing Information and not disclosed to AstraZeneca already (but excluding manufacturing-related Information covered by Section 8.2), and thereafter promptly upon the earlier of the development, making, conception or reduction to practice of each such Regulatory Documentation, Licensed Know-How or Joint Know-How; provided, however, that the foregoing shall not be construed to relieve AstraZeneca from any payment obligation under this Agreement or the Manufacturing and Technology Transfer Agreement, which the Parties agree will provide that AstraZeneca shall bear certain technology transfer costs incurred by Nektar thereunder.

(b) Except as set forth in Section 8.2 with respect to all activities under the Manufacture and Technology Transfer Agreement, Nektar, without additional compensation, shall provide AstraZeneca with reasonable assistance to the extent required in order to transfer the Licensed Know-How to AstraZeneca in a timely manner as needed for AstraZeneca to Exploit the Existing Product and at least one Opioid Combination Product. Without prejudice to the generality of the foregoing, if [***] are reasonably required by AstraZeneca for purposes of transferring such Licensed Know-How to AstraZeneca or for purposes of AstraZeneca acquiring expertise on the practical application of the Licensed Know-How or assisting on issues arising during such Exploitation (and other than the transfer contemplated under the MTTA), Nektar shall [***] appropriate representatives to AstraZeneca's facilities, [***]. The Parties contemplate that the Manufacturing and Technology Transfer Agreement shall include more detailed provisions regarding technology transfer related to the Manufacture of the Existing Product, which provisions shall be without limitation of the general obligation set forth in this Section 6.10(b).

(c) Nektar shall maintain, or cause to be maintained, accurate records of its development and other activities directly related to Compounds, Licensed Products and Reversion Products under this Agreement and any Ancillary Agreement in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which shall be complete and accurate and shall fully and properly reflect all work done and results achieved in the performance of its activities hereunder, which shall record only such activities and shall not include or be commingled with records of activities outside the scope of this Agreement, and which shall be retained by Nektar for [***] after the termination of this Agreement, or for such longer period as may be required by Applicable Law. AstraZeneca shall have the right, during normal business hours and upon reasonable notice, to inspect and copy any such records.

(d) AstraZeneca shall maintain, and shall cause its Affiliates and Sublicensees to maintain, accurate records of all development activities under this Agreement and any Ancillary Agreement directly related to development of Licensed Products in such detail as typically recorded by AstraZeneca for its own similar products, and which shall be retained by AstraZeneca for at least [***] the termination of this Agreement, or for such longer period as may be required by Applicable Law.

7. Consideration

7.1. Milestone Payments. In partial consideration of the licenses and other rights granted by Nektar to AstraZeneca under this Agreement, AstraZeneca shall pay Nektar in readily available funds the following payments following achievement of the applicable milestone events by AstraZeneca or its Affiliate or Included Sublicensee (which payments are non-creditable and non-refundable):

(a) a payment of One Hundred Twenty-Five Million U.S. Dollars ($125,000,000) within [***] following the Effective Date, [***] of which the Parties acknowledge and agree is reimbursement of Nektar's past research and development expenses with respect to the Licensed Products (but, for clarity, which expenses are not reimbursable unless and until such payment becomes due under this Agreement following the Effective Date);

(b) with respect to the Stand-Alone Products containing NKTR-118 (which, for clarity, include the Packaged 118 Opioid Product, but not Opioid Combination Products, which are addressed in Section 7.1(c)):

(i) a payment of [***] (subject to Section 7.10(a)) within [***];

(ii) a payment of [***] (subject to Section 7.10(a)) within [***];

(iii) a payment of [***];

(iv) a payment of [***];

(v) a payment of [***];

(vi) a payment of [***];

(vii) a payment of [***];

(viii) a payment of [***];

(ix) a payment of [***];

No payment in this Section 7.1(b) shall be made more than once irrespective of the number of Stand-Alone Products that have achieved the milestone events set forth in this Section 7.1(b), or the number of countries in which such milestone events have been achieved.

(c) with respect to [***] to achieve the following events:

(i) a payment of [***];

(ii) a payment of [***];

(iii) a payment of [***];

(iv) a payment of [***];

(v) a payment of [***];

(vi) a payment of [***]; and

(vii) a payment of [***].

It is expressly understood that the milestone payments set forth in this subsection (c) above shall be made with respect to [***] to meet any of the trigger events in this subsection, but no payment in this Section 7.1(c) will be made more than [***] irrespective of the number of [***] that have achieved the milestone events set forth in this Section 7.1 after such [***] of any particular milestone event, or the number of countries in which such milestone events have been achieved.

(d) Adjustment of Sales Milestone Payments. With respect to any milestone event in Sections 7.1(b)(v)-(ix) achieved by [***] containing [***] (which for clarity include [***]), or a milestone event in Sections 7.1(c)(iii)-(vii) achieved by an [***], if during the Calendar Year in which such milestone event was achieved there were [***] selling the applicable Licensed Product(s) that achieved such milestone event, then the milestone payment payable for such milestone event shall be reduced by an amount equal to [***].

7.2. Royalties. In addition to the foregoing payments, AstraZeneca shall pay Nektar the royalties set forth below.

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(a) [***]. Subject to Section 7.7, AstraZeneca shall pay Nektar the following royalties with respect to all [***] containing [***] (which for clarity include the [***] (but subject to applicable adjustments as provided in Section 7.3)):

(i) on the Net Sales of [***] containing [***] in the [***] (but excluding the Net Sales of such product by an [***]) as follows:

(A) [***] of Net Sales for that portion of aggregate Net Sales of such [***] in the [***] during a Calendar Year that are [***];

(B) [***] of Net Sales for that portion of aggregate Net Sales of such [***] in the [***] during a Calendar Year that equal or exceed [***];

(C) [***] of Net Sales for that portion of aggregate Net Sales of such [***] in the [***] during a Calendar Year that equal or exceed [***];

(D) [***] of Net Sales for that portion of aggregate Net Sales of such [***] in the [***] during a Calendar Year that equal or exceed [***]; and

(E) [***] of Net Sales for that portion of aggregate Net Sales of such [***] in the [***] during a Calendar Year that equal or exceed [***];

(ii) on the Net Sales of all [***] containing [***] in the [***] (but excluding the Net Sales of such product by an [***]) as follows:

(A) [***] of Net Sales for that portion of aggregate Net Sales of such [***] in the [***] during a Calendar Year that are less than [***];

(B) [***] of Net Sales for that portion of aggregate Net Sales of such [***] in the [***] during a Calendar Year that [***] are less than [***];

(C) [***] of Net Sales for that portion of aggregate Net Sales of such [***] in the [***] during a Calendar Year that [***] but are less than [***];

(D) [***] of Net Sales for that portion of aggregate Net Sales of such [***] in the [***] during a Calendar Year that [***] but are less than [***]; and

(E) [***] of Net Sales for that portion of aggregate Net Sales of such [***] in the [***] during a Calendar Year that equal or exceed [***].

(b) [***] Products. Subject to Sections 7.3 and 7.7, AstraZeneca shall pay Nektar the following royalties with respect to each [***] Product:

(i) on the Net Sales of each [***] Product in the United States (but excluding the Net Sales of such product by an [***]) as follows:

(A) [***] of Net Sales for that portion of aggregate Net Sales of such [***] Product in the United States during a Calendar Year that are less than [***];

(B) [***] of Net Sales for that portion of aggregate Net Sales of such [***] Product in the United States during a Calendar Year that [***] but are less than [***];

(C) [***] of Net Sales for that portion of aggregate Net Sales of such [***] Product in the United States during a Calendar Year that equal or exceed [***] but are less than [***];

(D) [***] of Net Sales for that portion of aggregate Net Sales of such [***] Product in the United States during a Calendar Year that equal or exceed [***] but are less than [***];

(E) [***] of Net Sales for that portion of aggregate Net Sales of such [***] Product in the United States during a Calendar Year that equal or exceed [***];

(ii) on the Net Sales of each [***] Product in the [***] (but excluding the Net Sales of such product by an Excluded Sublicensee) as follows:

(A) [***] of Net Sales for that portion of aggregate Net Sales of such [***] Product in the [***] during a Calendar Year that are less than [***];

(B) [***]of Net Sales for that portion of aggregate Net Sales of such [***] Product in the [***] during a Calendar Year that equal or exceed [***] but are less than [***];

(C) [***] of Net Sales for that portion of aggregate Net Sales of such [***] Product in the [***] during a Calendar Year that equal or exceed [***] but are less than [***];

(D) [***] of Net Sales for that portion of aggregate Net Sales of such [***] Product in the [***] during a Calendar Year that equal or exceed [***] but are less than [***]; and

(E) [***] of Net Sales for that portion of aggregate Net Sales of such [***] Product in the [***] during a Calendar Year that [***].

The calculation of royalties under this Section 7.2 shall be [***].

7.3. [***]. With respect to [***] Products and [***] Products (in each case, an "[***]"), the Net Sales based on sales of any such [***] Product in a given country or territory to be used for purposes of determining whether the sales milestones in Section 7.1(c) (in the case of [***] Products) or 7.1(b) (in the case of [***] Products) are achieved, and for purposes of calculation of the royalties owed on such sales under Section 7.2(b) (in the case of [***]) or 7.2(a) (in the case of [***] Products) (including determining the applicable thresholds and ceilings and any applicable step-down or adjustment), shall be determined as follows [***].

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The [***] for the [***] containing [***] and for each other active ingredient (i.e., the [***] or [***] other than [***]) shall be for a quantity comparable to that used in such [***]and of the [***], during the same time period and in the applicable country. If, in a specific country for a particular [***] Product, the specific information required to perform the foregoing calculation applicable to such [***] Product is not available, then the Parties shall negotiate in good faith and agree on a method of determining the [***] of the [***] Product in a manner that replicates as nearly as possible to the [***] as described above. As used herein, and "[***]" means a [***] (and not, for example, an [***], ingredient to increase [***]).

7.4. Consideration for [***] Products. If AstraZeneca (or its Affiliate or Sublicensees) elects to clinically develop and (if successful) commercialize a [***] Product that is not an [***] Product (an "[***]"), [***].

7.5. [***]. The milestones and royalties in Sections 7.1, 7.2 and 7.3 shall not apply to development and commercialization of Licensed Products [***]. In the event that AstraZeneca (or its Affiliate or Sublicensee) develops a Licensed Product intended for commercial [***], the Parties shall negotiate reasonably and in good faith and agree in writing on commercially reasonable milestones and royalties applicable to the development and sale of such Licensed Product, which shall reflect the [***] of such Licensed Product for the intended use based on [***] in the [***] for similar [***], as applicable, and taking into account the [***] and [***] payments due by AstraZeneca hereunder. AstraZeneca covenants that it and its Affiliates and Sublicensees shall not conduct [***] on or [***] any Licensed Product for any [***] unless and until the Parties have agreed in writing on the [***], including [***] and [***], if mutually agreed, to be paid by AstraZeneca for such [***] and [***]. If the Parties are unable to agree on the [***] that AstraZeneca will make with respect to a Licensed Product for any [***], then such dispute shall be resolved pursuant to Section 19.4.

7.6. Sublicensees.

(a) Election. In the event AstraZeneca or any of its Affiliates grants a sublicense to a Sublicensee, AstraZeneca shall elect, by written notice to Nektar prior to the date that any payment would first be due to Nektar by AstraZeneca under any term of this Agreement based upon such grant of sublicense or the actions of the Sublicensee, whether AstraZeneca shall compensate Nektar with respect to such Sublicensee's activities either as described in Section 7.6(b), or in Section 7.6(c). If AstraZeneca elects the compensation model described in Section 7.6(b) with respect to a Sublicensee, such Sublicensee shall constitute an "[***]". If AstraZeneca elects the compensation model described in Section 7.6(c) with respect to a Sublicensee, such Sublicensee shall constitute an "[***]". For clarity, once AstraZeneca has elected a method of compensating Nektar with respect to a Sublicensee's activities, AstraZeneca may not thereafter alter such election.

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(b) [***]. For all [***] elected by AstraZeneca pursuant to Section 7.6(a), the applicable milestone payments shall be made under Sections 7.1(b) and (c) for milestone events therein achieved by such [***], and all the Net Sales of such [***] shall be included for purposes of calculating the sales milestones set forth in Section 7.1 and of royalties under Section 7.2 (including in determining thresholds and ceilings in the royalty tiers). AstraZeneca shall not owe Nektar any [***] or [***] made by the [***] to AstraZeneca (or its Affiliate).

(c) Sharing of Sublicense Income. For all [***] elected by AstraZeneca pursuant to Section 7.6(a), no milestone payments shall be made under Sections 7.1(b) and (c) based on the activities of any such [***] (but provided that for clarity each such milestone event shall be deemed "achieved" upon completion or achievement of the applicable event by AstraZeneca or its Affiliate or [***] even if an [***] had previously achieved such event), and all the Net Sales of such [***] shall be excluded from the calculation of royalties owed under Section 7.2; provided, however, the Net Sales of all [***] shall be included for purposes of calculating the total Annual Net Sales for determining if sales milestones set forth in Section 7.1 have been achieved and for determining thresholds and ceilings in the royalty tiers used in calculating the royalties under Section 7.2. AstraZeneca shall pay to Nektar [***] of any [***] received by AstraZeneca or any Affiliate from an [***], such payments to be made [***]. "[***]" means, with respect to the applicable [***].

7.7. Reduction of Royalty.

(a) Generic Competition. If, with respect to a Licensed Product being sold in a country in a particular Calendar Quarter, any Generic Product of such Licensed Product is sold by any Third Party in such country in such Calendar Quarter, then for the purposes of determining the royalties due based on the sale of such Licensed Product under Sections 7.2, 7.4, 7.5 and 7.10(b) (as adjusted by the other provisions of this Section 7.7) in such country during such Calendar Quarter, the royalty owed by AstraZeneca on sales of such Licensed Products in such country in such Calendar Quarter shall be [***].

(b) Compulsory Licenses. In the event that a court or a governmental agency of competent jurisdiction requires AstraZeneca or an AstraZeneca Affiliate or Sublicensee to grant a compulsory license to a Third Party permitting such Third Party to make or sell a Licensed Product in a country in the Territory, then for the purposes of calculating the royalties due under Sections 7.2, 7.4, 7.5 and 7.10(b), with respect to such Licensed Product in such country (but solely for so long as such compulsory license is in effect and products are being sold under the license in such country), the royalty rate on Net Sales shall be [***].

(c) No Valid Claim. In the event that, at the time a Licensed Product is sold in a country, there is no Valid Claim in such country with respect to such Licensed Product, then for the purposes of calculating the royalties owed based on the sale of such Licensed Product under Sections 7.2, 7.4, 7.5 and 7.10(b) at that time, the royalties that would otherwise be owed and payable under such Sections based on such sale shall be [***]. The calculation of the royalty reduction under this Section 7.7(c) shall be conducted separately for each Licensed Product.

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(d) [***] Reduction. Any reductions set forth in this Section 7.7 and in Section 7.8 shall be applied to the royalty rate payable to Nektar under Section 7.2 and the milestones in Section 7.1 that are based on Annual Net Sales in the [***].

7.8. Royalty Stacking. If, during the Term, AstraZeneca enters into an agreement with a Third Party under which it obtains a license under a patent right of a Third Party in a particular country in the Territory that [***], then, upon entry into any such agreement and thereafter during the remainder of the period during which AstraZeneca owes royalties to such Third Party under such agreement and to Nektar under this Agreement based upon sales of any [***] Product containing [***] or any [***] Product containing [***] in such country, the royalty amounts payable under Section 7.2 hereof based on sales of any [***] Product containing [***] or [***] Product in the country shall be [***].

7.9. Royalty Term. AstraZeneca's obligation to pay royalties shall commence, on a country-by-country basis, with respect to each separate Licensed Product, on the date of First Commercial Sale of such Licensed Product in such country. The obligation shall expire, on a country-by-country basis, with respect to each separate Licensed Product:

(a) in the case of any country in the [***], on the [***] (i) [***] of the First Commercial Sale of such Licensed Product in the European Union and (ii) the expiration date in such country of the last to expire of any issued Licensed Patent that includes at least [***] covering the sale or use of such separate Licensed Product in such country; or

(b) in the case of any country not in the [***], the [***] (i) [***] of the First Commercial Sale of such Licensed Product in such country and (ii) the expiration date in such country of the last to expire of any issued Licensed Patent that includes at least [***] covering the sale or use of such separate Licensed Product in such country.

7.10. Certain Additional [***].

(a) [***].

(b) Consideration for Compounds Other than [***]. If AstraZeneca (or its Affiliate or Sublicensees) elects to develop and (if successful) commercialize a Stand-Alone Product containing a Compound other than [***] (and such compound is viewed as a new chemical entity by the FDA) (a "[***] **Compound**"), then AstraZeneca shall give Nektar written notice of such election, describing the [***] Compound covered by such election. After any such notice, the Parties then shall [***]. AstraZeneca covenants that it and its Affiliates and Sublicensees shall not [***], subject to the terms of this Agreement and such commercial payments.

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7.11. Sales Subject to Royalties. Sales of Licensed Products between [***] shall not be subject to royalties hereunder (except as otherwise provided in Section 7.6(c)), provided that royalties shall be calculated on AstraZeneca's [***] sale of the Licensed Products to a Third Party (including [***]). Royalties shall be payable only once for any given quantity of Licensed Products. For purposes of determining Net Sales, the Licensed Product shall be deemed to be sold when invoiced and a "sale" shall not include, and no royalties shall be payable on, transfers by AstraZeneca, its Affiliates or Sublicensees of free samples of Licensed Products or of clinical trial materials containing Compound that are transferred without charge or at a price that does not result in a profit to the transferring party, or transfers of Licensed Products to patients under AstraZeneca's Patient Assistance Program or compassionate use program in the US or any similar programs in other countries, or other transfers or dispositions without charge or at a price that does not result in a profit to the transferring party for charitable, promotional, pre-clinical, clinical, manufacturing, testing or qualification, regulatory or governmental purposes.

7.12. Royalty Payments. The royalties shall be [***] respectively, for the [***]. AstraZeneca shall pay the royalties in conjunction with the delivery of a written report to Nektar within [***] after the end of [***] that shows, with respect to each country and each Licensed Product, [***].

7.13. [***]. If AstraZeneca's (or its Affiliates' or Sublicensees') [***] for the sale or distribution of the Licensed Products [***], the Parties agree to negotiate in good faith and agree on [***] obligations for those obligations hereunder which are based on the [***], which [***] obligations shall be designed to provide Nektar [***] to the [***] that would have been paid to Nektar hereunder if the calculation of Net Sales were [***].

7.14. Records Retention; Audit.

(a) Until [***], AstraZeneca and its Affiliates shall keep or cause to be kept accurate records or books of account in accordance with applicable generally accepted accounting principles showing all information and data that is necessary for the accurate determination of the royalties and other payments due hereunder with respect to the sale or other Exploitation of Licensed Product.

(b) Upon the written request of Nektar, AstraZeneca shall permit a qualified accountant or a person possessing similar professional status and associated with an independent accounting firm of nationally recognized standing selected by Nektar and reasonably acceptable to AstraZeneca to inspect during regular business hours and [***], all or any part of AstraZeneca's and its Affiliates' records and books necessary to check the accuracy of the royalties and other amounts paid under this Agreement. The accounting firm shall enter into an appropriate agreement with AstraZeneca to treat all information it receives during its inspection in confidence. The accounting firm shall disclose to Nektar and AstraZeneca only whether the royalty reports and other payment amounts made are correct and details concerning any discrepancies, but no other information shall be disclosed to Nektar. The charges of the accounting firm shall be paid by Nektar, except that if the royalties or other payments have been [***], the charges shall be paid by AstraZeneca. If Nektar does not exercise its right under this Section 7.14(b) with respect to [***] within the time period allotted therefor, it shall constitute a waiver by Nektar of its right to later object to any payments made by AstraZeneca under this Agreement [***].

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7.15. Mode of Payment. [***].

7.16. Currency. All payments required under this Article 7 shall be made in U.S. Dollars. For the purpose of computing the Net Sales of Licensed Products sold in a currency other than U.S. Dollars, such currency shall be converted from local currency to U.S. Dollars by AstraZeneca in accordance with the rates of exchange for the relevant month for converting such other currency into U.S. Dollars used by AstraZeneca's actual internal accounting systems that are independently audited on an annual basis and are consistently applied to its products.

7.17. Taxes.

(a) General. The royalties, milestones and other amounts payable by AstraZeneca to Nektar pursuant to this Agreement ("**Payments**") shall not be reduced on account of any taxes unless required by Applicable Law. Nektar alone shall be responsible for paying any and all taxes (other than withholding taxes required by Applicable Law to be paid by AstraZeneca) levied on account of, or measured in whole or in part by reference to, any Payments it receives. AstraZeneca shall deduct or withhold from the Payments any taxes that it is required by Applicable Law to deduct or withhold. Notwithstanding the foregoing, if Nektar is entitled under any applicable tax treaty to a reduction of rate of, or the elimination of, applicable withholding tax, it may deliver to AstraZeneca or the appropriate governmental authority (with the assistance of AstraZeneca to the extent that this is reasonably required and is expressly requested in writing) the prescribed forms necessary to reduce the applicable rate of withholding or to relieve AstraZeneca of its obligation to withhold tax, and AstraZeneca shall apply the reduced rate of withholding, or dispense with withholding, as the case may be, provided that AstraZeneca has received evidence, in a form reasonably satisfactory to AstraZeneca, of Nektar's delivery of all required forms (and, if necessary, its receipt of appropriate governmental authorization) at least [***] prior to the time that the Payments are due. Further, if Nektar is entitled under any applicable tax treaty to a reduction of rate of, or the elimination of, applicable withholding tax, but Nektar has not been (or believes it will not be) able to deliver to AstraZeneca (or the appropriate governmental authority) the prescribed forms as provided above, with respect to a particular Payment owed under this Agreement, by the above-required time prior to the date the Payment is due, then Nektar may by written notice to AstraZeneca delay such due date until a specified later time (so as to enable Nektar to submit on a timely basis such prescribed forms and thus be able to benefit from the protections from withholding afforded by such tax treaty), and in such case AstraZeneca shall not make such Payment until the later date as specified by Nektar in writing and shall cooperate reasonably with Nektar's efforts to submit the prescribed forms and benefit from the tax treaty (with the understanding that AstraZeneca shall pay such Payment amount on such specified later date). If, in accordance with the foregoing, AstraZeneca withholds any amount, it shall pay to Nektar the balance when due, make timely payment to the proper taxing authority of the withheld amount, and send to Nektar proof of such payment [***] following that payment, and shall cooperate reasonably with Nektar's efforts to obtain the benefit of any tax credits with respect to such withholding. For purposes of this Agreement, the stated amount of the Payments payable by AstraZeneca shall include any sales tax that Nektar may be required to collect.

(b) Indirect Taxes. Nothing in Section 7.17(a) shall apply with respect to Indirect Taxes. If any Indirect Taxes are chargeable in respect of any Payments, AstraZeneca shall pay such Indirect Taxes at the applicable rate in respect of any such Payments following the receipt, where applicable, of an Indirect Taxes invoice in the appropriate form issued by Nektar in respect of those Payments, such Indirect Taxes to be payable on the due date of the payment of the Payments to which such Indirect Taxes relate.

7.18. Imports. For the avoidance of doubt, the Parties acknowledge and agree that none of the milestones or royalties payable under this Agreement are related to the license (or right) to import or any import of Licensed Products. The receiving Party shall be responsible for any import clearance, including payment of any import duties and similar charges, in connection with any Licensed Products transferred to such Party under this Agreement.

7.19. Interest. If a Party does not receive payment of any sum due to it hereunder on or before the due date therefor, [***] shall thereafter accrue on the sum due to such Party until the date of payment at a [***] of [***], or the [***]. This Section 7.19 shall not apply to any payment by AstraZeneca that is made after the due date therefor based on a request from Nektar to defer such payment pursuant to Section 7.17(a).

8. Manufacturing and Supply

8.1. Clinical Supplies.

(a) Ordering. Subject to the terms and conditions of this Agreement, until the Manufacture and Technology Transfer Agreement is entered into by the Parties, promptly upon request of AstraZeneca, Nektar shall use commercially reasonable efforts to supply to AstraZeneca, in accordance with Applicable Law in the United States or any other jurisdictions in which the applicable supplies are Manufactured by or on behalf of Nektar ("**Manufacturing Law**"), clinical supplies of the Existing Products and placebos (if applicable), in such form and in such quantities as may be required for any clinical studies to be conducted by AstraZeneca hereunder. Such supply shall be pursuant to [***], consistent with industry standards. If AstraZeneca orders any clinical supplies hereunder, the price for such supplies shall be equal to [***]. Upon the execution of the MTTA, the Parties agree that the price charged to AstraZeneca under this Agreement shall be [***] had such clinical supplies been purchased under the MTTA at the price set forth therein. Within [***] of the execution of the MTTA, Nektar shall issue AstraZeneca an invoice for the amount of underpayment or refund for the amount of overpayment, as applicable.

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(b) Product Warranty. At the time of delivery to AstraZeneca by or on behalf of Nektar of all Existing Product ordered by AstraZeneca under subsection (a), (i) the Existing Product shall be in conformity with the applicable specifications therefor; (ii) the Existing Product shall have been Manufactured in compliance with cGMP, all Manufacturing Law, and the applicable terms of this Agreement; (iii) the Existing Product shall have been Manufactured in facilities that are in compliance with all Manufacturing Law at the time of such Manufacture (including applicable inspection requirements of the FDA and other Health Authorities); (iv) the Existing Product shall not be adulterated or misbranded under the FFDCA; and (v) Nektar shall have sufficient stability data to support the planned Phase III Clinical Trial as set forth in the IND for the Existing Product. AstraZeneca's [***] (except as provided in Section 14.2) shall be [***]. For clarity, the foregoing warranty does not cover or apply to any damage or harm to, or other non-conformity of, the Existing Product caused by improper handling, storage, transportation or use of the Existing Product after delivery to AstraZeneca by Nektar.

(c) Quality Agreement. Within [***] following the Execution Date, Nektar shall execute a reasonable quality agreement based substantially on AstraZeneca's then-current form, which shall govern the Parties' respective responsibilities with respect to quality-related matters applicable to clinical supplies of the Existing Product and placebos (if applicable).

8.2. Manufacture and Technology Transfer.

(a) Manufacturing Technology Transfer. Nektar shall, and shall cause its Affiliates to, disclose and make available to AstraZeneca, in accordance with the terms of a Manufacture and Technology Transfer Agreement to be agreed to by the Parties as provided in subsection (b) below, all Licensed Know-How and Joint Know-How relating directly to manufacture of NKTR-118, the Existing Product or an Opioid Combination Product that is necessary or reasonably useful to enable AstraZeneca or its designee to manufacture the Existing Product.

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(b) Negotiation. Within [***] following the Effective Date, AstraZeneca and Nektar shall negotiate the terms of a manufacturing agreement, pursuant to which (i) Nektar shall make available to AstraZeneca and its designee the Information described in Section 8.2(a), and (ii) without limitation of Section 8.1, Nektar shall be responsible for using [***] to Manufacture such non-commercial supplies of the Existing Product as AstraZeneca may reasonably require to conduct clinical trials of the Existing Product until the technology transfer described in subsection (a) is complete and AstraZeneca or its designee is able to commence Manufacture of the Existing Product (such agreement, the "**Manufacture and Technology Transfer Agreement**"). The Parties shall negotiate the Manufacture and Technology Transfer Agreement reasonably and in good faith and with such diligence, including by making available such personnel as are necessary to negotiate, as is required to execute and deliver such an agreement within [***] of the Effective Date, or such other period as the Parties may agree in writing. The Parties agree that the MTTA shall require the Parties to work together cooperatively to effect the contemplated manufacturing technology transfer as soon as practicable, with the understanding that such transfer should be able to be completed within [***]. If such Manufacture and Technology Transfer Agreement is not executed by the Parties within such period, either Party shall have the right to refer the resolution of any dispute with respect to such Manufacture and Technology Transfer Agreement to the Executives pursuant to Section 19.1. Any final decision mutually agreed to by the Executives shall be reflected in the final, agreed Manufacture and Technology Transfer Agreement. If the Executives are not able to agree on the resolution of any such issue within [***] after such issues was first referred to them or if, following an agreement in principle by the Executives, the Parties are not able to expeditiously, and in no event later than [***] after a decision is reached by the Executives, reflect such agreement in the final agreed Manufacture and Technology Transfer Agreement, either Party may, by written notice to the other, elect to initiate arbitration pursuant to Section 19.4 for purposes of having the matter settled.

(c) Certain Terms. The Manufacture and Technology Transfer Agreement shall provide that (i) AstraZeneca shall [***] in connection with the transfer of the manufacturing technology to AstraZeneca, (ii) the price at which AstraZeneca shall [***] under the Manufacture and Technology Transfer Agreement shall be equal to [***], and (iii) Nektar shall provide as part of such technology transfer or any supply of clinical supplies hereunder, all necessary product and batch related documentation to AstraZeneca to support clinical use of the Existing Product. The Parties anticipate and agree that the transfer of Manufacturing responsibility to AstraZeneca under the Manufacture and Technology Transfer Agreement shall take place as promptly as reasonably practicable and that the Parties shall cooperate and take all reasonable actions to facilitate such transfer, and that Nektar's obligation to Manufacture the Existing Product pursuant to Section 8.1 and Section 8.2 shall remain in place only until the completion of the technology transfer.

8.3. Right to Audit. Upon AstraZeneca's reasonable request, Nektar shall allow AstraZeneca or its authorized representatives to audit Nektar's premises and records (including those related to Nektar's subcontractors and suppliers, but solely to the extent Nektar has the right to compel such audit) that relate directly to the Manufacture of Existing Product supplied by Nektar under this Article 8, solely for purposes of verifying Nektar's performance of Health Authority requirements in the United States and the requirements in this Agreement with respect to such Manufacture. This audit may be made as a quality and compliance audit, an integrated supplier evaluation protocol (ISEP) audit, or an audit for cause. Any such audit shall be conducted pursuant to the confidentiality provisions of Article 11 and any other appropriate confidentiality agreement, during normal business hours and after reasonable prior written notice, and in compliance with reasonable restrictions and rules as required by Nektar for safety and confidentiality purposes and to avoid undue interference with Nektar's (and its applicable subcontractors' and suppliers') businesses.

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8.4. CMC Services. Upon AstraZeneca's reasonable request, Nektar shall use commercially reasonable efforts to provide any CMC services requested by AstraZeneca at Nektar's [***], to the extent Nektar has the required expertise and experience, and provided that the Parties shall reasonably cooperate to minimize interference with Nektar's other business commitments.

9. Ownership of Intellectual Property

9.1. Ownership of Technology.

(a) Ownership. Subject to Section 9.2 and the license grants to AstraZeneca under Article 4 and the license grant to Nektar under Section 9.1(b), as between the Parties, [***] all right, title and interest in and to any and all: (i) Information, Improvements and other inventions that are conceived, discovered, developed or otherwise made, as necessary to establish authorship, inventorship or ownership under applicable United States law, by or on behalf of [***] (or its Affiliates or its licensees (other than, in the case of Nektar, AstraZeneca or its Sublicensees) or Sublicensees) under or in connection with this Agreement, whether or not patented or patentable, and any and all Patent and Intellectual Property Rights with respect thereto, except to the extent that any such Information, Improvements or other inventions, or any Patent or Intellectual Property Rights with respect thereto, are Joint Know-How or Joint Patents, and (ii) other Information, Improvements or other inventions, and Patent and Intellectual Property Rights that are owned or otherwise Controlled (other than pursuant to the license grants set forth in Article 4) by [***], its Affiliates or its licensees (other than, in the case of Nektar, AstraZeneca or its Sublicensees) or Sublicensees.

(b) License Grant to Nektar. Subject to the terms and conditions of this Agreement, AstraZeneca hereby grants to Nektar [***] license throughout the world, [***] pursuant to Section 9.1(c), under AstraZeneca's and its Affiliates' right, title, and interest in and to Information made, created, discovered, developed, conceived or reduced to practice pursuant to work under this Agreement that comprise, claim or cover [***] disclosed or made known to AstraZeneca (or its Affiliate) in connection with this Agreement, and any Patents filed based on any such Information (collectively, the "[***]"), to use and practice such [***] for any purpose other than, until the expiration of the exclusivity of AstraZeneca's licenses granted under Section 4.1, the Exploitation of the Compounds, the Licensed Products and the Competing Products (but provided that the foregoing license excludes, for clarity, the right to use any Information generated by AstraZeneca (or its Affiliate) specifically relating to the Compounds, Licensed Products and Reserved Products, including any clinical data).

(c) [***]. Nektar shall have the right to [***], under the license granted in Section 9.1(b), to its [***] upon prior written notice to AstraZeneca. Nektar shall ensure that all [***] to which it [***] are bound by commercially reasonable confidentiality obligations consistent with the intent of clause (b) covering any confidential Information of AstraZeneca covered by such [***].

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9.2. Ownership of Licensed Patents and Licensed Know-How. Subject to the license grants to AstraZeneca under Article 4, as between the Parties, Nektar shall own and retain all right, title and interest in and to all Licensed Patents and Licensed Know-How.

9.3. Improvements, Excluded Patents and Excluded Know-How.

(a) Nektar shall without delay disclose to AstraZeneca any Improvements that become Controlled by Nektar or its Affiliates, during any period in which AstraZeneca owes royalties to Nektar pursuant to Section 7.9, and are necessary or reasonably useful for AstraZeneca to develop or otherwise Exploit the Compounds and Licensed Products that AstraZeneca is, at the applicable time, intending to Exploit (but excluding manufacturing-related Information covered by Section 8.2) and provide AstraZeneca with all relevant Information comprising such Improvements. AstraZeneca shall have the right, at any time, to reject any such Improvement on written notice to Nektar, in which event, this Agreement shall not apply to such Improvement.

(b) All Improvements disclosed by Nektar pursuant to Section 9.3(a) shall, for clarity, automatically be included within the licenses granted to AstraZeneca hereunder, subject to AstraZeneca's right to reject any such Improvement pursuant to Section 9.3(a), and any Information Controlled by Nektar or its Affiliates comprising such Improvements that is not covered or claimed by a Patent and which is not generally known shall be considered Licensed Know-How. For clarity, any Patents that are Controlled by Nektar or its Affiliates that cover such Improvements shall be considered Licensed Patents.

(c) If, after the Effective Date and subject to Section 17.1, Nektar (or its Affiliate) desires to [***] from a Third Party specific Patents or proprietary Information [***] to the extent relating to rights that could be [***] to AstraZeneca hereunder. If Nektar (or its Affiliate) [***] from such Third Party any [***] (absent a rejection as provided below), then Nektar shall [***].

9.4. Ownership of Joint Inventions, Joint Patents and Joint Know-How. Subject to the license grants to AstraZeneca under Article 4, the Parties shall each own an equal, undivided interest in any and all (a) Information that is conceived, discovered, developed or otherwise made, as necessary to establish authorship, inventorship or ownership under applicable United States law, jointly by or on behalf of Nektar (or its Affiliates), on the one hand, and AstraZeneca (or its Affiliates, its Distributors or its Sublicensees), on the other hand, in connection with the work conducted under or in connection with this Agreement, whether or not patented or patentable (the "[***]"), and (b) Patents (the "[***]") and Intellectual Property Rights with respect thereto. [***]. Notwithstanding the foregoing, subject to the [***] restrictions set forth in [***] and the [***], with respect to any [***] or [***] that comprise, claim or cover [***], Nektar shall have the right to [***] in such [***] and [***] without AstraZeneca's consent and without accounting to AstraZeneca.

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9.5. Assignments. Each Party shall obtain from each of its Affiliates, sublicensees, employees and agents, and from the employees and agents of its Affiliates, sublicensees and agents, who are or will be involved in the Manufacture of Licensed Products or are otherwise participating in the Exploitation of the Compounds or Licensed Products or who otherwise have access to any Restricted Information or other Confidential Information of the other Party, rights to any and all Information that relate to a Compound or Licensed Product, such that each Party shall, by virtue of this Agreement, receive from the other Party, without payments beyond those required by Article 7, the licenses and other rights granted to such Party by the other Party under the terms of this Agreement.

10. Adverse Event Reporting; Recall

10.1. Safety Agreement. On or within [***] following the Execution Date, the Parties shall enter into a safety agreement with respect to the Licensed Products based on AstraZeneca's then-current standard safety agreement governing the Parties' respective responsibilities with respect to Adverse Events, complaints and other safety-related matters (the "**Safety Agreement**").

10.2. Adverse Event Reporting. The rights and obligations of the Parties (and their Affiliates) with respect to safety and related reporting activities with respect to each Licensed Product shall be set forth in the Safety Agreement. AstraZeneca shall be responsible for Adverse Event reporting to applicable Health Authorities in the Territory. Nektar shall report and provide to AstraZeneca all Adverse Event information relating to the Licensed Products of which it becomes aware (a) [***] for any reports of Adverse Events that [***] or are [***] and (b) [***] for any reports of [***]. Nektar and AstraZeneca shall reasonably cooperate to ensure that Nektar's Adverse Event reporting processes will efficiently communicate such Adverse Event information in such manner, time, and format.

10.3. Complaints. Without limitation of Section 10.2, Nektar shall maintain a record of any and all complaints it receives with respect to the Licensed Products and shall notify AstraZeneca in reasonable detail of any complaint received by it [***] after receipt of such complaint by Nektar. For so long as Licensed Product is being manufactured by or on behalf of Nektar hereunder, AstraZeneca shall maintain a record of any and all complaints it or its Affiliates receives with respect to Licensed Products, and shall notify Nektar in reasonable detail or any complaint received by it or its Affiliates [***] or, following execution of the MTTA, within the [***] set forth therein or in a quality agreement entered into between the Parties pursuant to the MTTA.

10.4. Product Recall.

(a) Notification and Recall. In the event that any government agency or authority issues or requests a recall or takes similar action in connection with the Compounds or the Licensed Products, or in the event AstraZeneca determines that an event, incident or circumstance has occurred that may result in the need for a recall or market withdrawal with respect to the Compounds or the Licensed Products, AstraZeneca shall promptly advise Nektar thereof by telephone or facsimile. Following notification of any such issuance or request or similar action to AstraZeneca or such a determination by AstraZeneca, AstraZeneca shall decide and have control of whether to conduct such a recall or market withdrawal (except in the case of a government-mandated recall) in the Territory and the manner in which any such recall or market withdrawal shall be conducted.

(b) Recall Expenses. AstraZeneca shall [***] of any recall of a Licensed Product. Such expenses of recall shall include [***] of the recalled Licensed Product and any [***] for the recalled Licensed Product. However, to the extent that any such recall covers Licensed Products supplied by Nektar to AstraZeneca under this Agreement or the MTTA, then Nektar will be responsible for paying such costs of such recall to the extent that such recall is attributable to [***] or the [***] set forth in the [***] with respect to such Licensed Products.

11. Confidentiality and Non-Disclosure

11.1. Restricted Nektar Information. Nektar recognizes that by reason of, *inter alia*, AstraZeneca's status as an exclusive licensee pursuant to the grants under Section 4.1, AstraZeneca has an interest in Nektar's retention in confidence of Licensed Know-How and Joint Know-How that relates to the Compounds, the Licensed Products or the Reserved Products. Accordingly, until the expiration of the exclusivity of AstraZeneca's license rights with respect to a Licensed Product under Section 4.7, Nektar shall, and shall cause its Affiliates and their respective officers, directors, employees and agents to, keep completely confidential, and not publish or otherwise disclose, and not use for any purpose (except as expressly permitted under this Agreement) any such Licensed Know-How and Joint Know-How that comprises or relates to any Licensed Product, including the Compound included therein, and any Regulatory Documentation, including the Health Registration Approvals, with respect thereto (the "**Restricted Information**"); provided that the "**Restricted Information**" shall not include any Information to the extent (a) such Information is in the public domain through no fault of Nektar, its Affiliates or any of their respective officers, directors, employees or agents, (b) disclosure or use of the Information by Nektar would be expressly permitted under Section 11.3, or (c) disclosure or use of the Information by Nektar is otherwise expressly permitted by the terms of this Agreement, or (d) such Information is generally related to and useful in [***] business, including the discovery, research and/or development of compounds that are not [***]. For clarification, the disclosure by Nektar to AstraZeneca of Restricted Information shall not cause such information to cease to be subject to the provisions of this Section 11.1. In the event this Agreement is [***] by AstraZeneca pursuant to [***], or by Nektar pursuant to [***] (other than this final sentence) shall terminate and have no continuing force or effect and the [***] (other than the [***] included therein) shall thereafter be deemed solely to be Confidential Information of Nektar, for purposes of the surviving provisions of this Agreement. Nektar shall ensure that each of its and its Affiliates' employees is bound by a written confidentiality agreement that is at least as protective of the Restricted Information and the Confidential Information of AstraZeneca as the provisions set forth in this Article 11. AstraZeneca shall ensure that each of its and its Affiliates' employees who is involved in the performance of AstraZeneca's obligations or exercise of AstraZeneca's rights under this Agreement or any Ancillary Agreement is bound by a written confidentiality agreement that is at least as protective of the Restricted Information and the Confidential Information of Nektar as the provisions set forth in this Article 11.

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11.2. Confidentiality Generally. Subject to Section 11.1, at all times during the term of this Agreement and for a period of [***] following termination or expiration hereof, each Party (the "**Receiving Party**") shall, and shall cause its officers, directors, employees, agents, Affiliates and Sublicensees to, keep confidential and not publish or otherwise disclose and not use, directly or indirectly, for any purpose, any Confidential Information provided to it by the other Party (the "**Disclosing Party**"), except to the extent such disclosure or use is otherwise expressly permitted by the terms of this Agreement or is reasonably necessary for the performance of this Agreement. For the avoidance of doubt, the treatment of Confidential Information that is also Restricted Information is governed by the terms of Section 11.1 while the treatment of Confidential Information that is not also Restricted Information is governed by this Section 11.2.

11.3. Permitted Disclosures. Nektar may disclose Restricted Information and each Party may disclose Confidential Information of the other Party (other than Restricted Information) to the extent that such disclosure is:

(a) made in response to a valid order of a court of competent jurisdiction or other competent authority; provided, however, that the Receiving Party shall first have given notice to the Disclosing Party and given the Disclosing Party a reasonable opportunity to quash any such order or obtain a protective order requiring that the Confidential Information and documents that are the subject of such order be held in confidence by such court or authority or, if disclosed, be used only for the purpose for which the order was issued; and provided further that if such order is not quashed or a protective order is not obtained, the Confidential Information disclosed in response to such court or governmental order shall be limited to that information that is legally required to be disclosed in response to such court or governmental order;

(b) made by AstraZeneca or its Affiliates, Distributors or Sublicensees to a Health Authority as may be necessary or useful in connection with any filing, application or request for a Health Registration Approval; provided, however, that reasonable measures shall be taken to assure confidential treatment of such information, to the extent such protection is available;

(c) made by a Party to a patent authority as may be necessary or useful for purposes of obtaining or enforcing a Patent (consistent with the terms and conditions of Article 15); provided, however, that reasonable measures shall be taken to assure confidential treatment of such information, to the extent such protection is available;

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(d) otherwise required by law; provided, however, that if Nektar is required to disclose Restricted Information, or either Party is required to disclose Confidential Information of the other Party, the Party required to make the disclosure shall (i) provide to the other Party reasonable advance notice of and an opportunity to comment on any such required disclosure, (ii) if requested by the other Party, seek confidential treatment with respect to any such disclosure to the extent available, and (iii) use good faith efforts to incorporate the comments of the other Party in any such disclosure or request for confidential treatment; or

(e) made by AstraZeneca or its Affiliates, Distributors or Sublicensees to Third Parties as may be reasonably necessary in connection with the Exploitation of the Compounds or Licensed Products as contemplated by this Agreement, including subcontracting or sublicensing transactions in connection therewith.

11.4. Exclusions. Notwithstanding the foregoing, Confidential Information (but not Restricted Information) shall not include any information that:

(a) is or hereafter becomes part of the public domain by public use, publication, general knowledge or the like through no wrongful act, fault or negligence on the part of the Receiving Party;

(b) can be demonstrated by documentation or other competent proof to have been in the Receiving Party's or its Affiliates' possession prior to disclosure by the Disclosing Party;

(c) is subsequently received by the Receiving Party or its Affiliates from a Third Party or a Sublicensee who is not bound by any obligation of confidentiality with respect to said information;

(d) is generally made available to Third Parties by the Disclosing Party without restriction on disclosure; or

(e) is independently developed by or for the Receiving Party or its Affiliates without reference to the Disclosing Party's Confidential Information.

Specific aspects or details of Confidential Information or Restricted Information shall not be deemed to be within the public domain or in the possession of the Receiving Party merely because the Confidential Information or Restricted Information is embraced by more general information in the public domain or in the possession of the Receiving Party. Further, any combination of Confidential Information or Restricted Information shall not be considered in the public domain or in the possession of the Receiving Party merely because individual elements of such Confidential Information or Restricted Information are in the public domain or in the possession of the Receiving Party unless the combination and its principles are in the public domain or in the possession of the Receiving Party.

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11.5. Confidentiality of Terms of Agreement. The Parties both agree that the terms of the Agreement are the confidential information of each Party, and they each shall keep such terms confidential and not disclose the Agreement, except as otherwise provided herein. Notwithstanding the foregoing, the Parties acknowledge and agree that either Party may be required by Applicable Law or the requirements of a national securities exchange or another similar regulatory body to disclose this Agreement, or the terms hereof, in whole or in part, and in such case, such Party shall notify the other Party in writing and shall provide the other Party with at least [***] thereof prior to making such filing or disclosure. The disclosing Party shall use reasonable efforts to seek confidential treatment of any such proposed redactions timely made, to the extent consistent with law, and use reasonable efforts to procure confidential treatment of such proposed redactions pursuant to the Securities Act of 1933 or the Securities Exchange Act of 1934, in each case as amended, and the rules, regulations and guidelines promulgated thereunder, or any other applicable law or the rules, regulations or guidelines promulgated thereunder, but provided that the foregoing shall not prevent the Party from making such public disclosures as it, on advice of counsel, must make to comply with Applicable Law. Either Party may disclose the terms of this Agreement in confidence to (a) its directors, Affiliates and professional service providers and (b) [***] and their respective [***] who, in each case ((a) and (b)) are subject to [***] (or if applicable [***]), which restrictions shall, *inter alia*, in the case of the Persons described in clause (b), limit the permitted use of the terms of this Agreement solely to [***] and [***] of the [***] and for no other purpose.

11.6. Use of Name.

(a) Neither Party shall disclose or otherwise commercially use the name, insignia, symbol, trademark, trade name or logotype of the other Party or its Affiliates in any publication, press release, promotional material or other form of publicity without the prior written consent of the other Party (which shall not be unreasonably withheld or delayed), except for those disclosures for which consent has previously been obtained. The restrictions imposed by this Section 11.6(a) shall not prohibit either Party from making any disclosure identifying the other Party that is required by Applicable Law or the requirements of a national securities exchange or another similar regulatory body, provided that any such disclosure shall be governed by this Article 11. Further, the restrictions imposed on each Party under this Section 11.6 are not intended, and shall not be construed, to prohibit a Party from identifying the other Party in its internal business communications, provided that any Confidential Information in such communications remains subject to this Article 11.

(b) Notwithstanding the foregoing, AstraZeneca and its Affiliates and Sublicensees shall have the right to use in a reasonable manner the name of Nektar and its Affiliates to the extent that (i) AstraZeneca is required by Applicable Law to identify Nektar or its applicable Affiliate as having developed or Manufactured Licensed Products sold in the Territory or (ii) as reasonably requested by AstraZeneca in connection with its Exploitation of the Licensed Products, subject, in the case of clause (ii) to the consent of Nektar, not to be unreasonably withheld.

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11.7. Press Release. The Parties have agreed upon the content of a joint press release which shall be issued substantially in the form attached hereto as Exhibit D, the release of which the Parties will coordinate in order to accomplish the same promptly upon execution and delivery of this Agreement. Except to the extent already disclosed in a press release or other public communication, no public announcement concerning this Agreement, its subject matter or the transactions described herein shall be made, either directly or indirectly, by Nektar or AstraZeneca or their respective Affiliates, except as may be legally required by Applicable Laws, judicial order, or required by stock exchange or quotation system rule without first obtaining the approval of the other Party and agreement upon the nature, text and timing of such announcement, which approval and agreement shall not be unreasonably withheld or delayed. The Party desiring to make any such voluntary public announcement shall provide the other Party with a written copy of the proposed announcement in reasonably sufficient time prior to public release to allow such other Party to comment upon such announcement, prior to public release. In the case of press releases or other public communications legally required, or required by stock exchange or quotation system rule, to be made, the Party making such press release or public announcement shall provide to the other Party a copy of the proposed press release or public announcement in written or electronic form upon such advance notice as is practicable under the circumstances for the purpose of allowing the notified Party to review and comment upon such press release or public announcement. Under such circumstances, the releasing Party shall not be obligated to delay making any such press release or public communication beyond the time when the same is required to be made in order to facilitate review and comment by the receiving Party.

12. Trademarks

AstraZeneca shall have the sole right to select the Trademarks for the marketing and sale of the Licensed Products in the Territory, provided that no such Trademarks shall be [***] to, [***] or [***] with respect to or that [***] the [***] that are set forth in Exhibit H (as such Exhibit may be updated [***] from time to time). AstraZeneca shall own such Trademarks and all Intellectual Property Rights and other rights and goodwill with respect thereto. Nektar shall not, and shall not permit its Affiliates to, use any trademark that is the same as or confusingly similar to, misleading or deceptive with respect to or that dilutes the Trademarks. If requested by Nektar, AstraZeneca shall consult reasonably with Nektar if Nektar wishes AstraZeneca to include Nektar's corporate name or corporate trademark in connection with the marketing and sale of Licensed Products (which inclusion shall be in AstraZeneca's sole discretion) and, if applicable, the location and size of such corporate name or corporate trademark, which location and size to be agreed between the Parties. Nektar acknowledges that the inclusion of Nektar's corporate name or corporate trademark within marketing materials associated with Licensed Products may be limited or restricted by regulatory authorities, and AstraZeneca agrees that any such inclusion shall comply with all reasonable use guidelines and requirements of Nektar, as provided by Nektar to AstraZeneca from time to time.

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13. Representations, Warranties and Covenants

13.1. Representations, Warranties, and Covenants of Nektar. Nektar represents, warrants, and covenants to AstraZeneca as of the Execution Date as follows:

(a) Nektar or its Affiliate is the sole and exclusive owner of the entire right, title and interest in the Licensed Know-How that is specific to NKTR-118 and the Existing Product and the Licensed Product Patents, and is entitled to grant the licenses specified in Section 4.1. Such rights are not subject to any encumbrance, lien or claim of ownership by any Third Party that conflict with the exclusive licenses granted in Section 4.1(a). During the Term, Nektar and its Affiliates shall not encumber or diminish the rights granted to AstraZeneca under Section 4.1(a) or Section 4.1(c) with respect to the Licensed Patents (except as expressly permitted in Article 18).

(b) [***], the Licensed Product Patents are being [***] before the respective Patent Offices in accordance with Applicable Law. The Licensed Product Patents have been [***] properly and correctly and all [***] have been [***] the due date for [***].

(c) [***], there is no [***] or [***] of the Licensed Product Patents, or [***] of the Licensed Know-How that is specific to NKTR-118 or the Existing Product or of the Regulatory Documentation, ongoing by any Third Party.

(d) [***], AstraZeneca's Exploitation of the [***], or [***] in combination with a [***] (whether [***] or [***]), using the Regulatory Documentation, the Licensed Patents and Licensed Know-How as contemplated under this Agreement will not infringe any Patent or misappropriate any proprietary right of any Third Party (other than any such infringement that would arise from (i) the Exploitation of the applicable [***] or [***] in an [***] in the absence of [***], (ii) the [***] whereby such [***] or [***] is included in the [***] or (iii) the [***] of the [***]).

(e) [***], the Licensed Know-How that is specific to NKTR-118 or the Existing Product, and the Licensed Product Patents, in each case as of the Execution Date, are [***] and, [***], there are no Patents or other prior art that render such Patents [***], in whole or in part. [***], the creation of the Regulatory Documentation, and the conception, development and reduction to practice of Licensed Know-How that is specific to NKTR-118 or the Existing Product, and the Licensed Product Patents, in each case as of the Execution Date, have not constituted or involved the misappropriation of trade secrets of any Third Party.

(f) [***], there are no claims, judgments or settlements against Nektar or any of its Affiliates, or amounts owed by Nektar or any of its Affiliates with respect thereto, relating to the Regulatory Documentation, the Licensed Product Patents, or the Licensed Know-How. There is no pending claim or litigation brought by any Person alleging that (i) the Licensed Product Patents are invalid or unenforceable or (ii) the creation of the Regulatory Documentation, or the Exploitation of the Existing Product based upon the Regulatory Documentation, violates or infringes any Patent or other intellectual property right of any Third Party. [***] all past claims or litigation brought by any Person (and the [***]) alleging that (A) the [***] or the [***] are invalid or unenforceable or (B) the creation of the [***], or the [***] of the [***] based upon the [***], violates or infringes any Patent or other intellectual property right of any Third Party.

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(g) Nektar has not previously entered into any agreement under which it has encumbered its right, title or interest in or to, the Licensed Know-How that is specific to NKTR-118 or the Existing Product, Licensed Product Patents, or Regulatory Documentation, (including by granting any covenant not to sue with respect thereto) in a manner that [***] granted under Section 4.1 (as compared to the [***] under the terms of this Agreement in the absence of such agreement), and it will not enter into any such agreements or grant any such right, title or interest to any Person that will have the effect of limiting the scope or exclusivity of such license rights granted to AstraZeneca under Section 4.1 of this Agreement.

(h) In respect of the [***] included in the Licensed Product Patents, Nektar and its Affiliates have [***] of which it and the inventors [***]. In respect of any [***] (as of the Execution Date) [***] included in the Licensed Product Patents, Nektar and its Affiliates presented all [***] of which it and the inventors were [***] at the United States Patent and Trademark Office.

(i) [***], the Licensed Product Patents listed on Exhibit E represent all Patents within Nektar's or its Affiliates' ownership or Control that [***] to the Compounds and Licensed Products as of the Execution Date (with the understanding that certain claims in the Nektar Technology Patents cover certain Compounds or Licensed Products or aspects thereof [***]). [***], (x) there are no Patents owned or licensed by Nektar as of the Execution Date that claim or cover NKTR-118, the Existing Product or other Licensed Products (as contemplated as of the Execution Date) and are not within the Licensed Patents, and (y) there is no Information owned or licensed by Nektar as of the Execution Date that directly relates to NKTR-118, the Existing Product or other Licensed Products (as contemplated as of the Execution Date) and is not within the Licensed Know-How.

(j) [***], each of the Licensed Product Patents [***] thereof as determined in accordance with the laws of the jurisdiction in which such Licensed Patent is issued or such application is pending.

(k) [***], each Person who has or has had any rights in or to any Licensed Know-How owned by Nektar that is specific to NKTR-118, the Existing Product, or any Opioid Combination Product or to any Licensed Product Patents, [***] entire right, title and interest in and to such Licensed Product Patent and Licensed Know-How to Nektar or its Affiliates. With regard to any inventor of any Licensed Product Patent from whom Nektar does not have a [***] of his or her right, title and interest in and to such Licensed Product Patent as of the Execution Date in a form reasonably acceptable to AstraZeneca, Nektar shall secure such [***] in a form reasonable acceptable to AstraZeneca as promptly as practicable and shall make available to AstraZeneca any and all such [***].

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(l) [***], the Licensed Know-How that is specific to NKTR-118 or the Existing Product has been kept confidential or has been disclosed to Third Parties only under terms of confidentiality (except that certain general aspects of such Information may have been publicly disclosed by Nektar (for example, in securities filings or investor disclosures) in a manner that does not [***] of the Licensed Know-How or the [***] of the Licensed Products). [***], no breach of such confidentiality has been committed by any Third Party. For the avoidance of doubt, the [***] existing as of the Execution Date have not, other than to the extent they have been part of a patent application that is in the public domain or in a regulatory filing, been publicly disclosed to any Third Party.

(m) Nektar or its Affiliates have made available to AstraZeneca, [***], for review in due diligence (i) all clinical and pre-clinical data relating to the Licensed Products existing as of the [***] that is intended for use in applications for Health Registration Approval and any final reports with respect to such clinical and pre-clinical data in Nektar's or its Affiliates' possession, (ii) all Regulatory Documentation requested by AstraZeneca or, [***], that is material to the development of NKTR-118, the Existing Product or any Opioid Combination Products in the forms existing as of the [***], and (iii) other material Licensed Know-How relating directly to NKTR-118, the Existing Product or any Opioid Combination Products in the forms existing as of the [***]. [***], since the date on which Nektar [***], Nektar has not come into the possession of any of the foregoing categories of information that would be material to the development of NKTR-118, the Existing Product or any Opioid Combination Products in the forms existing as of the [***]. [***], all Regulatory Documentation and Licensed Know-How regarding or related to any existing Compound or the Existing Product disclosed by Nektar or its Affiliates to AstraZeneca under this Agreement is true and correct in all [***]. [***], Nektar and its Affiliates have prepared, maintained and retained all Regulatory Documentation that is required to be maintained or reported pursuant to and in accordance with good laboratory and clinical practice and Applicable Law and, [***], all Information therein is true and correct.

(n) [***], all adverse information with respect to the safety and efficacy of the Licensed Products known to Nektar or its Affiliates [***] has been disclosed by Nektar or its Affiliates to AstraZeneca through due diligence review.

(o) [***], Nektar and its Affiliates have conducted, and have caused their respective contractors and consultants to conduct, any and all preclinical and clinical studies related to the Compounds and Licensed Products in material accordance with good laboratory and clinical practice (but excluding from the foregoing any preclinical studies that need not comply (for regulatory purposes) with the foregoing requirements) and Applicable Law. [***], Nektar and its Affiliates have employed Persons with appropriate education, knowledge and experience to conduct and to oversee the conduct of any and all preclinical and clinical studies related to the Compounds and Licensed Products. Nektar is not aware of any Information that [***] could adversely affect the acceptance, or the subsequent approval, by any Heath Authority of any filing, application or request for Health Registration Approval for the Existing Product, other than Information disclosed to AstraZeneca in the due diligence review.

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(p) During the period from the Execution Date through the end of the Term of this Agreement, Nektar shall obtain from each of its Affiliates, sublicensees (other than Sublicensees), employees and agents, and from the employees and agents of its Affiliates, sublicensees (other than Sublicensees) and agents, who are or will be involved in the Manufacture of the Licensed Product or are otherwise participating in the Exploitation of the Compounds or Licensed Products or who otherwise have access to any Restricted Information or other Confidential Information of AstraZeneca, rights to any and all Information that relate to the Compound or Licensed Products and are generated pursuant to and during the time of such Person's relationship with Nektar or its Affiliate, such that AstraZeneca shall, by virtue of this Agreement, receive from Nektar, without payments beyond those required by this Agreement, the licenses and other rights granted to AstraZeneca hereunder (and such that the scope of such licenses and other rights are not limited in scope or exclusivity by a failure to so obtain such rights from such Persons).

(q) During the period from the [***] until the [***], Nektar and its Affiliates shall conduct its research and development with respect to the Licensed Products in the [***], including [***] with the FDA or [***] for the Existing Product prior to the Effective Date.

(r) In the event that any Patents or Information Controlled by Nektar or its Affiliates as of the [***] would be Licensed Patents or Licensed Know-How, as applicable, if such Patent or Know-How were Controlled by Nektar or its Affiliates as of the Effective Date, then Nektar agrees that during the period from the Execution Date until the Effective Date, it shall not and shall cause its Affiliates not to (i) incur, create, assume or permit the incurrence, creation or assumption of any encumbrance, lien or claim of ownership by any Third Party with respect to such Patents or Information, (ii) dispose of any of such Patents or Information, or (iii) waive, release, grant, license or transfer any right, title or interest in or to any such Patents or Information in any manner that would limit the scope of the Intellectual Property Rights included in, or the exclusivity of the license rights granted in Section 4.1.

(s) Promptly following the [***], and no later than [***] thereafter, Nektar shall inform AstraZeneca in writing if Nektar or any of its Affiliates becomes aware that the representations and warranties made by Nektar pursuant to Sections 13.1 and 13.2 as of the [***] are not true and correct in any material respects on and as of the [***] as though made on and as of the [***].

(t) [***], Exhibit B lists all Patents that, [***], meet the definition of "**Nektar Technology Patents**" as of the [***]; Nektar shall use reasonable efforts to update such Exhibit from time to time to reflect any additional Patents that are Controlled by Nektar (or its Affiliate) and that it becomes aware meet such definition.

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13.2. Mutual Representations, Warranties, and Covenants. Each Party represents and warrants to the other Party as of the Execution Date and as of the Effective Date that:

(a) it has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

(b) it has full legal power to extend the rights and licenses granted to the other under this Agreement;

(c) it has taken all necessary action on its part required to authorize the execution and delivery of this Agreement; and

(d) neither it nor its Affiliates has been debarred or is subject to debarment. Neither it nor its Affiliates will use in any capacity, in connection with the services to be performed under this Agreement, any Person who has been debarred pursuant to Section 306 of the FFDCA, or who is the subject of a conviction described in such section. If such Party is Nektar, neither Nektar nor its Affiliates has used in any capacity, in connection with the Exploitation of the Compounds or Licensed Products prior to the Effective Date, any Person who has been debarred pursuant to Section 306 of the FFDCA, or who was the subject of a conviction described in such section. Such Party agrees to inform the other Party in writing immediately if it or any Person who is performing services hereunder is debarred or is the subject of a conviction described in Section 306, or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to the best of such Party's or its Affiliates' knowledge, is threatened, relating to the debarment or conviction of such Party or any Person performing services hereunder.

13.3. DISCLAIMER OF WARRANTY. EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH IN SECTIONS 8.1(b), 13.1(a) THROUGH 13.1(t) and 13.2, NEITHER ASTRAZENECA NOR NEKTAR MAKES ANY REPRESENTATIONS OR GRANTS ANY WARRANTIES, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, AND EACH PARTY SPECIFICALLY DISCLAIMS ANY OTHER WARRANTIES, WHETHER WRITTEN OR ORAL, OR EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE OR ANY WARRANTY AS TO THE VALIDITY OF ANY PATENTS OR THE NON-INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES. NOTHING IN THIS SECTION 13.3 SHALL OPERATE TO LIMIT OR INVALIDATE ANY EXPRESS WARRANTY OR REPRESENTATION CONTAINED IN ANY ANCILLARY AGREEMENT.

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14. Indemnity

14.1. Indemnification of Nektar. In addition to any other remedy available to Nektar, AstraZeneca shall indemnify, defend and hold harmless Nektar, its Affiliates and its and their respective directors, officers and employees (each a **"Nektar Party"**) in full and on demand, from and against any and all Losses incurred by them to the extent resulting from or arising out of or in connection with any claims or allegations made or suits, actions or proceedings brought by a Sublicensee or Third Party (collectively, "**Third Party Claims**") against any Nektar Party that arise or result: (a) from any [***] on the part of AstraZeneca or any of its Affiliates, Sublicensees or Distributors in performing any activity contemplated by this Agreement or any Ancillary Agreement, or the [***] of any provision of this Agreement or any Ancillary Agreement by AstraZeneca; or (b) from the Exploitation of a Compound, Licensed Product or Reserved Product by or on behalf of AstraZeneca or any of its Affiliates, Sublicensees or Distributors, including any violation of Applicable Law in connection with such Exploitation and any Third Party Claims alleging that the claimant has [***] as a result of the use of the Licensed Products sold or distributed by or on behalf of AstraZeneca or any of its Affiliates, Sublicensees or Distributors, except, in each case ((a) or (b)), (i) for any Losses for which Nektar has an obligation to indemnify any AstraZeneca Party pursuant to Section 14.2, as to which Loss each Party shall indemnify the other to the extent of their respective liability for such Loss, (ii) to the extent such Losses arise or result from the [***] of a Nektar Party, or the [***] of any provision of this Agreement or any Ancillary Agreement by Nektar; and (iii) to the extent Nektar has an obligation to indemnify an AstraZeneca Party for any such Losses pursuant to an Ancillary Agreement (which agreement shall set forth the relationship between an indemnification obligation arising under this Agreement and any indemnification obligation under such agreement).

14.2. Indemnification of AstraZeneca. In addition to any other remedy available to AstraZeneca, Nektar shall indemnify, defend and hold harmless AstraZeneca, its Affiliates, Distributors, Sublicensees and its and their respective directors, officers and employees (each an **"AstraZeneca Party"**) in full and on demand, from and against any and all Losses incurred by them to the extent resulting from or arising out of or in connection with any Third Party Claims against any AstraZeneca Party that arise or result from:

(a) (i) any [***] on the part of Nektar or its Affiliates in performing any activity contemplated by this Agreement or any Ancillary Agreement, or the [***] of any provision of this Agreement or any Ancillary Agreement by Nektar; or (ii) the Exploitation of a Compound, Licensed Product or Reserved Product by or on behalf of Nektar or any of its Affiliates, which claim(s) is based on [***], in whole or in part, prior to the Effective Date, including any violation of Applicable Law in connection with such Exploitation and any Third Party Claims that allege that the claimant has suffered [***] as a result of the use of the Licensed Products distributed by or on behalf of Nektar or any of its Affiliates [***]; except, in each case ((i)) and (ii)), (A) for any Losses for which AstraZeneca has an obligation to indemnify any Nektar Party pursuant to Section 14.1, as to which Loss each Party shall indemnify the other to the extent of their respective liability for such Loss, (B) to the extent such Losses arise or result from the [***] of an AstraZeneca Party, or the breach of any provision of this Agreement or any Ancillary Agreement by AstraZeneca; and (C) to the extent AstraZeneca has an obligation to indemnify a Nektar Party for any such Losses pursuant to an Ancillary Agreement (which agreement shall set forth the relationship between an indemnification obligation arising under this Agreement and any indemnification obligation under such agreement).

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(b) (i) the Exploitation of any Compound and any product containing any Compound by or on behalf of Nektar or its Affiliates, licensees, or sublicensees (excluding such Exploitation by AstraZeneca, its Affiliates, Distributors, and Sublicensees as licensees and sublicensees of Nektar under this Agreement) (A) anywhere in the world following termination of this Agreement in its entirety or (B) in one or more countries following termination of this Agreement with respect to such country(ies), in each case ((A) and (B)) including claims that arise from any violation of Applicable Law in connection with such Exploitation or allege that the claimant has suffered [***] as a result of the use of the Licensed Products sold or distributed by or on behalf of Nektar or its Affiliates, licensees, or sublicensees (excluding such sale or distribution by AstraZeneca, its Affiliates, Distributors, and Sublicensees as licensees and sublicensees of Nektar hereunder) as contemplated in (A) or (B) above; (ii) the exercise by Nektar, its Affiliates, licensees, or sublicensees (excluding such exercise by AstraZeneca, its Affiliates, Distributors, and Sublicensees as licensees and sublicensees of Nektar hereunder) of rights under any license or right of reference granted by AstraZeneca to Nektar under this Agreement or following or in connection with termination of this Agreement in its entirety or with respect to one or more country(ies), including pursuant to the Transition Agreement; or (iii) the use by or on behalf of Nektar, its Affiliates, licensees, or sublicensees (excluding such use by AstraZeneca, its Affiliates, Distributors, and Sublicensees as licensees and sublicensees of Nektar hereunder) of the Regulatory Documentation, Health Registration Approvals, Trademarks or other Information transferred or made available by or on behalf of AstraZeneca or any of its Affiliates to Nektar following or in connection with termination of this Agreement in its entirety or with respect to one or more country(ies), including pursuant to the Transition Agreement.

14.3. Notice of Claim. An Indemnified Party shall give the Indemnifying Party prompt written notice of any Loss or discovery of fact upon which such Indemnified Party intends to base a request for indemnification under Section 14.1 or 14.2 (an "**Indemnification Claim Notice**"). In no event shall the Indemnifying Party be liable for any Loss that results from any delay in providing the Indemnification Claim Notice. Each Indemnification Claim Notice shall contain a description of the claim and the nature and amount of the Loss claimed (to the extent that the nature and amount of such Loss is known at such time). The Indemnified Party shall furnish promptly to the Indemnifying Party copies of all papers and official documents received in respect of any such Loss. For the avoidance of doubt, all indemnification claims in respect of a Party, its Affiliates or its or their respective directors, officers, employees and agents shall be made solely by such Party to this Agreement.

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14.4. Indemnification Procedures. The obligations of an Indemnifying Party under this Article 14 shall be governed by and contingent upon the following:

(a) Assumption of Defense. The Indemnifying Party shall have the option to assume the defense of any Third Party Claim by giving written notice to the Indemnified Party within [***] after the Indemnifying Party's receipt of an Indemnification Claim Notice. The assumption of the defense of a Third Party Claim by the Indemnifying Party shall not be construed as an acknowledgment that the Indemnifying Party is liable to indemnify any Indemnified Party in respect of the Third Party Claim, nor shall it constitute a waiver by the Indemnifying Party of any defenses it may assert against any Indemnified Party's claim for indemnification. If the Indemnifying Party does not assume the defense of a Third Party Claim, or fails to conduct such defense, then the Indemnified Party may control the defense of such Third Party Claim and shall have the rights under subsections (d) and (f) below, as well as any other applicable rights under this Agreement.

(b) Control of Defense. Upon the assumption of the defense of a Third Party Claim by the Indemnifying Party:

(i) the Indemnifying Party may appoint as lead counsel in the defense of the Third Party Claim any legal counsel selected by the Indemnifying Party, which shall be reasonably acceptable to the Indemnified Party, and

(ii) except as expressly provided in Section 14.4(c), the Indemnifying Party shall not be liable to the Indemnified Party for any legal expenses subsequently incurred by such Indemnified Party in connection with the analysis, defense or settlement of the Third Party Claim. In the event that it is ultimately determined that the Indemnifying Party is not obligated to indemnify, defend or hold harmless an Indemnified Party from and against the Third Party Claim, the Indemnified Party shall reimburse the Indemnifying Party for any and all costs and expenses (including lawyers' fees and costs of suit) and any Loss incurred by the Indemnifying Party in its defense of the Third Party Claim with respect to such Indemnified Party.

(c) Right to Participate in Defense. Without limiting Section 14.4(a) or 14.4(b), any Indemnified Party shall be entitled to participate in, but not control, the defense of a Third Party Claim and to retain counsel of its choice for such purpose; provided, however, that such retention shall be at the Indemnified Party's own expense unless, (i) the Indemnifying Party has failed to assume the defense and retain counsel in accordance with Section 14.4(a) (in which case the Indemnified Party shall control the defense), or (ii) the interests of the Indemnified Party and the Indemnifying Party with respect to such Third Party Claim are sufficiently adverse to prohibit the representation by the same counsel of both parties under Applicable Law, ethical rules or equitable principles.

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(d) Settlement and Judgments. With respect to all Losses resulting from or arising out of or in connection with Third Party Claims, where the Indemnifying Party has assumed the defense of a Third Party Claim in accordance with Section 14.4(a), (i) the Indemnifying Party shall have authority to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Losses, provided that it obtains the prior written consent of the Indemnified Party , which consent shall not be unreasonably withheld and (ii) no Indemnified Party shall admit any liability with respect to, or settle, compromise or discharge, any such Third Party Claim without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld. With respect to all Losses resulting from or arising out of or in connection with Third Party Claims, where the Indemnifying Party has not assumed the defense of a Third Party Claim in accordance with Section 14.4(a), the Indemnifying Party shall be responsible for all such Losses for which it has indemnity and hold harmless obligations under Section 14.1 or Section 14.2, as applicable, with respect to such Third Party Claim, *provided that* the Indemnified Party shall not consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Losses, without first obtaining the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld.

(e) Cooperation. To the extent that the Indemnifying Party defends against any Third Party Claim, the Indemnified Party that is a Party to this Agreement shall, and shall cause each of its Affiliates and each of their respective directors, officers, employees and agents to reasonably cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, provide such witnesses and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested in connection therewith. Such cooperation shall include access during normal business hours by the Indemnifying Party to, and reasonable retention by the Indemnified Party of, records and information that are reasonably relevant to such Third Party Claim (subject to typical confidentiality protections), and making the Indemnified Party, its Affiliates and its and their respective directors, officers, employees and agents available on a mutually convenient basis to provide additional information and explanation of any records or information provided, and the Indemnifying Party shall reimburse the Indemnified Party for all of its related reasonable out-of-pocket expenses.

(f) Expenses. Except as expressly provided above, the reasonable verifiable costs and expenses, including fees and disbursements of counsel, incurred by the Indemnified Party in connection with any Third Party Claim for which it is indemnified under this Article 14, including all such costs and expenses incurred by Indemnified Party with respect to defending a Third Party Claim for which the Indemnifying Party did not assume the defense, shall be reimbursed on a Calendar Quarter basis by the Indemnifying Party, which reimbursement shall be without prejudice to the Indemnifying Party's right to contest the Indemnified Party's right to indemnification and subject to refund in the event the Indemnifying Party is ultimately held not to be obligated to indemnify the Indemnified Party under the terms of this Article 14.

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14.5. LIMITATION ON DAMAGES. EXCEPT IN CIRCUMSTANCES OF GROSS NEGLIGENCE OR INTENTIONAL MISCONDUCT BY A PARTY OR ITS AFFILIATES, OR WITH RESPECT TO INDEMNIFICATION OBLIGATIONS FOR THIRD PARTY CLAIMS UNDER SECTION 14.1 OR 14.2, NEITHER PARTY OR ANY OF ITS AFFILIATES SHALL BE LIABLE TO THE OTHER (OR ANY OF ITS AFFILIATES) FOR SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, OR FOR LOST PROFITS, LOST MILESTONES, OR LOST ROYALTIES, WHETHER IN CONTRACT, WARRANTY, NEGLIGENCE, TORT, STRICT LIABILITY OR OTHERWISE, ARISING OUT OF (a) THE DEVELOPMENT, MANUFACTURE, USE OR SALE OF ANY LICENSED PRODUCT OR COMPOUND DEVELOPED, MANUFACTURED OR MARKETED HEREUNDER OR UNDER ANY ANCILLARY AGREEMENT, OR (b) ANY BREACH OF OR FAILURE TO PERFORM ANY OF THE PROVISIONS OF THIS AGREEMENT OR ANY ANCILLARY AGREEMENT; PROVIDED, HOWEVER, THAT THE FOREGOING LIMITATIONS SHALL NOT APPLY TO ANY LIABILITY OF EITHER PARTY FOR BREACH OF ARTICLE 11.

14.6. Insurance. Each Party shall have and maintain such type and amounts of liability insurance covering the Manufacture, supply, use and sale of the Compounds and the Licensed Products as is normal and customary in the pharmaceutical industry generally for Persons similarly situated. Notwithstanding the foregoing, at a minimum, Nektar shall maintain during any period in which Nektar has indemnification obligations to AstraZeneca, which indemnification obligations shall be scheduled in the policies, (a) commercial general liability insurance with a combined single limit for bodily injury and property damage of not less than [***], (b) products liability/completed operations coverage with a minimum [***], and (c) an all-risks insurance policy covering its facilities with a minimum [***]. Such policies shall (x) be provided by insurance carrier(s) reasonably acceptable to AstraZeneca, (y) be written on an occurrence or claims made basis, and (z) show AstraZeneca as additional insured and loss payee, as its interests may appear, and provide that AstraZeneca will be given [***] advance written notice of the termination thereof. Such policies shall remain in effect throughout the Term and shall not be canceled or subject to a reduction of coverage without the prior written authorization of AstraZeneca. Should Nektar at any time or for any reason fail to obtain the insurance required herein, or should such insurance be canceled or the above limits reduced, AstraZeneca shall have the right to procure the same and the cost and expense thereof shall be deducted from any compensation then due or thereafter to become due to Nektar under this Agreement. All such insurance will be written with a company or companies licensed to do business in the State of New York having a financial rating of not less than A ‘X’ in the most current edition of Bests Key Rating Guide. AstraZeneca shall have the right to satisfy the requirements of this section through a program of self-insurance.

15. Maintenance and Prosecution of Patents

15.1. Licensed Patents.

(a) Control.

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(i) Designation of Patents. Nektar shall notify the Patent Working Group promptly following its becoming aware of any patentable Licensed Know-How (A) Controlled by Nektar or its Affiliates [***] set forth on Exhibit B, or (B) Controlled by Nektar or its Affiliates [***] (but that is [***]) ((A) and (B), collectively, "**New Patentable Licensed Know-How**"). Following such notification, the Patent Working Group shall confer [***].

(ii) Licensed Product Patents. Subject to the remainder of this Section 15.1, including [***] to the Prosecution of Patents pursuant to Section 15.1(d) and its rights under clause (iii) below with respect to the Nektar Technology, AstraZeneca, in consultation with the Patent Working Group, shall have the right, but not the obligation, to prepare, file, prosecute (including the responsibility to conduct and manage any interferences, reissue proceedings, oppositions and re-examinations), and maintain (collectively, "**Prosecute**" or "**Prosecution**") the Licensed Product Patents, other than the Nektar Technology Within LPP Patents (which are the subject of clause (iii) below), throughout the Territory, at AstraZeneca's expense.

(iii) Nektar Technology Within the LPP Patents. It is understood and agreed between the Parties that the Licensed Product Patents may disclose [***] ("**Nektar Technology Within LPP Patents**"). [***].

(iv) Nektar Technology Patents. Subject to the remainder of this Section 15.1 including [***] to the Prosecution of Patents pursuant to Section 15.1(d), Nektar shall, in consultation with the Patent Working Group to the extent the Prosecution involves claims that relate to the Exploitation of NKTR-118 or any other known Compound or any then-existing Licensed Product, including the Lead Product, or an Opioid Combination Product, [***].

(v) Costs and Conduct of Prosecution. Except as set forth in clause (vi), the Prosecuting Party with respect to any Licensed Patents as described in clauses (ii) - (iv) above shall conduct such Prosecution using in-house patent counsel or agents or outside patent counsel or agents of the Prosecuting Party's choosing (subject, in the case of outside patent counsel or agents, to the prior written consent of the non-Prosecuting Party, such consent not to be unreasonably withheld), and all expenses and costs of such Prosecution (including, for example, maintenance fees, attorney fees, filing fees and translations) directed by the Prosecuting Party shall be paid by and are the sole responsibility of the Prosecuting Party.

(vi) Simultaneous Prosecution. Notwithstanding anything to the contrary in this Section 15.1, in the event that, with respect to a [***] within the Licensed Product Patents, a Party has Prosecution rights that [***], then (A) such Prosecution shall be conducted by the [***] selected by mutual agreement of the Parties in writing, such agreement not to be unreasonably withheld or delayed by either Party, and (B) the Parties shall cooperate to [***] in the Prosecution of such Patent Family.

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(b) Prosecution Activities.

(i) With respect to a given Licensed Patent, the Prosecuting Party with respect thereto shall, unless and until such Party informs the other Party that it elects not to pursue or continue the Prosecution of a Licensed Patent in a given country: (A) file and prosecute Patent applications to secure Patent rights for such Licensed Patent [***] in the [***] and [***] and such other countries as mutually agreed by AstraZeneca and Nektar (and such other countries as such Prosecuting Party elects); and (B) consult with the other Party (through its representatives on the Patent Working Group) regarding such Prosecution efforts (to the extent required by subsection (a) above), by providing such other Party a reasonable opportunity to review and participate in such Prosecution efforts regarding the applicable Patent Rights, including by providing to the Patent Working Group copies of all material communications from any patent authority in the Territory regarding such patent applications, and by providing drafts of any responses and any material filings to be made to such patent authorities reasonably in advance of submitting such responses or filings, and reasonably discussing any comments made by the other Party regarding such Prosecution efforts and in good faith seeking to accommodate all reasonable comments made by the other Party, and (C) upon issuance, maintain such Licensed Patent [***].

(ii) [***].

(c) Disputes. If, following consideration by the Patent Working Group, the Parties disagree with respect to the Prosecution of any Licensed Patents, [***].

(d) Election not to Prosecute. If the Prosecuting Party elects not to pursue or continue the Prosecution of a Licensed Patent in a particular country, the Prosecuting Party shall so notify the non-Prosecuting Party promptly in writing [***]. Upon receipt of any such notice, or if at any time the Prosecuting Party fails within [***] to Prosecute a Licensed Patent that the non-Prosecuting Party has requested that the Prosecuting Party Prosecute, or if after initiating such requested Prosecution the Prosecuting Party at any time thereafter fails to [***], then [***] the non-Prosecuting Party shall have the right, but not the obligation, to pursue the Prosecution of such Patent at its expense in such country, [***].

15.2. Cooperation. Each Party shall, and shall cause its Affiliates to, assist and cooperate with the other Party, as such other Party may reasonably request from time to time in connection with its activities under Section 15.1. Without limitation of Section 15.1, the Prosecuting Party shall keep the Patent Working Group currently informed of all steps to be taken in the preparation and prosecution of all applications filed by such Party in its capacity as the Prosecuting Party according to Section 15.1 and shall furnish the non-Prosecuting Party (through its members on the Patent Working Group) with copies of such applications for Patents, amendments thereto and other related correspondence to and from patent offices, in each case in sufficient time to permit the non-Prosecuting Party the opportunity to exercise its rights pursuant to Section 15.1 before the Prosecuting Party makes a submission to a patent office which could materially affect the scope or validity of the patent coverage that may result. The non-Prosecuting Party shall offer its comments, if any, promptly.

15.3. Joint Patents.

(a) AstraZeneca shall have the first right but not the obligation at its expense, through counsel or agents of its choosing, to Prosecute (including the right to manage any interferences, reissue proceedings and re-examinations) the Joint Patents throughout the world. Except with respect to any Joint Patent in any country with respect to which AstraZeneca has relinquished Prosecution pursuant to Section 15.3(b), AstraZeneca shall have the sole right to determine in which countries to obtain, Prosecute and maintain the Joint Patents.

(b) If AstraZeneca elects not to pursue or continue the Prosecution of a Joint Patent in a particular country, AstraZeneca shall so notify Nektar promptly in writing at least thirty (30) days prior to any deadlines by which an action must be taken to establish or preserve all rights under such Joint Patent in such country; [***]. Upon receipt of any such notice, or if at any time AstraZeneca fails within [***] to Prosecute a Joint Patent that Nektar has requested that AstraZeneca Prosecute, or if after initiating such requested Prosecution the Prosecuting Party at any time thereafter fails to [***], then (subject to the foregoing proviso) Nektar shall have the right, but not the obligation, to pursue the Prosecution of such Joint Patent, at its sole expense, in such country, on behalf of both Parties. [***].

(c) The Party Prosecuting any Joint Patent shall keep the other Party currently informed (through its representative on the Patent Working Group) of all steps to be taken in the Prosecution of such Joint Patent in such country and shall furnish the Patent Working Group with copies of such applications for such Joint Patent in such country, any amendments thereto and any other related material correspondence to and from patent offices with respect to such Joint Patent in such country.

(d) AstraZeneca and Nektar shall, and shall cause their respective Affiliates, as applicable, to assist and cooperate with one another in Prosecuting the Joint Patents. The Prosecuting Party shall reimburse the other Party for its external, out-of-pocket costs associated with such assistance and cooperation.

15.4. CREATE Act. Notwithstanding anything to the contrary in this Article 15, neither Party shall have the right to make an election under the Cooperative Research and Technology Enhancement Act of 2004, 35 U.S.C. 103(c)(2)-(c)(3) (the "**CREATE Act**") when exercising its rights under this Article 15 without the prior written consent of the other Party, not to be unreasonably withheld. With respect to any such permitted election, the Parties shall use reasonable efforts to cooperate and coordinate their activities with respect to any submissions, filings or other activities in support thereof. The Parties acknowledge and agree that this Agreement is a "joint research agreement" as defined in the CREATE Act.

15.5. Patent Term Extensions. AstraZeneca shall have the sole right to make all decisions regarding patent term extensions for the Licensed Patents and the Joint Patents worldwide, including (a) in the United States with respect to extensions pursuant to 35 U.S.C. § 156 *et. seq*., (b) in other jurisdictions pursuant to supplementary protection certificates, and (c) in all jurisdictions with respect to any other extensions that are now or become available in the future. Upon request by AstraZeneca, Nektar shall reasonably cooperate, at AstraZeneca's expense, in the implementation of AstraZeneca's decisions under this Section 15.5.

15.6. Orange Book Listings.

(a) Designation of Listable Patents. Upon the issuance of any Licensed Patent, the Prosecuting Party shall inform the Patent Working Group. AstraZeneca, through its representative(s) on the Patent Working Group, may designate, in good faith, any Licensed Patent as an "**Orange Book Listable Patent**" on the basis that such Licensed Patent may be [***] for a Licensed Product; [***].

(b) Listing of Patents. AstraZeneca shall have the sole right to make all filings with the Health Authorities with respect to Licensed Patents and Joint Patents in connection with required regulatory activities for Licensed Products, including as required or allowed in connection with: (i) in the United States, the FDA's Orange Book and (ii) outside the United States, under the national implementations of Article 10.1(a)(iii) of Directive 2001/EC/83 or other international equivalents (any of the foregoing ((i), (ii) or international equivalents of (i) or (ii)), a "**Patent Exclusivity List**"). Nektar shall, at AstraZeneca's expense, (A) provide to AstraZeneca all Information, including a correct and complete list of Licensed Patents covering any Licensed Product or otherwise necessary or reasonably useful to enable AstraZeneca to make such filings with Health Authorities with respect to the Licensed Patents, and (B) cooperate with AstraZeneca's reasonable requests in connection therewith, including meeting any submission deadlines, in each case, to extent required or permitted by Applicable Law. AstraZeneca shall notify Nektar in writing of any such filings with the Health Authorities with respect to the Licensed Patents or the Joint Patents.

16. Enforcement of Patents

16.1. Notice of Infringement. If either Party believes that a Third Party is infringing any of the Licensed Patents or Joint Patents ("**Third Party Infringing Activities**"), such Party shall promptly notify the other Party in writing, identifying the alleged infringer and the alleged infringement complained of and furnishing the information upon which such determination is based.

16.2. Control of Enforcement.

(a) Nektar Technology Patents. Subject to each Party's [***] pursuant to Section 16.3 (if applicable), if any Third Party Infringing Activity infringes the Nektar Technology Patents, then if such Third Party Infringing Activity relates to (i) indications other than the [***] (such Third Party Infringing Activity, a "[***]"), Nektar shall have the first right, but not the obligation, through counsel of its choosing, to take any measures it deems appropriate to stop such Third Party Infringing Activity or to grant to the infringing Third Party adequate rights and licenses under the Nektar Technology Patents necessary for continuing such activities [***] or (ii) the [***], AstraZeneca shall have the first right, but not the obligation, through counsel of its choosing (such Third Party Infringing Activity, "[***]"), to take any measures it deems appropriate to stop such Third Party [***] Activity or to grant to the infringing Third Party adequate rights and licenses under the Nektar Technology Patents [***] for continuing such activities (but, in the case of a grant of such rights and licenses, solely to the extent that AstraZeneca has such rights and licenses under this Agreement). [***].

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(b) Relating to the Licensed Product Patents and Joint Patents. Subject to [***] pursuant to Section 16.3 and to the obligations under Section 16.5, for any Third Party Infringing Activities that comprise the infringement of Licensed Product Patents or Joint Patents, AstraZeneca shall have the first right, through counsel of its choosing, to take any measures it deems appropriate to stop such Third Party Infringing Activities or to grant to the infringing Third Party adequate rights and (sub)licenses necessary for continuing such activities (but, in the case of a grant of such rights and licenses, solely to the extent that AstraZeneca has such rights and licenses under this Agreement).

16.3. [***].

(a) With respect to any Third Party Infringing Activities, and subject to the other provisions of this Article 16, if the Party with the first right to enforce a Patent pursuant to Section 16.2(a) or (b) (the "**First Enforcing Party**") (i) does not [***] following notice of such Third Party Infringing Activities commence taking commercially appropriate steps to [***] of the applicable Licensed Patent or Joint Patent that is likely to have a [***] on the sale of Licensed Products (or earlier notifies the other Party (the "**Second Enforcing Party**") in writing of its intent not to take such steps), and (ii) the First Enforcing Party has not granted the infringing Third Party rights and licenses to continue the activities, then the Second Enforcing Party shall have the right, following written notification to the First Enforcing Party, to take actions to cause [***] expense [***].

(b) [***].

16.4. ANDA Act. Notwithstanding the foregoing, Nektar shall [***] advise AstraZeneca of receipt of any notice of (a) any certification filed under the US "Drug Price Competition and Patent Term Restoration Act" of 1984 (21 United States Code §355(b)(2)(A)(iv) or (j)(2)(A)(vii)(IV)), as amended or supplemented (or any successor law) ("**ANDA ACT**") claiming that any Licensed Patent or Joint Patent is invalid or unenforceable or claiming that any Licensed Patent or Joint Patent will not be infringed by the Manufacture, use, marketing, or sale of a product for which an application under the ANDA ACT is filed, or (b) any equivalent or similar certification or notice in any other jurisdiction. [***].

16.5. Cooperation. Upon reasonable request by the Party (the "**Enforcing Party**") taking any legal action permitted under this Article 16 with respect to enforcing applicable Licensed Patents against Third Party Infringing Activities under this Article 16, the other Party shall give the Enforcing Party all reasonable information and assistance, including allowing the Enforcing Party reasonable access to its files and documents and personnel who may have possession of relevant information. If necessary for AstraZeneca to prosecute any legal action, upon AstraZeneca's request Nektar shall join, or shall ensure that its applicable Affiliate joins, in the legal action as a party. [***].

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16.6. Participation. The Party that is not the Enforcing Party shall have the right to participate in (but not control), at its sole cost and expense through counsel of its choosing, any enforcement action with respect to Field Infringement or, in the case of Nektar as the non-Enforcing Party, Non-Field Infringement.

16.7. RecoveryAny amounts recovered by either Party with respect to Field Infringement, or, in the case of AstraZeneca as the enforcing Party, infringement by a [***]. Pursuant to this Article 16, whether by settlement or judgment, shall be [***] the Parties for their [***] in making such [***] (which amounts shall be allocated [***] if insufficient to cover the [***]), with any [***] being allocated between the Parties as follows: (a) if recovered by Nektar, [***]; and (b) if recovered by AstraZeneca, [***].

17. Potential Third Party Actions

17.1. Third Party Licenses. If, in the good faith opinion of AstraZeneca, a license to a Patent or other Intellectual Property Right Controlled by a Third Party [***].

17.2. Invalidity or Unenforceability Defenses or Actions.

(a) Notice. If a Third Party asserts that any Licensed Patent or Joint Patent is invalid or unenforceable, whether as a defense or as a counterclaim in a legal action (whether such legal action is brought by a Party or its Affiliate with respect to Third Party Infringing Activities, with respect to an ANDA Act or equivalent certification under Article 17, or any other action) or in a declaratory judgment action or similar action or claim (any such defense, counterclaim, claim, or action, an "**Invalidity Action**"), then the Party first becoming aware of the Invalidity Action shall promptly give written notice to the other Party.

(b) [***].

17.3. Third Party Litigation. In the event of any actual or threatened suit against Nektar or its Affiliates, AstraZeneca or its Affiliates, Sublicensees, Distributors or customers alleging that the Exploitation of Compounds or Licensed Products infringes the Patent or Intellectual Property Rights of any Third Party (an "**Infringement Suit**"), the Party first becoming aware of such Infringement Suit shall promptly give written notice to the other Party. [***].

17.4. Cooperation. Nektar will provide to AstraZeneca, [***], all reasonable assistance requested by AstraZeneca in connection with any action, claim or suit under Section 17.2 or 17.3, including allowing AstraZeneca reasonable access to Nektar's files and documents related to such action, and to Nektar's personnel who likely have possession of relevant information, [***] to respond to or defend against the applicable actions or claims. In particular Nektar will promptly make available to AstraZeneca, at AstraZeneca's expense, all Information in its Control that [***] AstraZeneca in responding to any such action, claim or suit under Section 17.2 or 17.3. [***].

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17.5. Costs and Expenses. [***].

18. Term and Termination

18.1. HSR and Other Governmental Filings. The Parties shall each, as promptly as practicable after the Execution Date, file or cause to be filed with the U.S. Federal Trade Commission and the U.S. Department of Justice and any relevant foreign governmental authority any notifications required to be filed under the HSR Act (the "**HSR Filing**") or any similar applicable foreign law or regulation with respect to the transactions contemplated hereby; provided that the Parties shall each make the HSR Filing within [***] after the Execution Date and shall each file any notifications or filings required to be filed under similar applicable foreign laws and regulations as promptly as reasonably practicable. The Parties shall use their [***] to respond promptly to any requests for additional information made by such agencies, and to cause the waiting period (and any extension thereof) under the HSR Act or any similar applicable foreign law or regulation to [***] after the date of filing. Each Party is responsible for its own filing fees and for the costs and expenses of its own legal and other advice in preparing and conducting the HSR Filing.

18.2. Term. Notwithstanding anything in this Agreement to the contrary, this Agreement (other than this Section 18, which is binding and effective as of the Execution Date) shall not become effective until the expiration or earlier termination of the waiting period (or any extension thereof) under the HSR Act in the United States (the date of such expiration or earlier termination, the "**Effective Date**"), and upon the Effective Date the full Agreement and all its terms and provisions shall be automatically effective and binding on both Parties. If, on the [***] after the date of filing under the HSR Act the waiting period required thereunder has not expired, [***] shall have the right, on written notice [***], and upon receipt of such notice by such other Party, this Agreement shall be null and void and have no further force and effect. The term of this Agreement shall become effective as of the Effective Date and shall continue until (a) expiration, which shall occur automatically upon the expiry of the exclusivity of AstraZeneca's license rights with respect to all Licensed Products in the Territory, as provided in Section 4.7, or (b) earlier terminated in accordance with this Article 18 (the "**Term**").

18.3. Termination for [***].

(a) If, in the [***], the Exploitation of NKTR-118 or the Lead Product by AstraZeneca, its Affiliates or any of their Sublicensees [***]prior written notice to Nektar, to terminate this Agreement with respect to such country if at any time (i) AstraZeneca is [***] or (ii) AstraZeneca [***], provided, however, that AstraZeneca shall have (x) first notified Nektar of [***] and afforded Nektar a [***] period (or longer, if elected by AstraZeneca) in which Nektar shall have the opportunity to discuss such [***] with AstraZeneca in good faith, and (y) if Nektar provides any [***] to AstraZeneca during such period regarding [***], AstraZeneca shall consider such [***]. If AstraZeneca has delivered a termination notice to Nektar under this Section 18.3(a), AstraZeneca shall have the right to cease conducting any further activities under this Agreement [***] (subject only to compliance with Applicable Laws and ethical obligations). If (A) AstraZeneca has the right to terminate this Agreement pursuant to this Section 18.3(a) with respect a country in [***], AstraZeneca shall have, subject to compliance with all the foregoing, the right to terminate this Agreement with respect to [***], and (B) AstraZeneca has the right to terminate this Agreement pursuant to this Section 18.3(a) with respect to the [***] or a [***], AstraZeneca shall have the right to terminate [***].

(b) If [***] with respect to [***] or the [***] in a country, AstraZeneca shall have the right upon [***] prior written notice to Nektar to [***] if (i) within [***], and (ii) [***]. In such case, AstraZeneca shall have the right to cease conducting the activities that [***] (subject only to compliance with Applicable Laws and ethical obligations). If (A) AstraZeneca has the right to terminate this Agreement pursuant to this Section 18.3(b) with respect a country in [***], AstraZeneca shall have, subject to compliance with all the foregoing, the right to terminate this Agreement with respect to [***], and (B) AstraZeneca has the right to terminate this Agreement pursuant to this Section 18.3(b) with respect to the [***] or a [***], AstraZeneca shall have the right to terminate [***].

18.4. Termination by AstraZeneca [***].

(a) Termination [***] in the Territory. AstraZeneca may terminate this Agreement in its entirety [***] of a Licensed Product in the Territory pursuant to this Section 18.4(a) [***] (a) a Health Authority notifies AstraZeneca, or AstraZeneca determines in good faith, in accordance with and based on its [***], that there is a [***] regarding (i) the Lead Product or (ii) any Licensed Product containing NKTR-118 such that [***] (a "[***]"), (b) the Lead Product does not meet the [***] ("[***]"), or (c) (i) following the [***], based on such meeting and any other guidance provided by the FDA, AstraZeneca reasonably determines that [***], or (ii) for the period following the adoption of the Development Plan, the FDA or EMEA requires that, or provides guidance that AstraZeneca [***], or the FDA or EMEA modifies the requirements for obtaining such a Health Registration Approval (e.g., any modification of the required [***]) which modifications will [***]in seeking [***] (a "[***]"). If AstraZeneca is entitled to terminate this Agreement pursuant to the immediately preceding sentence, AstraZeneca shall have the right to cease conducting any further activities under this Agreement with respect to development of Licensed Product (subject only to compliance with Applicable Laws and ethical obligations). In order to terminate this Agreement pursuant to this Section 18.4(a), in the case of a [***], AstraZeneca shall provide Nektar [***] prior written notice. In order to terminate this Agreement pursuant to this Section 18.4(a), in the case of a [***], AstraZeneca may terminate this Agreement [***] upon written notice to Nektar for a [***]; provided that if AstraZeneca has completed at least [***] and has ceased all development, regulatory and other activities with respect to the Licensed Products under this Agreement (or, in its sole discretion, is able to [***]), AstraZeneca shall not [***], AstraZeneca may, in its sole discretion, [***] with respect to the Compounds and Licensed Products and any and all of AstraZeneca's diligence obligations hereunder shall be suspended during the [***] and any obligation of AstraZeneca to make any milestone payment hereunder shall be suspended during the [***]. Further, AstraZeneca shall have no obligation during the [***] or any termination notice period to take any action with respect the Licensed Products or the Licensed Patents that would require AstraZeneca to [***]. In the event that AstraZeneca does not provide a notice of termination under this Section 18.4(a) [***], such diligence obligations and milestone payment obligations shall recommence. In the event this Agreement is terminated by AstraZeneca under this Section 18.4(a) [***], any [***] that was suspended during the Review Period shall not be due from AstraZeneca.

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(b) Termination [***] in the Territory. AstraZeneca may terminate the Agreement in its entirety following the [***] of a Licensed Product in the Territory pursuant to this Section 18.4(b) [***] if there is a [***] or a [***]. If AstraZeneca is entitled to terminate this Agreement pursuant to the immediately preceding sentence, AstraZeneca shall have the right to do so effective (i) [***] upon written notice to Nektar for a [***] or (ii) on [***] prior written notice to Nektar for a [***].

18.5. Termination for Material Breach. A termination by AstraZeneca pursuant to this Section 18.5 shall be a "**Termination by AstraZeneca for Material Breach**," and a termination by Nektar pursuant to this Section 18.5 shall be a "**Termination by Nektar for Material Breach**."

(a) Termination for Breach Not Related to Diligence. If either Party (the "**Breaching Party**") is in material breach of this Agreement (except for AstraZeneca's diligence obligations under Section 6.3 or Section 6.4, which is covered in subsection (b) below), in addition to any other right or remedy the other Party (the "**Complaining Party**") may have, the Complaining Party may terminate this Agreement (which termination may be limited to specific with respect to the country or countries to which such material breach applies, if applicable, as provided below) by providing the Breaching Party notice specifying the breach and an opportunity to cure such breach in accordance with this Section 18.5(a). The Complaining Party shall provide written notice (the "**Termination Notice**") to the Breaching Party, specifying the breach and its claim of right to terminate. The Breaching Party shall have [***] from receiving such notice to cure the breach (or, if such breach cannot be cured within such period, and if the Breaching Party commences good faith, diligent actions to cure such breach within such [***] period, such longer period as the Breaching Party is thereafter diligently continuing such good faith actions to cure the breach as soon as possible, such longer period not to exceed an additional [***] (the "**Cure Period**"), and provided that the Cure Period for payment breaches shall be [***] from the date of notice (and shall not, for clarity, be subject to any extension of the Cure Period under the foregoing). If the breach is not cured within the Cure Period, the Termination Notice shall become effective [***] following the expiration of the Cure Period (unless the Complaining Party waives termination in writing prior thereto). If AstraZeneca is the Complaining Party, then during the Cure Period after its Termination Notice to Nektar, any obligation of AstraZeneca to make any milestone payment hereunder shall be suspended. In the event AstraZeneca terminates this Agreement in its entirety under this Section 18.5(a) due to the uncured material breach of Nektar, then any milestone obligation that was so suspended shall not be due from AstraZeneca. If, on the other hand, Nektar cures the breach that was the subject of the Termination Notice, or the Parties otherwise agree that the Agreement shall not be terminated despite such Termination Notice, such suspended milestone payments shall then be paid by AstraZeneca to Nektar (except as otherwise agreed by the Parties in writing in connection with the resolution of such issue). If the material breach of a Breaching Party relates solely and exclusively to a particular country or countries, then a Complaining Party shall have the right to terminate this Agreement solely as to such country or countries if Breaching Party does not cure the breach by the end of the Cure Period. For clarity, breach of payment obligations shall not be considered solely and exclusively relating to a particular country or countries.

(b) Termination for Breach of Diligence Obligations. If at any time Nektar believes that AstraZeneca is in material breach of its diligence obligations under Section 6.3 or Section 6.4, then Nektar shall so notify AstraZeneca, specifying the basis for its belief, and the Parties shall meet within [***] after such notice to discuss [***]. If, after such [***] period, the Parties do not reach agreement as to whether or not AstraZeneca is in material breach of such obligations and resolve the issue, then either Party may require that the issue be resolved by the matter being referred to expedited arbitration in accordance with Section 19.3 hereof (which arbitration shall determine whether AstraZeneca is in material breach of such obligations and, if so, what steps must be taken to cure such material breach). If the arbitrators in such arbitration determine that AstraZeneca is in material breach of its obligations under Section 6.3 or 6.4, then (i) the arbitrators shall specify the [***] in order to cure such breach; (ii) AstraZeneca shall [***] of such arbitration (including [***] and other similar [***]), and (iii) AstraZeneca shall have the right to cure such breach by [***], within [***] frame. If AstraZeneca does not [***], then Nektar may [***] respect to the [***] to which the material breach [***] (provided that if such termination is with respect to any [***], it shall be with respect to [***]). Further, if under any such arbitration the arbitrators determined that AstraZeneca materially breached its obligations in a [***], then if Nektar [***] of the most [***] under this subsection (b) with respect to any such country, based on its belief that AstraZeneca has [***] its obligations under Section 6.3 or 6.4 with respect to such country, and the arbitrators in such arbitration rule that AstraZeneca did materially breach such obligations with respect to such [***], then Nektar may terminate this Agreement with respect to such [***] (without any opportunity of AstraZeneca to then cure the breach).

18.6. Rights and Obligations Following Termination.

(a) Following Termination of Agreement in Entirety. If this Agreement is terminated in its entirety, all rights and licenses granted to AstraZeneca under this Agreement shall terminate and revert exclusively to Nektar, except as otherwise expressly stated in this Article 18. For [***] after such termination, other than as expressly permitted under this Agreement or the Transition Agreement, AstraZeneca covenants that it and its Affiliates shall not [***] that are in [***] or are [***] immediately prior to such termination; provided that the foregoing shall not apply to any Licensed Product on or after the date on which there is first a [***] on the market in the [***] with respect to such Licensed Product.

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(b) Following Termination with Respect to a [***]. If this Agreement is terminated with respect to [***] (but not in its entirety) (each terminated country, a **"Terminated Country"** and each other country, a **"Non-Terminated Country"**):

(i) the rights and licenses granted to AstraZeneca in Section 4.1 with respect to the [***] shall automatically terminate and revert exclusively to Nektar, except that limited license rights shall remain in effect in the [***] solely for the limited purpose of allowing AstraZeneca (A) to [***] of the Compounds and the Licensed Products in the [***] in order to [***] in the Non-Terminated Countries and (B) to [***] the Licensed Products (including the Compounds therein) in the [***] for [***] thereof in the Non-Terminated Countries, and correspondingly the sublicense rights granted to AstraZeneca in Section 4.2 shall remain in effect solely to allow AstraZeneca to [***] under such rights and licenses solely for the aforesaid purpose;

(ii) the rights and licenses granted to AstraZeneca under Sections 4.3, and 4.4 shall survive termination solely with respect to the Non-Terminated Countries, but such license rights shall be subject to [***] the Compounds and Licensed Products in the Non-Terminated Countries solely for seeking [***]; and

(iii) Section 4.5(c) shall, if still in effect, continue (for the period set forth in Section 4.5(c)) to be binding on each Party only with respect to [***] in the Non-Terminated Countries.

18.7. Termination for [***]. If AstraZeneca or its Affiliate [***] that any Licensed Product Patent is [***], or, in [***], otherwise [***] of a Licensed Product Patent, then Nektar may terminate the Agreement on [***] written notice.

18.8. Assignment of Product Trademark. In the event of termination of this Agreement in its entirety other than a Termination by AstraZeneca for Material Breach, AstraZeneca shall and hereby does assign, at its cost, and shall cause its Affiliate (as applicable) to assign to Nektar, effective as of the effective date of termination of this Agreement, all of its (or its Affiliate's) rights, title and interests in and to any Trademarks used publicly by AstraZeneca exclusively in connection with the commercialization of the Existing Reversion Products at the time of such termination and all relevant applications and registrations, and all Intellectual Property Rights and other rights and goodwill with respect thereto. Each Party shall execute and deliver or shall cause its Affiliates (as applicable) to execute and deliver to the other Party all documents that are necessary to fulfill the obligations set forth in this Section 18.8.

18.9. Other Termination Consequences. The consequences set forth in this Section 18.9 shall apply solely on and after the effective date of the termination of this Agreement in its entirety or with respect to one or more countries, as applicable.

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(a) Return of Proprietary Information. In the event of termination of this Agreement, each Party shall return all data, files, records and other materials in its possession or control containing or comprising the other Party's Information or other Confidential Information (in the event of termination of this Agreement with respect to one or more countries but not in its entirety, solely to the extent relating to Terminated Countries but not other countries) to which such first Party does not retain rights under the surviving provisions of this Agreement (except one copy of which may be retained solely for archival purposes). Upon the effective date of such termination, Restricted Information that AstraZeneca is required to return pursuant to the preceding sentence shall be deemed Confidential Information only of Nektar. For the avoidance of doubt, in the event of termination of this Agreement with respect to one or more countries (but not in its entirety), AstraZeneca shall have the right to retain all such Information, including Confidential Information, that is necessary or useful for AstraZeneca to Exploit Licensed Products with respect to Non-Terminated Countries.

(b) Access to Data; Right of Reference. In the event of termination of this Agreement with respect to one or more countries or in its entirety (other than Termination by AstraZeneca for Material Breach), in addition to Nektar's rights elsewhere in this Agreement (including without limitation Section 18.12(c)), AstraZeneca and its Affiliates shall disclose and transfer to Nektar copies of all clinical data of AstraZeneca and its Affiliates relating to Existing Reversion Products and reasonably needed to Exploit the Existing Reversion Products, and automatically grants to Nektar, effective as of the effective date of any such termination of this Agreement, a right to use such clinical data for all purposes related to Licensed Products (such rights limited to the Terminated Countries if termination is limited to certain countries), and a right of reference (which rights is fully transferable to other parties, with AstraZeneca agreeing to provide any needed letters acknowledging such right of reference as needed by any transferee) to all Regulatory Documentation (excluding Regulatory Documentation solely relating to Licensed Products other than Existing Reversion Products) that AstraZeneca and its Affiliates own and as to which neither AstraZeneca nor any of its Affiliates has any obligations, financial or otherwise, to a Third Party to the extent necessary for Nektar to Exploit Existing Reversion Products (in the event of termination of this Agreement with respect to one or more countries (but not in its entirety), solely in the Terminated Countries). Nektar shall be able to exercise such rights (on a non-exclusive basis if termination is limited to certain countries) but only to the extent [***] to enable Nektar (and its Affiliates and licensees) to continue Exploitation of Licensed Products with respect to the Terminated Countries (or, if applicable, the Territory).

(c) Safety Reporting. If this Agreement is terminated with respect to one or more countries, but not in its entirety, then promptly following the effective date of termination the Parties shall enter into an agreement (or an amendment to the Safety Agreement) governing the Parties' respective rights and responsibilities with respect to the coordination of safety-related regulatory obligations, including the reporting of Adverse Events and other safety or quality data. Such agreement shall set forth terms and conditions with respect to such activities that are reasonable and customary in the industry for agreements of that nature.

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18.10. No Adverse Impact. If this Agreement is terminated with respect to one or more countries, but not in its entirety, then this Section 18.10 shall apply for so long as both Parties are developing or commercializing Licensed Products in one or more countries. On a [***] basis, each Party shall provide the other Party with a [***], including all [***], with respect to Licensed Products for the upcoming [***] in sufficient detail to permit the other Party to assess whether such activities could adversely affect the [***] of the Licensed Products in the countries where such Party has the right to commercialize the Licensed Products. Further, each Party shall provide reasonable advance notice prior to [***] respect to Licensed Products. If a Party notifies the other Party in writing, prior to the commencement of such [***], that it believes in good faith that such [***] would likely adversely impact the [***] of any Licensed Product in the countries in which the other Party has the right to commercialize Licensed Product, then the Parties shall discuss such matter in good faith and the Party planning to conduct in the [***] shall consider the other Party's concerns in good faith. If such first Party does not address such concerns and does not have the right to commercialize the Licensed Products in either the [***] or the [***], and the other Party has the right to commercialize the Licensed Products in the [***] and the [***], then such first Party shall not commence such [***] without the consent of such other Party, such consent not to be unreasonably withheld or delayed.

18.11. Nektar Responsibilities. Following termination of this Agreement (other than a Termination by AstraZeneca for Material Breach), Nektar shall comply with the applicable obligations in any agreement, [***], between AstraZeneca or its Affiliate or its Sublicensee and a Third Party pursuant to which AstraZeneca or its Affiliate or Sublicensee Controls (a) any [***] under which a license is granted pursuant to [***], (b) any [***] transferred pursuant to [***], or (c) any [***] that is transferred or to which Nektar has a [***] (such agreements, collectively, "**Post-Termination Control Agreements**"), [***] in any agreement that [***] (and provided that Nektar shall, based on such rejection, not have license rights to any such [***] that AstraZeneca Controls solely under the terms of such rejected agreements). Following the effective date of such a termination, Nektar shall be responsible for any payments owed by AstraZeneca or its Affiliates or Sublicensees under any Post-Termination Control Agreement arising as a result of or in connection with any Exploitation of Licensed Products by or on behalf of Nektar or its Affiliates or licensees or sublicensees (excluding AstraZeneca and its Affiliates and Sublicensees), including in connection with its or their Exploitation of any [***] to which Nektar obtains rights under this Article 18.

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18.12. Transition Agreement. In the event of termination of this Agreement (other than a Termination by AstraZeneca for Material Breach), whether in its entirety, with respect to one or more countries, Nektar and AstraZeneca shall negotiate in good faith the terms and conditions of a written transition agreement (the "**Transition Agreement**") pursuant to which AstraZeneca and Nektar will effectuate and coordinate a smooth and efficient transition of relevant obligations and rights to Nektar as reasonably necessary for Nektar to Exploit the Existing Reversion Products after termination of this Agreement (in its entirety or with respect to one or more country(ies)). Such Transition Agreement shall provide that (x) in the event Nektar's or its Affiliates' practice of any [***] or used of any [***] would [***] to a Third Party based on such use or practice with respect to one or more Licensed Products, then Nektar may [***] from the scope of the rights granted under the Transition Agreement or Nektar shall be solely responsible for [***], (y) [***], in consideration for AstraZeneca's investments in and funding of the Licensed Products, the transfer and assignment, or license (as applicable), of the [***] and, if applicable, the [***] and other [***] and agreements as provided below, [***] (provided that, for purposes of this Section 18.12, references to AstraZeneca in such definition shall be deemed to be references to Nektar) of each Reversion Product Exploited by or on behalf of Nektar, its Affiliates or sublicensees from the First Commercial Sale of each such Licensed Product in a country until the later to occur of (1) the [***] of such [***] in such country and (2) the expiration date in such country of the last to expire of any issued [***] that includes at least [***] (as such definition would apply if the [***] were a Licensed Patent) covering the sale or use of such [***] in such country, and (z) Nektar shall indemnify and hold harmless AstraZeneca and its Affiliates, Distributors and Sublicensees from any Losses with respect to the use of the AZ Program Data or the Exploitation of the Compound(s) or Licensed Product(s) by or on behalf of Nektar or its Affiliates, licensees or sublicensees pursuant to Article 14 (or a substantially equivalent provision) and any such AZ Program Data shall be subject to the confidentiality obligations at least as restrictive as those set forth in Article 11. If, despite such efforts, the Parties are unable to do so within [***] from the effective date of the termination, either Party may refer the dispute for resolution by expedited arbitration in accordance with Section 19.3.

(a) Grant-Back Patents. AstraZeneca automatically grants to Nektar, effective as of the effective date of any termination of this Agreement, whether in its entirety, or with respect to one or more countries (other than a Termination by AstraZeneca for Material Breach), [***] under any Grant-Back Patents to Exploit all Reversion Products (in the event of such a termination of this Agreement with respect to one or more countries, solely with respect to the countries for which this Agreement has been terminated). For the avoidance of doubt, the rights granted to Nektar will be restricted solely to the Reversion Products, and AstraZeneca does not grant by such license any rights whatsoever to any other products or to any intellectual property rights other than to the Grant-Back Patents as set forth above. For purposes of this Section 18.12, "**Grant-Back Patents**" means any and all Patents Controlled by AstraZeneca or its Affiliates or Sublicensees (but in the case of Patents Controlled by a Sublicensee, solely if AstraZeneca is able, using commercially reasonable efforts and without any payment unless such payment is paid by Nektar, to obtain Control of such Patents from such Sublicensee) covering inventions and technology necessary to Exploit the Existing Reversion Products that are in [***] or that are being [***] as of the effective date of any termination of this Agreement with respect to such countries or, in the case of termination of this Agreements in its entirety, with respect to all countries in the Territory, and that, as of such termination, [***].

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(b) AZ Program Data. In the event of termination of this Agreement, whether in its entirety, with respect to one or more countries, other than Termination by AstraZeneca for Material Breach, AstraZeneca shall transfer and provide to Nektar, promptly after such termination, with copies of any and all AZ Program Data (in the case of a termination of this Agreement with respect to one or more countries, solely to the extent relevant to the Terminated Countries). Following such termination, Nektar shall have the rights to use such AZ Program Data at Nektar's discretion on a non-exclusive basis, but only to the extent [***] to enable Nektar (or its Affiliate or licensee with respect to the Licensed Products) to continue development and commercialization and other Exploitation of Licensed Products (in the event of termination of this Agreement with respect to one or more countries, solely with respect to Terminated Countries), including use in development and regulatory filings and in marketing and selling Licensed Products. Nektar may transfer or license such use rights to its Affiliates and licensees with respect to the Reversion Products.

(c) Regulatory Documentation. In the event of termination of this Agreement, whether in its entirety, or with respect to one or more countries, other than Termination by AstraZeneca for Material Breach, AstraZeneca shall, to the extent permitted under Applicable Law (and except to the extent any such Regulatory Documentation is required by AstraZeneca with respect to one or more countries where AstraZeneca's rights have not been terminated), promptly transfer and assign to Nektar any and all right, title, and interest in any and all Health Registration Approvals obtained for Existing Reversion Products in the Terminated Countries and all applications therefor and all other Regulatory Documentation specifically related to such Existing Reversion Products in such Terminated Countries (or, in the event of termination of this Agreement in its entirety, all Health Registration Approvals and all Regulatory Documentation obtained or submitted by AstraZeneca or any of its Affiliates for Existing Reversion Products and all other Regulatory Documentation originally assigned by Nektar to AstraZeneca under Section 4.9 or other provisions of this Agreement). With respect to such transferred Health Registration Approvals and Regulatory Documentation, AstraZeneca will submit to the applicable Health Authorities, within [***] days after the effective date of such termination, a letter (with a copy to Nektar) notifying such Health Authorities of such transfer. In the event of termination of this Agreement with respect to one or more countries (but not in its entirety), AstraZeneca shall retain a right of reference under all such Health Registration Approvals and other Regulatory Documentation as necessary or reasonably useful for AstraZeneca to Exploit Licensed Products in the country or countries in respect of which the Agreement has not been terminated (and to exercise its retained rights and licenses under Section 18.6(b)(i)).

(d) Contracts. In the event of termination of this Agreement, whether in its entirety, or with respect to one or more countries, other than Termination by AstraZeneca for Material Breach, AstraZeneca shall assign (or cause its Affiliates to assign) to Nektar, if requested by Nektar, and Nektar will have the right, but not the obligation, to assume, all agreements with Third Parties with respect to the Exploitation of Existing Reversion Products, including the conduct of clinical trials for any Existing Reversion Product, including agreements with contract research organizations, clinical sites and investigators, that relate to clinical trials in support of Health Registration Approvals, manufacturing agreements, distribution agreements, and the like, for the country or countries (or, if applicable, the Territory) with respect to which this Agreement is terminated, unless such agreement (i) prohibits such assignment, (ii) covers activities other than those relating to the Existing Reversion Products or (iii) covers development or other activities relating to the Existing Reversion Products intended for sale or distribution in one or more Non-Terminated Countries (in which cases, (i)–(iii), if requested by Nektar, AstraZeneca shall cooperate with Nektar in all reasonable respects to facilitate the execution of a new agreement between Nektar and the applicable Third Party).

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18.13. No Other Obligations. In the event of termination of this Agreement for any reason, AstraZeneca shall not be obligated to provide Nektar with any intellectual property or other rights or services other than that which is explicitly provided for under this Article 18.

18.14. Unauthorized Sales. If this Agreement has not been terminated in its entirety, if either Party has the right to Exploit Licensed Products in one or more countries, to the extent permitted by Applicable Law, such Party: (a) shall, and shall cause its Affiliates, distributors and (sub)licensees to, distribute, market, promote, offer for sale, and sell Licensed Products only in such countries, and (b) shall not, and shall not permit its Affiliates, distributors and (sub)licensees to, distribute, market, promote, offer for sale or sell Licensed Products directly or indirectly (other than pursuant to the rights granted pursuant to Section 18.6(b)(i)) (i) to any Person outside such countries or (ii) to any Person inside such countries if such Party is aware that such Person (A) is reasonably likely to directly or indirectly distribute, market, promote, offer for sale or sell Licensed Products outside such countries (and into one or more countries with respect to which the other Party has the right to commercialize the Licensed Products) or assist another Person to do so, or (B) has a demonstrated pattern of directly or indirectly distributing, marketing, promoting, offering for sale or selling Licensed Products outside such countries (and into one or more countries with respect to which the other Party has the right to commercialize the Licensed Products) or assisting one or more other Third Parties to do so.

18.15. Remedies. Termination or expiration of this Agreement by a Party shall in no way affect or limit such Party's right to claim against the other Party for any damages arising out of a breach of this Agreement.

18.16. Accrued Rights; Surviving Obligations.

(a) Accrued Rights; Survival Following Termination. The expiration or termination of this Agreement shall not relieve the Parties from performing any obligations accrued under this Agreement prior to, or exercising any of its rights hereunder with respect to any breach by the other Party of the Agreement occurring prior to, the date this Agreement expires or terminates (including the obligation to make payments accrued as of the effective date of such expiration or termination but not yet paid). Each Party's rights and obligations under Sections 6.10(c), 6.10(d), 7.14, 7.15, 7.16, 7.17, 7.18, 7.19, 10.4 (solely with respect to Licensed Products sold by or on behalf of AstraZeneca, its Affiliates and Sublicensees), 13.3, 18.6, 18.8, 18.9, 18.11 through 18.13, 18.15, 18.18, 20.1, 21.1, and this Section 18.16 and Articles 9 (excluding Section 9.3), 11 (excluding Section 11.1, and survival solely for the period set forth in Section 11.2), 14 (excluding Section 14.6), 15 (solely with respect to the Joint Patents), 19, 20, and 22 shall survive the termination of this Agreement in its entirety. In the event of a termination of this Agreement with respect to one or more Terminated Countries, but not in its entirety, following such termination (a) the foregoing provisions of this Agreement shall remain in effect with respect to the Terminated Countries, and (b) the other provisions of this Agreement shall remain in effect with respect to the Terminated Countries solely to the extent set forth in this Article 18.

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(b) Survival Following Expiration. If this Agreement expires, pursuant to Section 18.2(a), all of each Party's obligations shall terminate. Each Party's rights and obligations under Sections 7.14, 7.15, 7.16, 7.17, 7.18, 7.19, 13.3, 18.15, 18.18, 21.1, and this Section 18.16 and Articles 4 (but subject to Section 4.7), 9 (excluding Section 9.3), 10 (but in the case of Section 10.2 and 10.4, solely with respect to Licensed Products sold by or on behalf of AstraZeneca, its Affiliates and Sublicensees), 11 (excluding Section 11.1, and survival solely for the period set forth in Section 11.2), 12 (solely with respect to Licensed Products sold by or on behalf of AstraZeneca, its Affiliates and Sublicensees), 14 (excluding Section 14.6), 15 (solely with respect to the Joint Patents), 19, 20, and 22 shall survive the expiration of this Agreement.

(c) Work-in-Progress. Upon termination of this Agreement, whether in its entirety, with respect to one or more countries AstraZeneca, its Affiliates and Sublicensees shall be entitled to finish any work-in-progress and to sell in the Terminated Countries any inventory of Licensed Products that remain on hand as of the effective date of such termination, provided that AstraZeneca pays Nektar the royalties applicable to said subsequent sales in accordance with the terms and conditions set forth in this Agreement.

(d) Sublicenses. In the case of a Termination by Nektar for Material Breach or a termination by Nektar pursuant to Section 18.17, all sublicenses granted by AstraZeneca to Sublicensees shall survive termination of this Agreement (provided that such Sublicensee is in good standing under its sublicense agreement as of the effective date of such termination and the [***], and Nektar shall assume all such sublicense agreements as the licensor thereunder in accordance with the terms of such sublicense agreement, provided that Nektar shall not be required to assume any obligations in such sublicense agreement that are greater in scope than those set forth in this Agreement, unless Nektar otherwise agrees in writing. In all other cases, all sublicenses granted by AstraZeneca to Sublicensees shall terminate upon termination of this Agreement, unless Nektar otherwise agrees in writing.

18.17. Termination Upon Bankruptcy. A Party shall be deemed a "**Debtor**" under this Agreement if, at time during the Term (a) a case is commenced by or against such Party under the Bankruptcy Code, (b) such Party files for or is subject to the institution of bankruptcy, liquidation or receivership proceedings (other than a case under the Bankruptcy Code), (c) such Party assigns all or a substantially all of its assets for the benefit of creditors, (d) a receiver or custodian is appointed for such Party's business, or (e) substantially all of such Party's business is subject to attachment or similar process; provided, however, that in the case of any involuntary case under the Bankruptcy Code, such Party shall not be deemed a Debtor if the case is dismissed within [***] after the commencement thereof. In the event that such Party is deemed a Debtor, the other Party may terminate this Agreement by providing written notice to the Debtor.

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18.18. Bankruptcy. The Parties agree that all rights, powers and remedies of a Party provided herein are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including the Bankruptcy Code) in the event of the commencement of a case under the Bankruptcy Code.

(a) Rights in Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by Nektar, or by AstraZeneca, including under Articles 4 and 18, are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code or analogous provisions of Applicable Law outside the United States, licenses of right to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code or analogous provisions of Applicable Law outside the United States ("**IP**"). The Parties agree that a Party, as licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code or any other provisions of Applicable Law outside the United States that provide similar protection for IP. The other Party (in any capacity, including debtor-in-possession) and its successors and assigns (including any trustee) hereby grants to such Party and its Affiliates a right to obtain possession of and to benefit from a complete duplicate of (or complete access to, as appropriate) any IP and all Embodiments of Intellectual Property held by the other Party or such successors and assigns, or otherwise available to them, which, if not already in such Party's possession, shall be promptly delivered to such Party upon written request therefor. The term Embodiments of Intellectual Property includes all tangible, electronic or other embodiments of rights and licenses hereunder, including all Licensed Products, all Regulatory Documentation and rights of reference therein, and all Information related to Licensed Products, Compounds, Licensed Patents, Licensed Know-How, or Intellectual Property Rights. The other Party (in any capacity, including debtor-in-possession) and its successors and assigns (including any trustee) shall not interfere with the exercise by such Party or its Affiliates of rights and licenses to IP and Embodiments of Intellectual Property Licensed hereunder in accordance with this Agreement and agrees to assist such Party and its Affiliates to obtain the IP and Embodiments of Intellectual Property in the possession or control of Third Parties as reasonably necessary or desirable for such Party or its Affiliates to exercise such rights and licenses in accordance with this Agreement. Whenever the other Party (in any capacity, including debtor-in-possession) and its successors and assigns (including any trustee) provides to such Party, pursuant to this Section 18.18(a), any of the IP or any Embodiments of Intellectual Property Licensed hereunder in accordance with this Agreement, such Party shall have the right to perform the obligations of the other Party hereunder with respect to such IP and Embodiments of Intellectual Property, but neither such provision nor such performance by such Party shall release the other Party (in any capacity, including debtor-in-possession) and its successors and assigns (including any trustee) from liability resulting from any rejection of the license or the failure to perform such obligations.

(b) Treatment of Milestone Payments. The Parties hereto acknowledge and agree that payments made under Section 7.1 do not constitute royalties within the meaning of U.S. Bankruptcy Code §365(n) or relate to licenses of intellectual property hereunder.

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(c) Additional Rights. The Parties agree that they intend the following rights to extend to the maximum extent permitted by law, and to be enforceable under Bankruptcy Code Section 365(n): (i) the right of access to any IP and Embodiments of Intellectual Property of Nektar, or any Third Party with whom Nektar contracts to perform an obligation of Nektar under this Agreement, and, in the case of the Third Party, which is necessary for the development, Manufacture, commercialization and use of Licensed Products or Compounds; and (ii) the right to contract directly with any Third Party to complete the contracted work.

19. Dispute Resolution

19.1. Executive Escalation. If a dispute, other than a dispute that is subject to Article 3, arises between the Parties in connection with or relating to this Agreement or any document or instrument delivered in connection herewith (a "**Dispute**"), then either Party shall have the right to refer such dispute to the Executives who shall confer within [***] after such dispute was first referred to them to attempt to resolve the Dispute by good faith negotiations. Any final decision mutually agreed to by the Executives in writing shall be conclusive and binding on the Parties. Except for matters for which this Agreement assigns decision-making to the Parties or a Committee or requires the consent of one or both of the Parties, if such Executives are not able to agree on the resolution of an issue within [***] days after such issue was first referred to them, either Party may, by written notice to the other Party, initiate arbitration for resolution of such Dispute pursuant to Section 19.2, provided that such matter is a Legal Matter. Notwithstanding the foregoing, disputes arising on issues within the jurisdiction of the Committees shall be resolved in accordance with the procedures set forth in Article 3.

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19.2. Arbitration, Generally. Any Dispute which is a Legal Matter and which is not expressly designated under this Agreement to be submitted to arbitration pursuant to Section 19.3 or 19.4 shall be resolved by binding arbitration before the American Arbitration Association (AAA) pursuant to AAA's Commercial Arbitration Rules (or the AAA International Arbitration Rules, if recommended under the AAA guidelines), as such rules may be modified by this Article 19 or by agreement of the Parties. The arbitration shall be conducted before a panel of [***] arbitrators (the "**Panel**"). The Parties shall each select a single independent, conflict-free arbitrator not affiliated with either Party, who has appropriate experience in the biotech and pharmaceutical industry involving pharmaceutical products and with dispute resolution to resolve the matter in dispute, which individual shall not be or have been at any time an Affiliate, employee, consultant, officer or director of either Party or any of their respective Affiliates. Each of the Party-selected arbitrators shall select a third arbitrator who shall meet the criteria set forth in the immediately preceding sentence. If a Party fails to designate a Party-selected arbitrator within [***] after submission to arbitration or the Party-selected arbitrators are unable to reach agreement on the selection of the third arbitrator within [***] after selection of the Party-selected arbitrators, then either or both Parties may [***] request the AAA to select such arbitrator (or arbitrators, as applicable) with the requisite independence, experience and expertise. The place of arbitration shall be, (a) San Francisco, California, if arbitration is initiated by AstraZeneca and (b) Wilmington, Delaware, if arbitration is initiated by Nektar. All proceedings and communications shall be in English. The Parties agree that discovery appropriate to the issues in the Dispute shall be permitted in the arbitration, including reasonable document requests, pre-hearing exchanges of information, expert witness disclosures, limited depositions of important witnesses and other appropriate discovery, provided that such discovery shall be limited to the narrower of (x) the scope of discovery agreed to by the Parties, or if none can be agreed, established by the Panel, and (y) such discovery as would be permitted by the Federal Rules of Civil Procedure Interpretation. The arbitration shall be governed by the procedural and substantive law set forth in Article 20. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. §§1-16 to the exclusion of any inconsistent state laws. Either Party may apply to the Panel for interim injunctive relief or may seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of that Party pending resolution of the matter pursuant to this Article 19. The Parties shall have the right to be represented by counsel. Any judgment or award rendered by the Panel shall be final and binding on the Parties, and shall be governed by the terms and conditions hereof, including the limitation on damages set forth in Section 14.5. The Parties agree that such a judgment or award may be enforced in any court of competent jurisdiction. The statute of limitations of the State of New York applicable to the commencement of a lawsuit shall apply to the commencement of arbitration under this Article 19. Each Party shall bear its own costs and expenses and attorneys' fees in the arbitration, except that in the event that the Party initiating arbitration hereunder is not the prevailing Party in the arbitration proceeding, then the Panel may order such Party to bear all or an appropriate part (reflective of the relative success on the issues) of the costs and expenses and reasonable attorneys' fees incurred by the prevailing Party based on the relative merits of each Party's positions on the issues in the Dispute. The Party that does not prevail in the arbitration proceeding shall pay the arbitrator's fees and expenses and any administrative fees of arbitration. All proceedings and decisions of the arbitrator(s) shall be deemed Confidential Information of each of the Parties, and shall be subject to Article 11.

19.3. Expedited Arbitration. For any Dispute under this Agreement that is expressly designated under this Agreement to be submitted for arbitration pursuant to this Section 19.3, the provisions of Section 19.2 shall apply, except as follows: Each Party shall prepare and submit a written summary of such Party's position and any relevant evidence in support thereof to the Panel and to the other Party within [***] of the selection of the Panel. Within [***] of the delivery of such summaries by the Parties, each Party shall submit a written rebuttal to the other Party's summary. At a hearing lasting no more than [***] and to commence no later than [***] after delivery of the written rebuttals, each Party shall have an opportunity to submit evidence and argue for its position before the Panel, subject to reasonable time limitations to be determined by the Panel. The Panel shall issue a reasoned award with respect to the matter in dispute within [***] following conclusion of the hearing.

19.4. Baseball Arbitration. For any dispute under this Agreement that is expressly designated under this Agreement to be submitted for arbitration pursuant to this Section 19.4, the provisions of Section 19.2 shall apply, except as follows:

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(a) The Party invoking baseball-style arbitration under this Section 19.4 shall so notify the other Party in writing. The notice shall contain a list of all issues (of those that are expressly designated under this Agreement to be submitted to arbitration pursuant to this Section 19.4) the Party proposes to submit to arbitration. Within [***] after receipt of any such notice, the Party receiving the notice shall promptly notify the initiating Party of any additional issues within the scope of issues that may be submitted to arbitration pursuant to this Section 19.4 that the receiving Party intends to include in the arbitration. The issues listed in the notice and in such reply will be the only issues submitted to such arbitration.

(b) In the case of a dispute with respect to the [***], the arbitrators on the Panel shall each have sufficient experience with respect to the commercial manufacture and supply of pharmaceutical products (including in agreements covering such manufacturing relationships) to resolve the applicable dispute.

(c) If a Party does not designate such a Party-selected arbitrator (or with respect to disputes other than with respect to the [***], an arbitrator as described in 19.2) within [***] after submission to arbitration or if the Party-selected arbitrators are not able to agree on a third arbitrator within [***] after selection of the Party-selected arbitrators, then either or both Parties may [***] request the AAA to select such arbitrator(s).

(d) Within [***] after the designation of the Panel, the Parties shall each simultaneously submit to the arbitrator(s) and one another in writing a proposal that contains that Party's "final best offer" as to the matter that is the subject of the Dispute. In the case of disputes with respect to the [***], the Parties shall submit a proposed form [***] and written summary of the issues on which the Parties disagree and the negotiating history with respect thereto. If a Party fails to submit a proposal within such timeframe, then the proposal of the submitting Party shall prevail. Each Party shall have [***] from receipt of the other Party's submission to submit a written response to such summary and at a hearing to take place on no more than [***] and to commence no later than [***] after submission of the written, responses, each Party shall have a reasonable period of time to be determined by the Panel (which period of time shall be sufficient for the Panel to fully understand the proposals and the relative merits thereof) to argue for its proposal before the Panel. To the extent permitted by the AAA's Commercial Arbitration Rules the arbitrator(s) shall have the right to meet with the Parties, either alone or together, as necessary to make a determination.

(e) The Panel shall, within [***] after the submission of the responses, or such longer period as the Parties may agree, select the single proposal that, in the determination of the Panel, as a whole is the most consistent with the requirements of this Agreement and is the most fair and reasonable to the Parties in light of the totality of the circumstances and the terms of this Agreement. At any time prior to the determination, either Party may accept the other Party's position on any unresolved issue. The Parties shall inform the Panel of such accepted position and in such event such position will be deemed part of the final agreement and no longer subject to arbitration.

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(f) In the case of disputes with respect to the [***], the arbitrator's decision shall take into account customary and commercially reasonable industry practices for suppliers and purchasers of similar products. The selected form [***] shall be deemed to be immediately effective and shall be promptly executed by the Parties. Such [***] shall include, and the arbitrator shall not have the authority to change (unless otherwise expressly agreed in writing by the Parties), the prices and the terms as set forth in 8.2(c).

20. Governing Law, Jurisdiction, Venue and Service

20.1. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The Parties agree to exclude the application to this Agreement of the United Nations Convention on Contracts for the International Sale of Goods.

20.2. Jurisdiction. Subject to Section 22.9 and Article 19, the Parties hereby irrevocably and unconditionally consent to the exclusive jurisdiction of the courts located in the Southern District of New York for any action, suit or proceeding (other than appeals therefrom) arising out of or relating to this Agreement, and agree not to commence any action, suit or proceeding (other than appeals therefrom) related thereto except in such courts. The Parties irrevocably and unconditionally waive their right to a jury trial.

20.3. Venue. The Parties further hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding (other than appeals therefrom) arising out of or relating to this Agreement in the courts of New York, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

20.4. Service. Each Party further agrees that service of any process, summons, notice or document by registered mail to its address set forth in Section 22.3 shall be effective service of process for any action, suit or proceeding brought against it under this Agreement in any such court.

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21. Assignment and Change of Control

21.1. Assignment. Neither Party may assign its rights or delegate its obligations under this Agreement, in whole or in part, without the prior written consent of the other Party, such consent not to be unreasonably withheld, except that a Party shall always have the right, without such consent, (a) to assign any or all of its rights and delegate any or all of its obligations hereunder to any of its Affiliates, provided, however, that such assigning Party shall remain responsible for full performance of such assigned obligations, or (b) to its successor in interest (whether by merger, acquisition, asset purchase, or otherwise) to, in the case of Nektar as the assigning Party, all or substantially all of the business of Nektar and its Affiliates, and in the case of AstraZeneca as the assigning Party, all or substantially all of the business of AstraZeneca and its Affiliates to which this Agreement relates; provided that such assigning Party shall provide written notice to the other Party within [***] after such assignment or delegation to any Third Party, and the assignee shall undertake in writing to the other Party to perform all obligations of assigning Party under this Agreement. Notwithstanding the forgoing, in the case of Nektar as the assigning Party, (i) until the [***], any permitted successor of Nektar shall have [***] and (ii) any permitted successor of Nektar in a transaction closing before the date [***] after the Effective Date shall have (or shall preserve at Nektar) [***] as of the Effective Date. Any permitted successor of a Party or any permitted assignee of all of a Party's rights under this Agreement that has also assumed all of such Party's obligations hereunder in writing shall, upon any such succession or assignment and assumption, be deemed to be a party to this Agreement as though named herein in substitution for the assigning Party, whereupon the assigning Party shall cease to be a party to this Agreement and shall cease to have any rights or obligations under this Agreement. All validly assigned rights of a Party shall inure to the benefit of and be enforceable by, and all validly delegated obligations of such Party shall be binding on and be enforceable against, the permitted successors and assigns of such Party. Any attempted assignment or delegation in violation of this Section 21.1 shall be void. Notwithstanding any other provision of this Section 21.1, the terms of this Agreement may be varied, amended or modified or this Agreement may be suspended, canceled or terminated without the consent of any assignee or delegate that is not deemed pursuant to the provisions of this Section 21.1 to have become a party to this Agreement.

21.2. Subcontracting. Notwithstanding Section 21.1, AstraZeneca shall have the right (i) to perform any or all of its obligations and exercise any or all of its rights hereunder pursuant to Section 4.2, 4.3 or 4.4, (ii) to perform any or all of its obligations and exercise any or all of its rights under this Agreement through any of its Affiliates; and (iii) to subcontract its obligations hereunder to a Third Party, provided that AstraZeneca remains liable for such Third Party's performance of such obligations.

21.3. Nektar Change of Control. Upon any Change of Corporate Control where Nektar is acquired by (a) [***] or (b) a Third Party that is [***] researching with the intent to [***] (or directly assisting another Person to commercialize) a [***] (and such Third Party does not cease permanently all such activities within [***] of such acquisition), then (i) all of Nektar's rights to receive reports and information under this Agreement (including reports and information required to be delivered pursuant to Section 6.8) shall terminate, except with respect to royalty reports under Section 7.12 and audit rights under Section 7.14(b) and (ii) all Committees and the Patent Working Group shall be terminated, and notwithstanding Article 3, AstraZeneca shall have the sole right to make all decisions previously in the jurisdiction of any Committee, including decisions relating to the development and commercialization of Licensed Products without consultation with Nektar. Decision-making with respect to matters previously in the jurisdiction of the Patent Working Group shall continue [***], but without any obligation to coordinate or keep the other Party informed through the Patent Working Group. Nektar shall provide AstraZeneca with [***] prior written notice of such Change of Corporate Control.

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21.4. Obligations of Acquiror of a Party. Notwithstanding anything in this Agreement to the contrary, if a Party (the "**Subject Party**") merges or consolidates with, or acquires or is acquired by, a Third Party that is [***] in any country (but not including, for clarity, an [***] limited to Intellectual Property Rights), (a) the Patents or Intellectual Property Rights owned or otherwise Controlled, as of the effective date of the transaction, by any counterparty with respect to the transaction (the "**Counterparty**") (or the Counterparty's Affiliate, which Affiliate is not an Affiliate of the Subject Party immediately prior to the closing of such transaction(s) ("**Counterparty Affiliate**")) shall not become subject to the license grants, assignments, reports, disclosures and other requirements of this Agreement, and (b) the Counterparty and the Counterparty Affiliates shall not become subject to the covenants in Section 4.5(c) (but, for clarity, the Subject Party and its Affiliates (other than the Counterparty and any Counterparty Affiliate), and its and their successors, shall remain subject to such covenants); provided, in each case, ((a) and (b)), that neither the Counterparty nor any Counterparty Affiliate (i) receives or otherwise has access to the Confidential Information of the Subject Party (and, if Nektar is the Subject Party, the Restricted Information) or (ii) practices the licenses or rights, directly or indirectly, granted to the Subject Party by the other Party hereto (whether by the grant of a sublicense or otherwise). If any such Counterparty or Counterparty Affiliate receives or gains access to such information, or practices such licenses or rights, directly or indirectly, then (x) the Patents or Intellectual Property Rights of such Counterparty or Counterparty Affiliate shall become automatically subject to the license grants, assignments, reports, disclosures, and other requirements of this Agreement, and (y) the Counterparty and the Counterparty Affiliates shall become subject to the covenants in Section 4.5(c). For clarity, this Section 21.4 shall apply solely in the case in which the Subject Party maintains a separate corporate existence from the Counterparty and the Counterparty Affiliates.

21.5. [***]. Notwithstanding Section 4.5(c), if [***], or [***], that is researching, developing, or commercializing a [***] in any country(ies), or acquires assets that include the business of researching, developing, or commercializing a [***] in any country(ies), then the continuing research, development, or commercialization of such Competing Product in such country(ies) by the Party or its Affiliates following such transaction shall not constitute a breach of Section 4.5(c) (without limitation of any other exception from the application of Section 4.5(c) set forth in Section 21.4) during the applicable period in which Section 4.5(c) is applicable (the "**Prohibition Period**"), provided that the affected Party within [***] after the date of such transaction notifies the other Party that it intends to:

(a) refrain from, and cause any relevant Affiliate to refrain from, [***] in such country(ies) within [***] in compliance with Applicable Law during the Prohibition Period;

(b) [***] or cause its relevant Affiliate to [***] in the applicable country(ies) within [***] (or for such longer period as the Party is actively engaged in [***] to divest such [***]), it being agreed by the Parties that: (i) the [***] Party shall be entitled to receive fees, milestones and royalties on sales of any [***] through license, to Manufacture such [***] for the acquiror or licensee of the Competing Product, and to provide technology transfer, transition services and other support in connection with the sale or license; and (ii) the [***] Party shall have the right to take back rights to the [***] in the applicable country(ies) (A) at any time following the Prohibition Period, or (B) at any other time in the event of a breach of any license granted by such Party as its means of [***] its interest in such [***] by the licensee, in which event under clause (B) the [***] Party shall be required again to [***] such program or, if applicable, terminate this Agreement pursuant to this Section 21.5).

If the Party undergoing such transaction fails to provide such notice within such [***] period or fails to carry out the designated actions within the time periods set out above or such longer period as the Parties may otherwise agree in writing, then, as applicable, such Party shall be deemed to be in breach of Section 4.5(c) to the extent would be the case without application of this Section 21.5, and as of the day such transaction was consummated.

22. Miscellaneous

22.1. Force Majeure.

(a) In this Agreement, "**Force Majeure**" means an event which is beyond a non-performing Party's reasonable control, including an act of God, act of the other Party, strike, lock-out or other industrial/labor disputes (whether involving the workforce of the Party so prevented or of any other Person), war, riot, civil commotion, terrorist act, malicious damage, epidemic, quarantine, fire, flood, storm, natural disaster or compliance with any law or governmental order, rule, regulation or direction (including changes in the requirements of the Health Authorities), whether or not it is later held to be invalid.

(b) The Force Majeure Party shall, within thirty (30) days of the occurrence of a Force Majeure event, give notice in writing to the other Party specifying the nature and extent of the event of Force Majeure, its anticipated duration and any action being taken to avoid or minimize its effect. Subject to providing such notice and to Section 22.1(a), the Force Majeure Party shall not be liable for delay in performance or for non-performance of its obligations under this Agreement, in whole or in part, nor shall the other Party have the right to terminate this Agreement, except as otherwise provided in this Agreement, where non-performance or delay in performance has resulted from an event of Force Majeure. The suspension of performance allowed hereunder shall be of no greater scope and no longer duration than is reasonably required.

(c) The Force Majeure Party shall use reasonable endeavors, without being obligated to incur any expenditure or cost, to (i) bring the Force Majeure event to a close or (ii) find a solution by which the Agreement may be performed despite the continuation of the event of Force Majeure.

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22.2. Severability. To the fullest extent permitted by Applicable Law, the Parties waive any provision of law that would render any provision in this Agreement invalid, illegal or unenforceable in any respect. If any provision of this Agreement is held to be invalid, illegal or unenforceable, in any respect, then such provision will be given no effect by the Parties and shall not form part of this Agreement. To the fullest extent permitted by Applicable Law and if the rights or obligations of any Party will not be materially and adversely affected, all other provisions of this Agreement shall remain in full force and effect, and the Parties shall use their best efforts to negotiate a provision in replacement of the provision held invalid, illegal or unenforceable that is consistent with Applicable Law and achieves, as nearly as possible, the original intention of the Parties.

22.3. Notices.

(a) Notice Requirements. Any notice, request, demand, waiver, consent, approval or other communication permitted or required under this Agreement shall be in writing, shall refer specifically to this Agreement and shall be deemed given only if delivered by hand or sent by facsimile transmission (with transmission confirmed) or by internationally recognized overnight delivery service that maintains records of delivery, addressed to the Parties at their respective addresses specified in Section 22.3(b) or to such other address as the Party to whom notice is to be given may have provided to the other Party in accordance with this Section 22.3. Such notice shall be deemed to have been given as of the date delivered by hand or transmitted by facsimile (with transmission confirmed) or on the second business day (at the place of delivery) after deposit with an internationally recognized overnight delivery service. Any notice delivered by facsimile shall be confirmed by a hard copy delivered as soon as practicable thereafter. This Section 22.3 is not intended to govern the day-to-day business communications necessary between the Parties in performing their obligations under the terms of this Agreement.

(b) Address for Notice.

[***]

22.4. Relationship of the Parties. The status of a Party under this Agreement shall be that of an independent contractor. Nothing contained in this Agreement shall be construed as creating a partnership, joint venture or agency relationship between the Parties or, except as otherwise expressly provided in this Agreement, as granting either Party the authority to bind or contract any obligation in the name of or on the account of the other Party or to make any statements, representations, warranties or commitments on behalf of the other Party. All persons employed by a Party shall be employees of such Party and not of the other Party and all costs and obligations incurred by reason of any such employment shall be for the account and expense of such Party.

22.5. Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter of the Agreement. This Agreement supersedes all prior agreements, whether written or oral, with respect to the subject matter of the Agreement. Nektar shall, and AstraZeneca shall cause its applicable Affiliate to, terminate the Confidentiality Agreement effective as of the Effective Date and to agree that any surviving obligations thereunder are superseded by this Agreement. Each Party confirms that it is not relying on any statements, representations, warranties or covenants of any person (whether a Party to this Agreement or not) except as specifically set out in this Agreement. Nothing in this Agreement is intended to limit or exclude any liability for fraud. All Schedules and Exhibits referred to in this Agreement are intended to be and are hereby specifically incorporated into and made a part of this Agreement. In the event of any inconsistency between any such Schedules or Exhibits and this Agreement, the terms of this Agreement shall govern.

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22.6. English Language. This Agreement is written and executed in the English language. Any translation into any other language shall not be an official version of this Agreement and in the event of any conflict in interpretation between the English version and such translation, the English version shall prevail.

22.7. Amendment. Any amendment or modification of this Agreement must be in writing and signed by authorized representatives of both Parties.

22.8. Waiver and Non-Exclusion of Remedies. A Party's failure to enforce, at any time or for any period of time, any provision of this Agreement, or to exercise any right or remedy shall not constitute a waiver of that provision, right or remedy or prevent such Party from enforcing any or all provisions of this Agreement and exercising any rights or remedies. To be effective any waiver must be in writing. The rights and remedies provided herein are cumulative and, except as expressly provided in Article 18 and elsewhere in this Agreement, do not exclude any other right or remedy provided by law or otherwise available, except as expressly set forth herein.

22.9. Equitable Relief. Each Party acknowledges and agrees that the restrictions set forth in Section 4.5(c) and Article 11 of this Agreement are reasonable and necessary to protect the legitimate interests of the other Party, and that the other Party would not have entered into this Agreement in the absence of such restrictions, and that any breach or threatened breach of any provision of Section 4.5(c) and Article 11 will result in irreparable injury to the other Party for which may be no adequate remedy at law. In the event of a breach or threatened breach of any provision of Section 4.5(c) and Article 11 by a Party, the other Party shall be authorized and entitled to seek to obtain from any court of competent jurisdiction equitable relief, whether preliminary or permanent, specific performance and an equitable accounting of all earnings, profits and other benefits arising from such breach, which rights shall be cumulative and in addition to any other rights or remedies to which such other Party may be entitled in law or equity. Nothing in this Section 22.9 is intended, or should be construed, to limit a Party's rights to equitable relief or any other remedy for a breach of any other provision of this Agreement.

22.10. Further Assurance. Each Party shall perform all further acts and things and execute and deliver such further documents as may be necessary or as the other Party may reasonably require to implement or give effect to this Agreement.

22.11. Expenses. Except as otherwise expressly provided in this Agreement, each Party shall pay the fees and expenses of its respective lawyers and other experts and all other expenses and costs incurred by such Party incidental to the negotiation, preparation, execution and delivery of this Agreement.

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22.12. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which taken together shall be deemed to constitute one and the same instrument. An executed signature page of this Agreement delivered by facsimile transmission or by electronic mail in "portable document format" (".pdf") shall be as effective as an original executed signature page.

[Signature Page Follows]

THIS AGREEMENT IS EXECUTED by the authorized representatives of the Parties as of the date first written above.

SIGNED for and on behalf of ASTRAZENECA AB (publ)	SIGNED for and on behalf of NEKTAR THERAPEUTICS
Signature	Signature
Name: [***]	Name: [***]
Title: Authorised Signatory	Title: [***]

Exhibit 10.2

EXECUTION VERSION

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SUBLEASE

THIS SUBLEASE, dated as of the 30 day of September, 2009, between **PFIZER INC.**, a Delaware corporation, (herein called "**Sublessor**") and **NEKTAR THERAPEUTICS**, a Delaware corporation (herein called, "**Subtenant**").

WITNESSETH

1. DEMISE AND TERM. Sublessor hereby leases to Subtenant, and Subtenant hereby hires from Sublessor: those certain premises (herein called the "**Subleased Premises**") consisting of approximately 102,283 rentable square feet located on the first through fifth floors of the building known as 455 Mission Bay Boulevard South, San Francisco, California, building 2 (herein called the "**Building**") The Subleased Premises constitute the entirety of the Premises leased to Sublessor pursuant to the terms of the Main Lease. The term of this Sublease shall be the period commencing on the date after the consent of Overlandlord (as hereinafter defined) to a fully-executed Sublease (such consent, the "**Overlandlord's Consent**") that is the earliest of (i) substantial completion of Subtenant's Work (as defined below) in the Subleased Premises, (ii) Subtenant's occupancy of the Subleased Premises, (iii) ten (10) months after the date of Overlandlord's Consent and (iv) August 1, 2010 (herein called the "**Commencement Date**"), and ending at 11:59 P.M., one hundred and fourteen (114) months thereafter but no later than January 30, 2020 (the "**Expiration Date**"), unless sooner terminated as herein provided (the "**Term**"); provided, however, notwithstanding anything herein to the contrary, the Term shall expire no later than the day before the expiration of the 10th year of the Term (as defined in the Lease) of the Lease which the parties hereto acknowledge will occur on January 30, 2020; provided, further that if Subtenant has entered into a direct lease with Overlandlord for the lease of the Subleased Premises commencing February 1, 2020, then Subtenant may remain in possession of the Subleased Premises under this Sublease for one additional day and pay Fixed Rent and Supplemental Rent for such additional day; the parties agreeing that such right to extend shall in no event constitute an assignment of the Lease. The payment of Fixed Rent (as hereinafter defined) and Supplemental Rent (as hereinafter defined) shall commence on the Commencement Date. Subtenant shall have no interest in the Subleased Premises upon the expiration of this Sublease.

2. SUBORDINATE TO MAIN LEASE. This Sublease is and shall be subject and subordinate to the lease dated [***] (herein the "**Lease**"), between ARE-San Francisco No. 19, LLC, a Delaware limited liability company ("**Overlandlord**"), as landlord, and Sublessor, as tenant, as such Lease is amended by [***] ([***] collectively, hereinafter the "**Main Lease**"), and to the matters to which the Main Lease is or shall be subject and subordinate. A copy of the Main Lease has been delivered to and examined by Subtenant and is attached hereto as Exhibit A. Sublessor represents and warrants that the Main Lease is in full force and effect, and there have been no amendments, modifications or additions to the Main Lease, other than those included in the definition of the Main Lease set forth above. The Main Lease constitutes the entire agreement between Overlandlord and Sublessor with respect to the Subleased Premises. As of the date hereof and to Sublessor's actual knowledge without investigation or inquiry (i) there exists no breach of or default under the Main Lease, and (ii) there are no events which with the passage of time or giving of notice or both would create a default or breach under the Main Lease.

3. INCORPORATION BY REFERENCE. The terms, covenants and conditions of the Main Lease are incorporated herein by reference so that, except to the extent that they are inapplicable or modified by the provisions of this Sublease for the purpose of incorporation by reference, each and every term, covenant and condition of the Main Lease binding or inuring to the benefit of the Overlandlord thereunder shall, in respect of this Sublease, bind or inure to the benefit of Sublessor, and each and every term, covenant and condition of the Main Lease binding or inuring to the benefit of the tenant thereunder shall, in respect of this Sublease, bind or inure to the benefit of Subtenant, with the same force and effect as if such terms, covenants and conditions were completely set forth in this Sublease, and as if the words "Landlord" and "Tenant," or words of similar import, wherever the same appear in the Main Lease, were construed to mean, respectively, "Sublessor" and "Subtenant" in this Sublease, and as if the words "Premises," or words of similar import, wherever the same appear in the Main Lease, were construed to mean "Subleased Premises" in this Sublease, and as if the word "Lease," or words of similar import, wherever the same appear in the Main Lease, were construed to mean this "Sublease." Subtenant shall pay within ten (10) business days after written demand for any special services or requirements of Subtenant, including, without limitation, overtime air conditioning, extra cleaning, extra elevator use, and extra water use. The time limits contained in the Main Lease for the giving of notices, making of demands or performing of any act, condition or covenant on the part of the tenant thereunder, or for the exercise by the tenant thereunder of any right, remedy or option, are changed for the purposes of incorporation herein by reference by shortening the same in each instance by one-half the number of days, or by seven (7) days whichever is less, so that in each instance Subtenant shall have seven (7) days less or one-half the amount of time to observe or perform hereunder than Sublessor has as the tenant under the Main Lease. [***] shall be deemed deleted for the purpose of incorporation by reference in this Sublease. On Page 1 of the Lease, the following terms: [***] shall be deemed deleted for the purpose of incorporating by reference in this Sublease. Any non-liability, indemnity or hold harmless provision in the Main Lease for the benefit of the landlord under the Main Lease, that is incorporated herein by reference, shall be deemed to inure to the benefit of Sublessor, the landlord under the Main Lease, and any other person intended to be benefited by said provision, for the purpose of incorporation by reference in this Sublease. Any right of the landlord under the Main Lease of access or inspection and any right of the landlord under the Main Lease to do work in the premises demised under the Main Lease or in the Building(s) and any right of the landlord under the Main Lease in respect of rules and regulations shall be deemed to inure to the benefit of Sublessor, the landlord under the Main Lease, and any other person intended to be benefited by said provision, for the purpose of incorporation by reference in this Sublease. With respect to the access rights as set forth in Section 32 of the Main Lease, the number [***] shall remain [***] for access by Overlandlord (except in the event of an emergency) and shall be [***] for access by Sublessor (except in the event of an emergency); provided, however, that Sublessor acknowledges the confidential nature of Subtenant's business and shall comply with reasonable security requirements of Subtenant (except in the event of an emergency) and shall use reasonable commercial efforts to keep any knowledge gained through inspection by Sublessor or access by Sublessor confidential and Sublessor shall not use such confidential information for any other purpose than managing the Subleased Premises and discharging its obligations under the Main Lease, provided that Sublessor may disclose any such information to comply with law, the Main Lease or this Sublease. In furtherance of the immediately preceding sentence, Sublessor's research scientists shall not enter the Subleased Premises. If any of the express provisions of this Sublease shall conflict with any of the provisions incorporated by reference, such conflict shall be resolved in every instance in favor of the express provisions of this Sublease. Any term capitalized herein, that is not defined herein, shall have the meaning ascribed in the Lease. Sublessor shall at Subtenant's reasonable request take reasonable steps to enforce Sublessor's rights under the Main Lease in connection with Overlandlord's providing utilities and services; provided, however, that Sublessor shall never be required to bring an action against Overlandlord and there will be no expense to Sublessor. Sublessor agrees that any notice to Sublessor regarding the failure of Overlandlord to provide utilities and services may be sent to Overlandlord concurrently with delivery to Sublessor.

4. PERFORMANCE BY SUBLESSOR. Any obligation of Sublessor which is contained in this Sublease by the incorporation by reference of the provisions of the Main Lease may be observed or performed by Sublessor using commercially reasonable efforts to cause the Overlandlord under the Main Lease to observe and/or perform the same, and Sublessor shall have a reasonable time to enforce its rights to cause such observance or performance; provided, however, Sublessor shall have no obligation to bring a claim or litigate against Overlandlord under the Main Lease in connection with any such enforcement. Sublessor shall not be required to furnish, supply or install anything under any section of the Main Lease. Subtenant shall not in any event have any rights in respect of the Subleased Premises greater than Sublessor's rights under the Main Lease, and, notwithstanding any provision to the contrary, as to obligations that pertain to the Subleased Premises and are contained in this Sublease by the incorporation by reference of the provisions of the Main Lease, Sublessor shall not be required to make any payment or perform any obligation, and Sublessor shall have no liability to Subtenant for any matter whatsoever, except for Sublessor's obligation to pay the rent and additional rent due under the Main Lease and to perform any obligations of Sublessor to be performed by it in accordance with this Sublease, as limited by the terms of this Sublease. Sublessor shall not be responsible for any failure or interruption, for any reason whatsoever, of the services or facilities that may be appurtenant to or supplied at the Building(s) by the Overlandlord under the Main Lease or otherwise, including, without limitation, heat, air conditioning, water, electricity, elevator service and cleaning service, if any. No failure to furnish, or interruption of, any such services or facilities shall give rise to any (a) abatement, diminution or reduction of Subtenant's obligations under this Sublease, (b) constructive eviction, whether in whole or in part, or (c) liability on the part of Sublessor.

5. NO BREACH OF MAIN LEASE. Subtenant shall not do or permit to be done any act or thing which may constitute a breach or violation of any term, covenant or condition of the Main Lease by the tenant thereunder, whether or not such act or thing is permitted under the provisions of this Sublease.

6. NO PRIVITY OF ESTATE. Unless otherwise explicitly provided herein, nothing contained in this Sublease shall be construed to create privity of estate or of contract between Subtenant and the Overlandlord under the Main Lease.

7. INDEMNITY. Subtenant shall indemnify, defend and hold harmless Sublessor and the Overlandlord under the Main Lease from and against all losses, costs, damages, expenses and liabilities, including, without limitation, reasonable attorneys' fees, which Sublessor may incur or pay out by reason of (a) any accidents, damages or injuries to persons or property occurring in, on or about the Subleased Premises (unless the same shall have been caused by Sublessor's negligence), (b) any breach or default hereunder on Subtenant's part, (c) the enforcement of Sublessor's rights under this Section or any other section of this Sublease, (d) any work done in or to the Subleased Premises, or (e) any act, omission or negligence on the part of Subtenant and/or its officers, employees, agents, customers and/or invitees, or any person claiming through or under Subtenant; provided, however, Subtenant shall not have to indemnify Sublessor for Sublessor’s negligence, gross negligence or willful misconduct; provided, however, that in the event of comparative negligence, Subtenant shall indemnify Sublessor for the share of negligence that is not Sublessor’s.

8. SUBROGATION. Subtenant hereby releases Sublessor and the Overlandlord under the Main Lease or anyone claiming through or under the Overlandlord under the Main Lease by way of subrogation or otherwise to the extent that Sublessor released the Overlandlord under the Main Lease and/or the Overlandlord under the Main Lease was relieved of liability or responsibility pursuant to the provisions of the Main Lease, and Subtenant will cause its insurance carriers to include any clauses or endorsements in favor of Sublessor and the landlord under the Main Lease which Sublessor is required to provide pursuant to the provisions of the Main Lease.

9. RENT. Subtenant shall pay to Sublessor rent (herein called the "**Fixed Rent**") hereunder at the following rates: $ 0.00 per month per rentable square foot for months 01 – 48; $[***] per month per rentable square foot for months [***] and for months [***]; months [***] $ [***] per rentable square foot; months [***]: $[***]; months [***]: $[***]; months [***]: $[***]; months [***]: $[***]. Notwithstanding anything herein to the contrary, only in the event that this Sublease is executed by September 30, 2009, there shall be no Fixed Rent for the first 48 months after the Commencement Date. Notwithstanding anything herein to the contrary, in addition to all other Fixed Rent and Supplemental Rent payable by Subtenant hereunder, in the event that this Sublease has not been executed on or before October 31, 2009, Subtenant shall pay $[***] per month per rentable square foot for month 48; in the event that this Sublease has not been executed on or before November 30, 2009, Subtenant shall pay $[***] per month per rentable square foot for months 47 and 48; and in the event that the Sublease has not been executed on or before December 31, 2009, Subtenant shall pay $[***] per month per rentable square foot for months 46, 47 and 48. Subtenant shall pay to Sublessor Fixed Rent in equal monthly installments in advance on the first day of each month during the Term of this Sublease, except that one (1) monthly installment of Fixed Rent in the amount of $[***] (to be credited against Fixed Rent due for the 49th month of the Term of the Sublease) and the Security Deposit (as hereinafter defined) of [***] are being paid on the signing of this Sublease. Fixed Rent shall be paid promptly in lawful money of the United States when due, without notice or demand therefor, and without deduction, abatement, counterclaim or setoff of any amount or for any reason whatsoever to [***]; or at such other address as Sublessor may from time to time designate by notice to Subtenant. No payment by Subtenant or receipt by Sublessor of any lesser amount than the amount stipulated to be paid hereunder shall be deemed other than on account of the earliest stipulated Fixed Rent or Supplemental Rent (as hereinafter defined); nor shall any endorsement or statement on any check or letter be deemed an accord and satisfaction, and Sublessor may accept any check or payment without prejudice to Sublessor's right to recover the balance due or to pursue any other remedy available to Sublessor. Any provision in the Main Lease referring to Base Rent or Additional Rent incorporated herein by reference shall be deemed to refer to the Fixed Rent and Supplemental Rent due under this Sublease.

10. SUPPLEMENTAL RENT. Subtenant agrees to pay to Sublessor as additional rent ("**Supplemental Rent**"): (i) other than Base Rent, all costs and expenses of any kind or description of Sublessor under the Main Lease (attached as Exhibit A) including, without limitation, Tenant's Share (as hereinafter defined) of Operating Expenses (as defined in the Lease) and any and all other amounts Sublessor assumes or agrees to pay under the provisions of the Lease, and (ii) any and all other amounts Subtenant assumes or agrees to pay under the provisions of this Sublease, including, without limitation, any and all other sums that may become due by reason of any default of Subtenant or failure to comply with the agreements, terms, covenants and conditions of this Sublease to be performed by Subtenant, after any applicable notice and cure period. Sublessor shall consult with Subtenant about Sublessor's election to pay Tenant's Share of earthquake or flood insurance deductibles in full at the time of the expense or fully amortize with equal monthly payments and Subtenant may timely direct Sublessor to elect one or the other. Sublessor shall provide Subtenant with insurance deductible amounts provided by Overlandlord. When reasonably requested by Subtenant, Sublessor shall use its judgment reasonably exercised, to determine whether to audit the calculation of the Annual Statement as permitted under the Main Lease. In the event that for any particular year, Sublessor audits the calculation of the Annual Statement, Subtenant shall pay all expenses incurred by Sublessor. Subtenant shall keep the results of any audit confidential. "Tenant's Share" shall be [***]. Subtenant shall immediately pay Sublessor Operating Expenses and Taxes (as hereinafter defined) and all other Supplemental Rent within ten (10) business days after written invoice by Sublessor. Sublessor shall deliver to Subtenant the Annual Estimate (as defined in Section 5 of the Lease). During each month of the Term, on the same date that Fixed Rent is due, Subtenant shall pay Sublessor an amount equal to 1/12 of Tenant's Share (as defined in the Lease) of the Annual Estimate on the same date that Fixed Rent is due. Subtenant shall immediately pay Sublessor all expenses incurred by Sublessor for any services provided directly to Sublessor by a third party within ten (10) business days after written invoice and at Sublessor's election, Sublessor may cause Subtenant to contract directly with any such third party service provider and pay such service provider directly. Sublessor shall have the right to demand payment during or after the expiration of the Term of this Sublease or the earlier termination of this Sublease.

11. LATE CHARGES. If payment of any Fixed Rent or Supplemental Rent shall not have been paid by the date on which such amount was due and payable then, in addition to, and without waiving or releasing, any other remedies of Sublessor, a late charge of [***] over the prime rate as announced by Wells Fargo Bank, N.A. per calendar month or any part thereof, or the then maximum lawful interest rate, whichever shall be less, from the date on which such amount was due, on the amount overdue shall be payable on demand by Subtenant to Sublessor as damages for Subtenant's failure to make prompt payment. In default of payment of any late charges, Sublessor shall have (in addition to all other remedies) the same rights as provided in this Sublease (including the provisions incorporated by reference) for nonpayment of Fixed Rent. Nothing in this Section contained and no acceptance of late charges by Sublessor shall be deemed to extend or change the time for payment of Fixed Rent or Supplemental Rent. If any payment due by Subtenant under this Sublease shall not have been paid by the fifth (5th) day of the month in which such payment was due and payable then, in addition to, and without waiving or releasing, any other remedies of Sublessor, a late charge of [***] per calendar month or any part thereof, from the date on which such amount was due, on the amount overdue shall be payable on demand by Subtenant to Sublessor as damages for Subtenant's failure to make prompt payment. Notwithstanding the foregoing, the interest and late charge referenced above shall not be charged with respect to one occurrence (but not any subsequent occurrence) during any twelve-month period that Subtenant fails to make payment when due, until five (5) business days after due date.

12. USE. Subtenant shall use and occupy the Subleased Premises as a medical research and biotechnical research facility, related office and other related uses consistent with the character of the Project and otherwise in compliance with the provisions of the Lease including, without limitation, a cafeteria, gymnasium, locker room and pantry and the use described on Exhibit C attached hereto and for no other purpose subject to Sublessor's consent, not to be unreasonably withheld and further subject to Overlandlord's consent, which can be withheld in Overlandlord's absolute discretion. Subtenant shall comply with the certificate of occupancy relating to the Subleased Premises and with all laws, statutes, ordinances, orders, rules, regulations and requirements of all federal, state and municipal governments and the appropriate agencies, officers, departments, boards and commissions thereof, and the board of fire underwriters and/or the fire insurance rating organization or similar organization performing the same or similar functions, whether now or hereafter in force, applicable to the Subleased Premises.

13. CONDITION OF SUBLEASED PREMISES SPACE "AS IS". Subject to the penultimate sentence of this Paragraph 13, Subtenant represents that Subtenant is hiring the Subleased Premises “as is” and Sublessor shall have no liability in connection with the condition of the Subleased Premises and Subtenant releases Sublessor from any claim in connection with, relating to or resulting from conditions of the Subleased Premises. Subtenant’s Work (as hereinafter defined), designs, installations of equipment and Subtenant’s furniture and personal property are at Subtenant’s sole cost and expense. In making and executing this Sublease, Subtenant has not relied upon or been induced by any statements or representations of any person (other than those, if any, set forth expressly in this Sublease) in respect of the physical condition of the Subleased Premises or of any other matter or thing affecting the Subleased Premises or this transaction which might be pertinent in considering the leasing of the Subleased Premises or the execution of this Sublease. Subtenant has, on the contrary, relied solely on such representations, if any, as are expressly made herein and on such investigations, examinations and inspections as Subtenant has chosen to make or have made. Subtenant acknowledges that Sublessor has afforded Subtenant the opportunity for full and complete investigations, examinations and inspections. Sublessor represents that on July 20, 2009, Sublessor accepted delivery of the Building Shell from Overlandlord and Sublessor has no further right to terminate the Main Lease for failure to deliver the Premises as set forth in Section 3 of the First Amendment. Subtenant acknowledges that Sublessor has accommodated Subtenant by doing work on the Subleased Premises that would expedite Subtenant’s occupancy and, subject to the penultimate sentence of this Section 13, that Sublessor had no obligation to perform such work. Sublessor shall assign the contractor warranties for the Work, to the extent assignable by Sublessor. Upon the substantial completion (which shall be determined in Sublessor’s judgment, reasonably exercised and Overlandlord has accepted) of the work described on Exhibit B and on Schedule 1, but only as to those items designated to be performed by Sublessor or PFE (such work, the “Work”), Sublessor shall have no liability in connection with the Work and Subtenant releases Sublessor from any claim in connection with, relating to or resulting from the Work. Sublessor shall use commercially reasonable efforts to provide permitted revised drawings associated with the Work by November 15, 2009.

14. CONSENTS AND APPROVALS. In any instance when Sublessor's consent or approval, not to be unreasonably withheld, delayed or conditioned, is required under this Sublease, Sublessor's refusal to consent to or approve any matter or thing shall be deemed reasonable if, inter alia, such consent or approval has not been obtained from the Overlandlord under the Main Lease. In the event that Subtenant shall seek the approval by or consent of Sublessor and Sublessor shall fail or refuse to give such consent or approval, Subtenant shall not be entitled to any damages for any withholding or delay of such approval or consent by Sublessor, it being intended that Subtenant's sole remedy shall be an action for injunction or specific performance and that said remedy of an action for injunction or specific performance shall be available only in those cases, where Sublessor shall have expressly agreed in writing not to unreasonably withhold or delay its consent.

15. NOTICES. All notices, consents, approvals, demands and requests which are required or desired to be given by either party to the other hereunder shall be in writing and shall be sent by United States registered or certified mail and deposited in a United States post office, return receipt requested and postage prepaid or by a nationally recognized overnight service. Notices, consents, approvals, demands and requests which are served upon Sublessor or Subtenant in the manner provided herein shall be deemed to have been given or served for all purposes hereunder (i) on the second business day next following the date on which such notice, consent, approval, demand or request shall have been mailed U.S. Mail as aforesaid, or (ii) on the business day next following the date on which such notice, consent, approval, demand or request shall have been sent by nationally recognized overnight service as aforesaid. All notices, consents, approvals, demands and requests given to Subtenant shall be addressed to Subtenant at (i) prior to the Commencement Date, 201 Industrial Road, San Carlos, CA 94070, Attention: General Counsel, and (ii) after the Commencement Date, the Subleased Premises, or at such other place as Subtenant may from time to time designate in a notice given in accordance with the provisions of this Section. All notices, consents, approvals, demands and requests given to Sublessor shall be addressed to Sublessor at Pfizer Inc., Attention: Vice President of Corporate Real Estate, 235 East 42nd Street, New York NY 10017-5755; Pfizer Inc., Attention: William C. Longa, Assistant General Counsel, 25th Floor, Mail Stop 6, 235 East 42nd Street, New York, NY 10017-5755; Morgan, Lewis & Bockius LLP, Attention: John J. Broderick, Esquire, 1701 Market Street, Philadelphia, PA 19103; or at such other place as Sublessor may from time to time designate in a notice given in accordance with the provisions of this Section. All notices to Subtenant related to construction in the Subleased Premises shall also be delivered to Subtenant’s construction representative: Carlin Jensen, 4142 Cranford Circle, San Jose, CA 95124.

16. TERMINATION OF MAIN LEASE. If for any reason the term of the Main Lease shall terminate prior to the expiration date of this Sublease, this Sublease shall thereupon be terminated and Sublessor shall not be liable to Subtenant by reason thereof. If a Default exists under the Lease, Subtenant may terminate this Sublease. In the event that Sublessor terminates or causes the termination of the Lease, provided that Subtenant is allowed to stay in possession of the Subleased Premises under the terms of the Sublease, Sublessor shall have no liability. In the event of a casualty or taking, if Overlandlord or Sublessor terminates the Main Lease, the Sublease shall terminate. In the event of a casualty or taking, if Overlandlord and Sublessor do not terminate the Main Lease, this Sublease shall continue in full force and effect; provided, however, if, in the event of a casualty or taking, the Base Rent and/or Additional Rent or any portion thereof is abated for Sublessor under the Main Lease, Subtenant shall be entitled to a corresponding, proportionate abatement of Fixed Rent and/or Supplemental Rent hereunder. If there is an abatement of Base Rent for Sublessor under the Main Lease as a result of a Service Interruption, Subtenant shall be entitled to a corresponding, proportionate abatement of Fixed Rent hereunder.

17. ASSIGNMENT AND SUBLETTING. Subtenant shall not, by operation of law or otherwise, assign, sell, mortgage, pledge or in any manner transfer this Sublease or any interest therein, or sublet the Subleased Premises or any part or parts thereof, or grant any concession or license or otherwise permit occupancy of all or any part of the Subleased Premises by any person, without the consent of Sublessor which can be withheld, delayed conditioned in its absolute discretion and the landlord under the Main Lease which can be withheld, delayed conditioned in its absolute discretion. Neither the consent of Sublessor and the landlord under the Main Lease to an assignment, subletting, concession, or license, nor the references in this Sublease to assignees, subtenants, concessionaires or licensees, shall in any way be construed to relieve Subtenant of the requirement of obtaining the consent of Sublessor and the landlord under the Main Lease to any further assignment or subletting or to the making of any assignment, subletting, concession or license for all or any part of the Subleased Premises. In the event Sublessor and Overlandlord consent to any assignment of this Sublease, the assignee shall execute and deliver to Sublessor an agreement in form and substance satisfactory to Sublessor and the landlord under the Main Lease in its absolute discretion whereby the assignee shall assume all of Subtenant's obligations under this Sublease. Notwithstanding any assignment or subletting, including, without limitation, any assignment or subletting permitted or consented to, the original Subtenant named herein and any other person(s) who at any time was or were Subtenant shall remain fully liable on this Sublease, and if this Sublease shall be amended, modified, extended or renewed, the original Subtenant named herein and any other person(s) who at any time was or were Subtenant shall remain fully liable on this Sublease as so amended, modified, extended or renewed. Any violation of any provision of this Sublease by any assignee, subtenant or other occupant shall be deemed a violation by the original Subtenant named herein, the then Subtenant and any other person(s) who at any time was or were Subtenant, it being the intention and meaning that the original Subtenant named herein, the then Subtenant and any other person(s) who at any time was or were Subtenant shall all be liable to Sublessor for any and all acts and omissions of any and all assignees, subtenants and other occupants of the Subleased Premises. If this Sublease shall be assigned or if the Subleased Premises or any part thereof shall be sublet or occupied by any person or persons other than the original Subtenant named herein, Sublessor may collect rent from any such assignee and/or any subtenants or occupants, and apply the net amounts collected to the Fixed Rent and Supplemental Rent, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of any of the provisions of this Section, or the acceptance of the assignee, subtenant or occupant as Subtenant, or a release of any person from the further performance by such person of the obligations of Subtenant under this Sublease. Subtenant will pay all of Sublessor’s and Overlandlord’s costs and fees, including Sublessor’s and Overlandlord’s attorney’s fees in connection with any sublease or assignment request of Subtenant or any of Subtenant’s subtenants or assignees or sublease or assignment. In addition, notwithstanding anything to the contrary contained in this Section 17, (i) an assignment of the Sublease to an entity which acquires all or substantially all of the assets or interests (partnership, stock or other) of Tenant, or (ii) an assignment of the Sublease to an entity which is the resulting entity of a merger or consolidation of Subtenant, shall not require Sublessor’s consent (but shall require Overlandlord’s consent) provided that Subtenant notifies Sublessor of any such assignment and promptly supplies Sublessor with any documents or information reasonably requested by Sublessor regarding such assignment or such assignee, and further provided that such assignment is not a subterfuge by Subtenant to avoid its obligations under this Sublease and further provided that the resulting entity has a net worth that shall not be less than the net worth of Subtenant on the date of this Sublease.

18. INSURANCE. Subtenant shall maintain throughout the Term of this Sublease the insurance in respect of the Subleased Premises required under Section 17 (other than the sections deleted in Section 3 hereof) of the Lease, as amended by Section 6 of the Second Amendment, with Sublessor and the Overlandlord under the Main Lease as additional insureds. Subtenant shall deliver to Sublessor and the Overlandlord under the Main Lease fully paid for policies or certificates issued by the carriers or their duly authorized agents (and not by a broker) prior to the Commencement Date. Subtenant shall procure and pay for renewals of such insurance from time to time before the expiration thereof, and Subtenant shall deliver to Sublessor and the landlord under the Main Lease such renewal policies or certificates at least 30 days before the expiration of any existing policy. All such policies shall meet the requirements in the Main Lease and shall be issued by companies of recognized responsibility licensed to do business in the State of California, and all such policies shall contain a provision whereby the same cannot be cancelled or modified unless Sublessor and the landlord under the Main Lease are given at least 30 days' prior written notice by certified or registered mail of such cancellation or modification. Subtenant may not self-insure or obtain a “blanket policy”. Subtenant shall also reimburse Sublessor for any increased premiums or additional insurance which Sublessor reasonably deems necessary as a result of Subtenant’s use of the Sublease Premises.

19. ESTOPPEL CERTIFICATES. Subtenant shall, within five (5) business days after each and every written request by Sublessor, execute, acknowledge and deliver to Sublessor a statement in writing executed and acknowledged by Subtenant containing all of the information set forth in Section 23 of the Lease. Any such statement delivered pursuant to this Section may be relied upon by any prospective assignee or transferee of the leasehold estate under the Main Lease.

20. ALTERATIONS. Subtenant shall not make or cause, suffer or permit the making of any alteration, addition, change, replacement, installation or addition in or to the Subleased Premises without obtaining the prior consent of Sublessor which shall not be unreasonably withheld, delayed or conditioned and the consent of Overlandlord; provided, however, in the event that Overlandlord consents to any of the above, Sublessor's consent is not required, provided further that in the event that Overlandlord withholds its consent to any of the above, Sublessor shall not be required to consent. Subtenant shall have the same rights as Sublessor to make Notice-Only Alterations (as defined in the Lease) provided that Subtenant complies with any and all provisions of the Lease (including all of Tenant's applicable duties, liabilities and obligations) with respect to such Notice-Only Alterations.

21. RIGHT TO CURE SUBTENANT'S DEFAULTS. If Subtenant shall at any time fail to make any payment or perform any other obligation of Subtenant hereunder, then Sublessor shall have the right, but not the obligation, after three (3) business days' notice to Subtenant, or without notice to Subtenant in the case of any emergency, and without waiving or releasing Subtenant from any obligations of Subtenant hereunder, to make such payment or perform such other obligation of Subtenant in such manner and to such extent as Sublessor shall reasonably deem necessary, and in exercising any such right, to pay any incidental costs and expenses, employ attorneys, and incur and pay reasonable attorneys' fees. Subtenant shall pay to Sublessor within ten (10) business days after demand all sums so paid by Sublessor and all reasonable incidental costs and expenses of Sublessor in connection therewith, together with interest thereon at the rate of [***] per calendar month or any part thereof or the then maximum lawful interest rate, whichever shall be less, from the date of the making of such expenditures.

22. SECURITY. Subtenant shall deposit with Sublessor on the signing of this Sublease the sum of [***] as security for the faithful performance and observance by Subtenant of the terms, conditions and provisions of this Sublease (the "**Security Deposit**"). It is agreed that in the event Subtenant defaults in respect of any of the terms, provisions and conditions of this Sublease, including, but not limited to, the payment of Fixed Rent and Supplemental Rent, Sublessor may apply or retain the whole or any part of the Security Deposit so deposited and any interest accrued thereto to the extent required for the payment of any Fixed Rent and Supplemental Rent or any other sum as to which Subtenant is in default or for any sum which Sublessor may expend or may be required to expend by reason of Subtenant's default in respect of any of the terms, covenants and conditions of this Sublease, including but not limited to, any damages or deficiency in the reletting of the Subleased Premises, whether such damages or deficiency accrue or accrues before or after summary proceedings or other reentry by Sublessor. If Sublessor applies or retains any part of the Security Deposit so deposited, Subtenant, within ten (10) business days of demand, shall deposit with Sublessor the amount so applied or retained so that Sublessor shall have the full Security Deposit on hand at all times during the Term, if any. If Subtenant shall fully and faithfully comply with all of the terms, provisions, covenants and conditions of this Sublease, the Security Deposit shall be returned to Subtenant within thirty (30) days after the expiration of the Term. Subtenant further covenants that it will not assign or encumber or attempt to assign or encumber the Security Deposit and/or other sums deposited and that neither Sublessor nor its successors or assigns shall be bound by any such assignment, encumbrance, attempted assignment or attempted encumbrance.

23. BROKERAGE. Subtenant represents and warrants to Sublessor that it has dealt directly with GVA Kidder Matthews in negotiating and making of this Sublease, and that no other broker other than GVA Kidder Matthews has a claim as a result of any relationship with Subtenant on any consideration in connection with entering into this Sublease, and Subtenant agrees to indemnify and hold Sublessor harmless from any claim or claims, as well as costs and expenses including attorneys' fees incurred by Sublessor in conjunction with any claim or claims, of any other broker or brokers claiming to have interested Subtenant in the Building(s) or Subleased Premises or claiming to have caused Subtenant to enter into this Sublease or claiming to have had dealings with the Subtenant. Sublessor shall be responsible for paying a broker commission, if any, to GVA Kidder Matthews and Jones Lang LaSalle pursuant to a separate written agreement. Sublessor represents and warrants to Subtenant that it has dealt directly with Jones Lang LaSalle in negotiating and making of this Sublease, and that no other broker other than Jones Lang LaSalle has a claim as a result of any relationship with Sublessor on any consideration in connection with entering into this Sublease, and Sublessor agrees to indemnify and hold Subtenant harmless from any claim or claims, as well as costs and expenses including attorneys' fees incurred by Subtenant in conjunction with any claim or claims, of any other broker or brokers with respect to this Sublease or the Subleased Premises or claiming to have caused Sublessor to enter into this Sublease or claiming to have had dealings with the Sublessor.

24. WAIVER OF JURY TRIAL AND RIGHT TO COUNTERCLAIM. Each of Sublessor and Subtenant hereby waives for itself all right to trial by jury in any summary or other action, proceeding or counterclaim arising out of or in any way connected with this Sublease, the relationship of Sublessor and Subtenant, the Subleased Premises and the use and occupancy thereof, and any claim of injury or damages. Subtenant also hereby waives all right to assert or interpose a counterclaim in any summary proceeding or other action or proceeding to recover or obtain possession of the Subleased Premises; provided, however, nothing herein shall preclude or prevent Subtenant from bringing a separate legal or equitable action against Sublessor.

25. NO WAIVER. The failure of each party hereto to insist in any one or more cases upon the strict performance or observance of any obligation of the other party hereto hereunder or to exercise any right or option contained herein shall not be construed as a waiver or relinquishment for the future of any such obligation of the non-waiving party or any right or option of the waiving party. Sublessor's receipt and acceptance of Fixed Rent or Supplemental Rent, or Sublessor's acceptance of performance of any other obligation by Subtenant, with knowledge of Subtenant's breach of any provision of this Sublease, shall not be deemed a waiver of such breach. No waiver by either party hereto of any term, covenant or condition of this Sublease shall be deemed to have been made unless expressed in writing and signed by the waiving party.

26. COMPLETE AGREEMENT. There are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of this Sublease which are not fully expressed in this Sublease. This Sublease cannot be changed or terminated orally or in any manner other than by a written agreement executed by both parties.

27. SUCCESSORS AND ASSIGNS. The provisions of this Sublease, except as herein otherwise specifically provided, shall extend to, bind and inure to the benefit of the parties hereto and their respective personal representatives, heirs, successors and permitted assigns. In the event of any assignment or transfer of the leasehold estate under the Main Lease, the transferor or assignor, as the case may be, shall be and hereby is entirely relieved and freed of all obligations under this Sublease.

28. INTERPRETATION. Irrespective of the place of execution or performance, this Sublease shall be governed by and construed in accordance with the laws of the State of California. If any provision of this Sublease or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, the remainder of this Sublease and the application of that provision to other persons or circumstances shall not be affected but rather shall be enforced to the extent permitted by law. The table of contents, captions, headings and titles, if any, in this Sublease are solely for convenience of reference and shall not affect its interpretation. This Sublease shall be construed without regard to any presumption or other rule requiring construction against the party causing this Sublease to be drafted. If any words or phrases in this Sublease shall have been stricken out or otherwise eliminated, whether or not any other words or phrases have been added, this Sublease shall be construed as if the words or phrases so stricken out or otherwise eliminated were never included in this Sublease and no implication or inference shall be drawn from the fact that said words or phrases were so stricken out or otherwise eliminated. Each covenant, agreement, obligation or other provision of this Sublease shall be deemed and construed as a separate and independent covenant of the party bound by, undertaking or making same, not dependent on any other provision of this Sublease unless otherwise expressly provided. All terms and words used in this Sublease, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require. The word "person" as used in this Sublease shall mean a natural person or persons, a partnership, a corporation or any other form of business or legal association or entity.

29. CONSENT OF LANDLORD UNDER MAIN LEASE. This Sublease shall have no effect until the Overlandlord's Consent has been obtained. Sublessor shall use commercially reasonable efforts to obtain the Overlandlord's consent. If Overlandlord under the Main Lease does not give its consent to this Sublease for any reason whatsoever within 45 days after the date hereof, (a) Sublessor shall not be obligated to take any action to obtain such consent, (b) this Sublease shall be deemed null and void and of no effect, and (c) if Subtenant is then in possession of all or any part of the Subleased Premises, Subtenant shall immediately quit and surrender to Sublessor the Subleased Premises, shall remove all of its property and repair all damage caused by such removal and restore the Subleased Premises to the condition in which they were prior to the installation of the items so removed.

30. NO THIRD PARTY BENEFICIARIES. No third parties may rely on the terms and conditions of this Sublease.

31. LIABILITY LIMITED. In no event shall the stockholders, partners, directors, officers, agents or employees of Sublessor or Subtenant (either individually or severally) be personally liable for any such judgment. Furthermore, in no event shall Subtenant be entitled to an award of incidental, consequential, indirect, special or punitive damages arising out of any breach by Sublessor.

32. PARKING. Subtenant shall have the right (but not the obligation) to sublease parking spaces for non-reserved parking designated by Overlandlord on land adjacent to or nearby the Project, subject to Overlandlord's rules and regulations at a ratio of [***] of the Subleased Premises by paying parking fees of [***] per month, on or before the first day of every month, in advance, provided that commencing on the first anniversary of the Commencement Date of the Main Lease and on each anniversary thereafter, such parking fees shall be increased by amount that is the product of [***] and the parking fees of the previous year. Subtenant shall notify Sublessor of the number of parking spaces it wishes to sublease thirty (30) days before the Commencement Date and thirty (30) days before each anniversary of the Commencement Date. Subtenant shall not be obligated to sublease more parking spaces than the number provided for in such notice.

33. ALLOWANCE. To the actual knowledge of Sublessor, without representation or warranty, as of the date hereof, the amount of money that Overlandlord is currently committed to apply to Tenant Improvements in the Subleased Premises is $[***] (the "**Allowance**"). Subtenant acknowledges that depending upon options exercisable by Subtenant, the Allowance may ultimately be zero. Sublessor shall not request disbursements from the Allowance in excess of the amounts set forth on Exhibit B with respect to work to be performed by Sublessor; Sublessor to confirm by notice to Overlandlord and Subtenant when it has made its last disbursement request from the Allowance.

34. SUBTENANT'S OBLIGATION. Subtenant shall be solely responsible for ensuring that the Subleased Premises design and specifications are consistent with Subtenant's requirements.

35. EARLY ACCESS. Subject to the next sentence of this Paragraph 35 and to all the provisions of the Lease, Subtenant shall have the same rights under this Sublease as Sublessor has under the Lease to access the Subleased Premises following the Commencement Date. Subtenant may have access to the Subleased Premises for constructing, designing and installing Subtenant's Work with the consent of Overlandlord; provided, however, Sublessor shall have complete control of and access to the Subleased Premises during the time that Sublessor is doing any work in the Subleased Premises but provided further that Subtenant shall have reasonable access upon written request provided that Subtenant shall have such access at its own risk, shall not interfere with Sublessor and shall provide evidence reasonably satisfactory to Sublessor demonstrating that any insurance reasonably required by Sublessor in connection with such access (including, but not limited to, any insurance that Sublessor may require under this Sublease) be in full force and effect.

36. SIGNAGE. Subtenant shall have the use of signage rights granted to Sublessor pursuant to Section 38 of the Lease; provided, however, that Subtenant complies with all of the applicable provisions of the Lease (including all of Sublessor's applicable duties, liabilities and obligations) with respect to such rights.

37. SURRENDER. Subtenant shall surrender the Subleased Premises at the end of the Term in good operating conditions and repair, normal wear and tear excepted. In the event that Overlandlord requires removal and/or restoration of any improvements, alterations or work performed by or for Subtenant and any work set forth on Exhibit B (collectively, "**Subtenant's Work**") or any improvements, alterations, modifications, installations performed by or for Sublessor, affected in any manner by Subtenant's Work, any removal and/or restoration shall be Subtenant's exclusive responsibility at its sole cost and expense.

To the extent that Overlandlord's consent to any improvements, alterations, installations or modifications are conditioned on any restoration obligations, then Sublessor shall have the absolute right to withhold its consent to any such improvement, alteration, installation or modification until such time as provisions satisfactory to Sublessor in its sole discretion for such restoration obligations are made and Overlandlord agrees to relieve Sublessor of any liability whatsoever for such restoration obligations.

38. HOLDING OVER. If Subtenant retains possession of the Subleased Premises after the termination of this Sublease by expiration of the Term or otherwise, (i) all of the other terms and provisions of this Sublease shall remain in full force and effect during such holdover period, (ii) Subtenant shall continue to pay Fixed Rent and Supplemental Rent in the amount payable upon the date of the expiration or earlier termination of this Sublease or such other amount as Sublessor may indicate, in Sublessor's sole and absolute discretion, and (iii) all other payments shall continue under the terms of this Sublease. Notwithstanding anything here to the contrary, if Subtenant remains in possession of the Subleased Premises after the expiration or earlier termination of the Term without the express written consent of Sublessor, (A) Subtenant shall become a tenant at sufferance upon the terms of this Sublease except that the monthly rental shall be equal to [***]% of the sum of Fixed Rent and Supplemental Rent in effect during the last 30 days of the Term, and (B) Subtenant shall be responsible for all damages suffered by Sublessor resulting from or occasioned by Subtenant's holding over, including consequential damages. No holding over by Subtenant, whether with or without consent of Sublessor, shall operate to extend this Sublease except as otherwise expressly provided, and this Section 38 shall not be construed as consent for Subtenant to retain possession of the Subleased Premises. Acceptance by Sublessor of Fixed Rent and/or Supplemental Rent after the expiration of the Term or earlier termination of this Sublease shall not result in a renewal or reinstatement of this Sublease.

39. SUBTENANT IMPROVEMENTS. Subject to the penultimate sentence of Paragraph 13, Subtenant shall be responsible for all Subtenant's Work and Sublessor shall not be responsible for any improvements not performed by or for Sublessor. Sublessor shall have no liability in connection with Subtenant's Work and Subtenant releases Sublessor from any claim in connection with, relating to or resulting from the Subtenant's Work. Sublessor recognizes that Subtenant will be working directly with Overlandlord with regard to the construction of such improvements and to the extent that Overlandlord has approved such improvements, Sublessor shall have no right to object to same.

40. CONSENTS. If the consents of Sublessor or Overlandlord are not qualified herein, any such consent can be withheld, delayed or conditioned in the reasonable discretion of the consenter unless otherwise provided in the Main Lease with respect to Overlandlord.

41. RELETTING. Subject to compliance with applicable laws, any reletting of the Subleased Premises or any portion thereof shall be on such terms and conditions as Sublessor in its sole discretion may determine. Sublessor shall not be liable for, nor shall Subtenant's obligations hereunder be diminished because of, Sublessor's failure to relet the Subleased Premises or collect rent due in respect of such reletting or otherwise to mitigate any damages arising by reason of Subtenant's default.

42. SUBORDINATION. This Sublease and Subtenant's interest and rights hereunder are hereby made and shall be subject and subordinate at all times to the lien of any Mortgage (as hereinafter defined) now existing or hereafter created on or against the Project or the Subleased Premises, and all amendments, restatements, renewals, modifications, consolidations, refinancing, assignments and extensions thereof, without the necessity of any further instrument or act on the part of Subtenant. Subtenant agrees, at the election of the Holder (as hereinafter defined) of any such Mortgage, to attorn to any such Holder. Subtenant agrees upon demand to execute, acknowledge and deliver such instruments, confirming such subordination, and such instruments of attornment as shall be requested by any such Holder. Notwithstanding the foregoing, any such Holder may at any time subordinate its Mortgage to this Sublease, without Subtenant's consent, by notice in writing to Subtenant, and thereupon this Sublease shall be deemed prior to such Mortgage without regard to their respective dates of execution, delivery or recording and in that event such Holder shall have the same rights with respect to this Sublease as though this Sublease had been executed prior to the execution, delivery and recording of such Mortgage and had been assigned to such Holder. The term "Mortgage" whenever used in this Sublease shall be deemed to include deeds of trust, security assignments and any other encumbrances, and any reference to the "Holder" of a Mortgage shall be deemed to include the beneficiary under a deed of trust.

43. TAXES. Included in Operating Expenses shall be all taxes, levies, fees, community facilities district fees and/or bonds, assessments and governmental charges of any kind, existing as of the Commencement Date or thereafter enacted (collectively referred to as "**Taxes**") imposed by any federal, state, regional, municipal, local or other governmental authority or agency, including, without limitation, quasi-public agencies (collectively, "**Governmental Authority**") during the Term, including, without limitation, all Taxes: (i) imposed on or measured by or based, in whole or in part, on rent payable to (or gross receipts received by) Sublessor under this Sublease and/or from the rental by Sublessor of the Project or any portion thereof, or (ii) based on the square footage, assessed value or other measure or evaluation of any kind of the Subleased Premises or the Project, or (iii) assessed or imposed by or on the operation or maintenance of any portion of the Subleased Premises or the Project, including parking, or (iv) assessed or imposed by, or at the direction of, or resulting from legal requirements or interpretations thereof, promulgated by, any Governmental Authority, or (v) imposed as a license or other fee, charge, tax, or assessment on Sublessor's business or occupation of leasing space in the Project. Sublessor may contest by appropriate legal proceedings the amount, validity, or application of any Taxes or liens securing Taxes. Taxes shall not include any net income taxes imposed on Sublessor except to the extent such net income taxes are in substitution for any Taxes payable hereunder. If any such Tax is levied or assessed directly against Subtenant, then Subtenant shall be responsible for and shall pay the same at such times and in such manner as the taxing authority shall require. Subtenant shall pay, prior to delinquency, any and all Taxes levied or assessed against any personal property or trade fixtures placed by Subtenant in the Subleased Premises, whether levied or assessed against Sublessor or Subtenant. If any Taxes on Subtenant's personal property or trade fixtures are levied against Sublessor or Sublessor's property, or if the assessed valuation of the Project is increased by a value attributable to improvements in or alterations to the Subleased Premises, whether owned by Sublessor or Subtenant and whether or not affixed to the real property so as to become a part thereof, higher than the base valuation on which Overlandlord from time-to-time allocates Taxes to all tenants in the Project, Sublessor shall have the right, but not the obligation, to pay such Taxes. Sublessor's reasonable determination of any excess assessed valuation shall be binding and conclusive, absent manifest error. The amount of any such payment by Sublessor shall constitute Supplemental Rent due from Subtenant to Sublessor immediately upon demand.

44. EVENTS OF DEFAULT. Each of the following events shall be a default ("**Default**") by Subtenant under this Sublease:

(a.) Payment Defaults. Subtenant shall fail to pay any installment of Fixed Rent, Supplemental Rent hereunder when due or any other payment hereunder within five (5) days of being due.

(b.) Insurance. Any insurance required to be maintained by Subtenant pursuant to this Sublease shall be canceled or terminated or shall expire or shall be reduced or materially changed, or Sublessor shall receive a notice of nonrenewal of any such insurance and Subtenant shall fail to obtain replacement insurance at least 20 days before the expiration of the current coverage.

(c.) Abandonment. Subtenant shall abandon the Subleased Premises; provided, however, that Tenant's mere vacation of the Subleased Premises shall not be deemed to be an "abandonment" of the Subleased Premises provided Subtenant satisfies all of its obligations under this Sublease.

(d.) Improper Transfer. Subtenant shall assign, sublease or otherwise transfer or attempt to transfer all or any portion of Subtenant's interest in this Sublease or the Subleased Premises except as expressly permitted herein, or Subtenant's interest in this Sublease shall be attached, executed upon, or otherwise judicially seized and such action is not released within 90 days of the action.

(e.) Liens. Subtenant shall fail to discharge or otherwise obtain the release of any lien placed upon the Subleased Premises in violation of this Sublease within 10 days after any such lien is filed against the Subleased Premises.

(f.) Insolvency Events. Subtenant or any guarantor or surety of Subtenant's obligations hereunder shall: (A) make a general assignment for the benefit of creditors; (B) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property (collectively a "**Proceeding for Relief**"); (C) become the subject of any Proceeding for Relief which is not dismissed within 90 days of its filing or entry; or (D) die or suffer a legal disability (if Subtenant, guarantor, or surety is an individual) or be dissolved or otherwise fail to maintain its legal existence (if Subtenant, guarantor or surety is a corporation, partnership or other entity).

(g.) Estoppel Certificate or Subordination Agreement. Subtenant fails to execute any estoppel certificate or subordination agreement as required hereunder.

(h.) Other Defaults. Subtenant shall fail to comply with any provision of this Sublease other than those specifically referred to in this Section 44, and, except as otherwise expressly provided herein, such failure shall continue for a period of ten (10) business days after written notice thereof from Sublessor to Subtenant.

45. ACKNOWLEDGEMENT. Subtenant acknowledges having been advised by Sublessor that Overlandlord intends to subdivide the legal parcel on which the Building is to be located and in connection therewith the legal description of the Project will be amended to reflect the legal parcel on which the Building is located. Under the Main Lease, Sublessor is not responsible for any expenses incurred by Overlandlord in connection with this subdivision and Subtenant shall not be responsible for any expenses incurred by Overlandlord in connection with this subdivision.

46. ENVIRONMENTAL SURRENDER. Upon the expiration of the Term or earlier termination of Subtenant's right of possession, Subtenant shall surrender the Subleased Premises to Sublessor in the same condition as received, subject to any alterations or installations permitted by Sublessor to remain in the Subleased Premises. Subtenant shall remove all Hazardous Materials (as hereinafter defined) brought upon, kept, used, stored, handled, treated, generated in, or released or disposed of from, the Subleased Premises during the Term by any person other than Sublessor or Overlandlord (collectively, "**Subtenant HazMat Operations**") consistent with prudent commercial practices and such that no Hazardous Materials remain at the Subleased Premises in violation of Environmental Requirements and the continued presence of Hazardous Materials are not in excess of industry standards for the occupancy and re-use of the Subleased Premises for research and scientific purposes by a subsequent tenant or other occupant of the Subleased Premises. Subtenant shall also obtain the release of all Hazardous Materials permits and authorizations issued pursuant to Environmental Requirements so the Subleased Premises are released for unrestricted use and occupancy. The Subleased Premises shall be broom clean, ordinary wear and tear excepted. At least 3 months prior to Subtenant's surrender of the Subleased Premises, Subtenant shall deliver to Sublessor a plan detailing the steps Subtenant shall undertake to deliver the Subleased Premises such that any Hazardous Materials brought upon, kept, used, stored, handled, treated, generated in, or released or disposed of from the Subleased Premises during the Term by any person other than Sublessor [or Overlandlord] are removed from the Subleased Premises consistent with prudent commercial practices and such that no Hazardous Materials remain at the Subleased Premises in violation of Environmental Requirements and the continued presence of Hazardous Materials are not in excess of industry standards for the occupancy and re-use of the Subleased Premises for research and scientific purposes by a subsequent tenant or other occupant of the Subleased Premises (the "**Surrender Plan**"). Such Surrender Plan shall be accompanied by a current listing of (i) all Hazardous Materials licenses and permits held by or on behalf of Subtenant with respect to the Subleased Premises, and (ii) all Hazardous Materials used, stored, handled, treated, generated, released or disposed of from the Subleased Premises, and shall be subject to the review and approval of Sublessor's and Overlandlord's environmental consultant. Sublessor agrees to conduct its review of the Surrender Plan within a reasonable period of time considering Subtenant's anticipated surrender date. In connection with the review and approval of the Surrender Plan, upon the request of Sublessor or Overlandlord, Subtenant shall deliver to Sublessor or its consultant such additional non-proprietary information concerning Subtenant HazMat Operations as Sublessor and Overlandlord shall request. On or before such surrender, Subtenant shall deliver to Sublessor and Overlandlord a Detailed Divestiture Environmental Assessment ("**DDESA**") consistent with a form provided by Sublessor at its option, evidencing that the approved Surrender Plan shall have been satisfactorily completed and Sublessor and Overlandlord shall have the right to cause Overlandlord's and/or Sublessor's environmental consultant to inspect the Subleased Premises and perform such additional procedures as may be deemed reasonably necessary to confirm that, as of the effective date of such surrender or early termination of the Sublease, the Surrender Plan has been satisfactorily completed and Subtenant has removed all Hazardous Materials brought upon, kept, used, stored, handled, treated, generated in, or released or disposed of at, on, under or from the Subleased Premises during the Term by any person other than Sublessor consistent with prudent commercial practices and such that no Hazardous Materials remain at the Subleased Premises in violation of Environmental Requirements and the continued presence of Hazardous Materials are not in excess of industry standards for the occupancy and re-use of the Subleased Premises for research and scientific purposes by a subsequent tenant or other occupant of the Subleased Premises. Sublessor shall have the unrestricted right to deliver such Surrender Plan and any report by Overlandlord's or Sublessor's environmental consultant with respect to the surrender of the Subleased Premises to third parties.

*****Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2**

If Subtenant shall fail to prepare or submit a Surrender Plan approved by Sublessor and Overlandlord, or if Subtenant shall fail to complete the approved Surrender Plan, or if such Surrender Plan, whether or not approved by Sublessor or Overlandlord, shall fail to adequately address any Hazardous Materials remaining at the Subleased Premises in violation of Environmental Requirements or not consistent with prudent commercial practices such that the continued presence of Hazardous Materials are in excess of industry standards for the occupancy and re-use of the Subleased Premises for research and scientific purposes by a subsequent tenant or other occupant of the Subleased Premises, Sublessor or Overlandlord shall have the right, after reasonable written notice to Subtenant and opportunity to cure, to take such actions as Sublessor or Overlandlord, as the case may be, may deem reasonable or appropriate to assure that no Hazardous Materials remain at the Subleased Premises in violation of Environmental Requirements or contrary to prudent commercial practices and the continued presence of Hazardous Materials are not in excess of industry standards for the occupancy and re-use of the Subleased Premises for research and scientific purposes by a subsequent tenant or other occupant of the Subleased Premises, the cost of which actions shall be reimbursed by Subtenant as Supplemental Rent, without regard to the limitation set forth in the first paragraph of this Section 46.

Subtenant shall immediately return to Sublessor all keys and/or access cards to parking, the Project, restrooms or all or any portion of the Subleased Premises furnished to or otherwise procured by Subtenant. If any such access card or key is lost, Subtenant shall pay to Sublessor, at Sublessor's election, either the cost of replacing such lost access card or key or the cost of reprogramming the access security system in which such access card was used or changing the lock or locks opened by such lost key. Any Subtenant's property, alterations, installations and property not so removed by Subtenant as permitted or required herein shall be deemed abandoned and may be stored, removed, and disposed of by Sublessor at Subtenant's expense, and Subtenant waives all claims against Sublessor for any damages resulting from Sublessor's retention and/or disposition of such property. All obligations of Subtenant hereunder not fully performed as of the termination of the Term, including the obligations of Subtenant under Section 47 hereof, shall survive the expiration or earlier termination of the Term, including, without limitation, indemnity obligations, payment obligations with respect to Rent and obligations concerning the condition and repair of the Subleased Premises.

47. ENVIRONMENTAL REQUIREMENTS.

(a.) **Prohibition/Compliance/Indemnity**. Subtenant shall not cause or permit any Hazardous Materials (as hereinafter defined) to be brought upon, kept, used, stored, handled, treated, generated in or about, or released or disposed of from, the Subleased Premises or the Project in violation of applicable Environmental Requirements (as hereinafter defined) by Subtenant or any of Subtenant's agents, servants, employees, invitees and contractors (collectively, "Subtenant Party"). If Subtenant breaches the obligation stated in the preceding sentence, or if the presence of Hazardous Materials in the Subleased Premises during the Term or any holding over results in contamination of the Subleased Premises, the Project or any adjacent property or if contamination of the Subleased Premises, the Project or any adjacent property by Hazardous Materials brought into, kept, used, stored, handled, treated, generated in or about, or released or disposed of from, the Subleased Premises by anyone other than Sublessor or Overlandlord otherwise occurs during the Term or any holding over, Subtenant hereby indemnifies and shall defend and hold Sublessor, its officers, directors, employees, agents and contractors harmless from any and all actions (including, without limitation, remedial or enforcement actions of any kind, administrative or judicial proceedings, and orders or judgments arising out of or resulting therefrom), costs, claims, damages (including, without limitation, punitive damages and damages based upon diminution in value of the Subleased Premises or the Project, or the loss of, or restriction on, use of the Subleased Premises or any portion of the Project), expenses (including, without limitation, attorneys', consultants' and experts' fees, court costs and amounts paid in settlement of any claims or actions), fines, forfeitures or other civil, administrative or criminal penalties, injunctive or other relief (whether or not based upon personal injury, property damage, or contamination of, or adverse effects upon, the environment, water tables or natural resources), liabilities or losses (collectively, "**Environmental Claims**") which arise during or after the Term as a result of such contamination. This indemnification of Sublessor by Subtenant includes, without limitation, costs incurred in connection with any investigation of site conditions or any cleanup, treatment, remedial, removal, or restoration work required by any federal, state or local Governmental Authority because of Hazardous Materials present in the air, soil or ground water above, on, or under the Subleased Premises. Without limiting the foregoing, if the presence of any Hazardous Materials on the Subleased Premises, the Project or any adjacent property caused or permitted by Subtenant or any Subtenant Party results in any contamination of the Subleased Premises, the Project or any adjacent property, Subtenant shall promptly take all actions at its sole expense and in accordance with applicable Environmental Requirements as are necessary to return the Subleased Premises, the Project or any adjacent property to the condition existing prior to the time of such contamination, provided that Sublessor's approval of such action shall first be obtained, which approval shall not unreasonably be withheld so long as such actions would not potentially have any material adverse long-term or short-term effect on the Subleased Premises or the Project. Notwithstanding anything to the contrary in this Section 47(a), Subtenant shall not be required to indemnify Sublessor for any Environmental Claims arising out of any releases of Hazardous Materials that Subtenant proves occurred prior to the Commencement Date and were not caused, contributed to or exacerbated by any act or omission of Subtenant or any Subtenant Party.

(b.) **Business**. Sublessor acknowledges that it is not the intent of this Section 47 to prohibit Subtenant from using the Subleased Premises for the Permitted Use. Subtenant may operate its business according to prudent industry practices so long as the use or presence of Hazardous Materials is strictly and properly monitored according to all then applicable Environmental Requirements. As a material inducement to Sublessor to allow Subtenant to use Hazardous Materials in connection with its business, Subtenant agrees to deliver to Sublessor prior to the Commencement Date a list identifying each type of Hazardous Materials to be brought upon, kept, used, stored, handled, treated, generated on, or released or disposed of from, the Subleased Premises and setting forth any and all governmental approvals or permits required in connection with the presence, use, storage, handling, treatment, generation, release or disposal of such Hazardous Materials on or from the Subleased Premises ("**Hazardous Materials List**"). Subtenant shall deliver to Sublessor an updated Hazardous Materials List annually on the anniversary of the Commencement Date. Subtenant shall deliver to Sublessor true and correct copies of the following documents (the "**Haz Mat Documents**") promptly upon the receipt or submission thereof by Subtenant: notices of actual or alleged violations of or potential responsibility under any Environmental Requirements with respect to the Subleased Premises; any Environmental Claims; correspondence received or submitted by the Subtenant relating to any actual or alleged spills, releases or threatened of Hazardous Materials on, under, to or from the Subleased Premises and any associated or required response or remedial actions; plans relating to the installation of any storage tanks to be installed in or under the Project (provided, said installation of tanks shall only be permitted after Sublessor has given Subtenant its written consent to do so, which consent may be withheld in Sublessor's sole and absolute discretion); all closure plans or any other documents required by any and all federal, state and local Governmental Authorities for any storage tanks installed in, on or under the Project for the closure of any such tanks; and a Surrender Plan (to the extent surrender in accordance with Section 47 cannot be accomplished in 3 months). Subtenant is not required, however, to provide Sublessor with any portion(s) of the Haz Mat Documents containing information of a proprietary nature which, in and of themselves, do not contain a reference to any Hazardous Materials or hazardous activities. It is not the intent of this Section to provide Sublessor with information which could be detrimental to Subtenant's business should such information become possessed by Subtenant's competitors.

(c.) **Subtenant Representation and Warranty**. Subtenant hereby represents and warrants to Sublessor that Subtenant is not subject to any enforcement order issued by any Governmental Authority in connection with the use, storage, handling, treatment, generation, release or disposal of Hazardous Materials (including, without limitation, any order related to the failure to make a required reporting to any Governmental Authority). If Sublessor determines that this representation and warranty was not true as of the date of this Sublease, Sublessor shall have the right to terminate this Sublease in Sublessor's sole and absolute discretion.

(d.) **Testing**. Sublessor shall have the right to conduct annual tests of the Subleased Premises to determine whether any contamination of the Subleased Premises or the Project has occurred as a result of Subtenant's use unless (i) Overlandlord has conducted testing during the subject year, the scope and results of which are reasonably satisfactory to Sublessor; and (ii) Overlandlord has provided copies of the test results and other associated documentation and data to Sublessor. In connection with such testing, upon the request of Sublessor, Subtenant shall deliver to Sublessor or its consultant such non-proprietary information concerning the use of Hazardous Materials in or about the Subleased Premises by Subtenant or any Subtenant Party. If contamination has occurred for which Subtenant is liable under this Section 47, Subtenant shall pay all costs to conduct such tests. If no such contamination is found, Sublessor shall pay the costs of such tests (which shall not constitute an Operating Expense). Sublessor shall provide Subtenant with a copy of all third party, non-confidential reports and tests of the Subleased Premises made by or on behalf of Sublessor or received from Overlandlord during the Term without representation or warranty and subject to a confidentiality agreement. Subtenant shall, at its sole cost and expense, promptly and satisfactorily remediate any environmental conditions identified by such testing in accordance with all Environmental Requirements other than any such environmental conditions that Subtenant proves existed prior to the Commencement Date. Subtenant shall be entitled to conduct its own tests of the Subleased Premises and the Project using third party contactors to refute any finding made by the Sublessor or Overlandlord that attributes releases of Hazardous Materials to the Subtenant. Sublessor's receipt of or satisfaction with any environmental assessment in no way waives any rights which Sublessor may have against Subtenant. Subtenant shall provide access to Overlandlord to the Subleased Premises and the Project to enable Overlandlord to carry out its rights and obligations under the Main Lease, including but not limited to, its rights to conduct testing pursuant to Section 30 of the Main Lease.

(e.) **Control Areas**. Subtenant shall be allowed to utilize up to its pro rata share of the Hazardous Materials inventory within any control area or zone (located within the Subleased Premises), as designated by the applicable building code, for chemical use or storage. As used in the preceding sentence, Subtenant's pro rata share of any control areas or zones located within the Subleased Premises shall be determined based on the rentable square footage that Subtenant leases within the applicable control area or zone. For purposes of example only, if a control area or zone contains 10,000 rentable square feet and 2,000 rentable square feet of a Subtenant's premises are located within such control area or zone (while such premises as a whole contains 5,000 rentable square feet), the applicable Subtenant's pro rata share of such control area would be 20%.

(f.) **Underground Tanks**. If underground or other storage tanks storing Hazardous Materials located on the Subleased Premises or the Project are used by Subtenant or are hereafter placed on the Subleased Premises or the Project by Subtenant, Subtenant shall install, use, monitor, operate, maintain, upgrade and manage such storage tanks, maintain appropriate records, obtain and maintain appropriate insurance, implement reporting procedures, properly close any underground storage tanks, and take or cause to be taken all other actions necessary or required under applicable state and federal Legal Requirements, as such now exists or may hereafter be adopted or amended in connection with the installation, use, maintenance, management, operation, upgrading and closure of such storage tanks.

(g.) **Subtenant’s Obligations**. Subtenant’s obligations under this Section 47 shall survive the expiration or earlier termination of this Sublease. During any period of time after the expiration or earlier termination of this Sublease required by Subtenant or Sublessor to complete the removal from the Subleased Premises of any Hazardous Materials (including, without limitation, the release and termination of any licenses or permits restricting the use of the Subleased Premises and the completion of the approved Surrender Plan), Subtenant shall continue to pay the full Fixed Rent and Supplemental Rent in accordance with this Sublease for any portion of the Subleased Premises not relet by Sublessor in Sublessor’s sole discretion, which Fixed Rent and Supplemental Rent shall be prorated daily.

(h.) **Definitions**. As used herein, the term "**Environmental Requirements**" means all applicable present and future statutes, regulations, ordinances, rules, codes, judgments, orders or other similar enactments of any Governmental Authority regulating or relating to health, safety, or environmental conditions on, under, or about the Subleased Premises or the Project, or the environment, including without limitation, the following: the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; and all state and local counterparts thereto, and any regulations or policies promulgated or issued thereunder. As used herein, the term "**Hazardous Materials**" means and includes any substance, material, waste, pollutant, or contaminant listed or defined as hazardous or toxic, or regulated by reason of its impact or potential impact on humans, animals and/or the environment under any Environmental Requirements, asbestos and petroleum, including crude oil or any fraction thereof, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas). As defined in Environmental Requirements, Subtenant is and shall be deemed to be the "**operator**" of the Subleased Premises and the "**owner**" of all Hazardous Materials brought on the Subleased Premises by Subtenant or any Subtenant Party, and the wastes, by-products, or residues generated, resulting, or produced therefrom.

48. DEFAULT BY SUBLESSOR UNDER THE MAIN LEASE. In the event Sublessor shall default in the payment of any rental obligation under the Main Lease, Subtenant shall have the right, but not the obligation, to attempt to remedy such default. Sublessor agrees to send promptly to Subtenant a copy of any notice of default received by the Sublessor from the Overlandlord under the Main Lease.

49. QUIET ENJOYMENT. Except as otherwise provided herein, so long as Subtenant complies with all terms and provisions of this Sublease, Subtenant shall have peaceful and quiet enjoyment of the Subleased Premises against any person claiming by, through or under Sublessor; provided, however, nothing herein shall limit or prohibit Sublessor's ability to terminate this Sublease with the consent of Overlandlord and Sublessor shall have no liability hereunder in the case of such a termination.

50. ROOF. Subtenant shall have the use of the roof space leasing rights granted to Sublessor pursuant to Section 43(p) of the Lease; provided, however, that Subtenant complies with all applicable provisions of the Lease (including all of Sublessor's applicable duties, liabilities and obligations) with respect to such rights.

IN WITNESS WHEREOF, Sublessor and Subtenant have hereunto executed this Sublease as of the day and year first above written.

SUBLESSOR:

PFIZER INC.

By: [***]
Name: [***]
By: [***]

SUBLESSEE:

NEKTAR THERAPEUTICS

By: [***]
Name: [***]
By: [***]

Exhibit 31.1

CERTIFICATIONS

I, Howard W. Robin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nektar Therapeutics;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2009

/s/ HOWARD W. ROBIN
Howard W. Robin
Chief Executive Officer, President and Director

Exhibit 31.2

CERTIFICATIONS

I, John Nicholson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Nektar Therapeutics;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2009

/s/ JOHN NICHOLSON
John Nicholson
Senior Vice President and Chief Financial Officer

Exhibit 32.1

SECTION 1350 CERTIFICATIONS*

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Howard W. Robin, Chief Executive Officer, President, and Director of Nektar Therapeutics (the "Company"), and John Nicholson, Senior Vice President and Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2009, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 4, 2009

/s/ HOWARD W. ROBIN
Howard W. Robin
Chief Executive Officer, President and Director

/s/ JOHN NICHOLSON
John Nicholson
Senior Vice President and Chief Financial Officer

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* This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.