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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **October 31, 2003**

Nektar Therapeutics
(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

000-23556	**94-3134940**
(Commission File No.)	(IRS Employer Identification No.)

150 Industrial Road
San Carlos, CA 94070
(Address of Principal Executive Offices and Zip Code)

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

Item 5. Other Events and Required FD Disclosure.

On October 31, 2003, Nektar Therapeutics (the "Company") and holders of the Company's outstanding 3.5% Convertible Subordinated Notes due October 2007 completed an exchange and cancellation of $17,125,000 in aggregate principal amount of the 3.5% Notes, for the issuance of $11,710,000 in aggregate principal amount of newly issued 3% Convertible Subordinated Notes due June 2010, in privately negotiated transactions.

Certain material terms of the 3.5% Notes and the 3% Notes are described below.

Interest Rate

Interest on the 3.5% Notes accrues at a rate of 3.5% per year, and is paid on April 17 and October 17 of each year, commencing April 17, 2001. Interest on the 3% Notes accrues at a rate of 3% per year, and is paid on June 30 and December 30 of each year, commencing December 30, 2003.

Conversion

The 3.5% Notes are convertible into shares of the Company's common stock at an initial conversion price of $50.46, which is equal to a conversion rate of approximately 19.8177 shares per $1,000 principal amount of notes, subject to adjustment. The 3% Notes are convertible into shares of the Company's common stock at an initial conversion price of $11.35 per share, which is equal to a conversion rate of approximately 88.1057 shares per $1,000 principal amount of notes, subject to adjustment.

Maturity

The 3.5% Notes mature on October 17, 2007. The 3% Notes mature on June 30, 2010.

Redemption

We may redeem some or all of the 3.5% Notes at any time after October 17, 2003 at certain redemption prices dependent upon the date of redemption if the closing price of our common stock has exceeded 120% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive days.

We may redeem some or all of the 3% Notes at any time before June 30, 2006, at a redemption price of $1,000 per $1,000 principal amount plus a provisional redemption exchange premium payable in cash or shares of common stock, of $90.00 per $1,000 principal amount less the amount of any interest actually paid on such notes prior to the provisional redemption date, if the closing price of our common stock has exceeded 150% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date of mailing of the provisional

redemption notice. We also may redeem some or all of the 3% Notes at any time after June 30, 2006 by paying certain premiums on the notes based on the date of redemption.

Security

The 3.5% Notes are unsecured and subordinated to our existing and future senior indebtedness. Other than approximately $4.9 million in aggregate principal amount of U.S. treasury securities pledged for the exclusive benefit of the holders of the 3% Notes, the 3% Notes are unsecured and subordinated to our existing and future senior indebtedness.

For additional information concerning this exchange and the terms and conditions of the 3% Notes, please refer to the exhibits to this Current Report on Form 8-K, the Current Report on Form 8-K, filed on October 10, 2003, and the Current Report on Form 8-K, filed on October 20, 2003.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities and shall not constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale is unlawful.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(c) Exhibits

Exhibit Number		Description
4.1	(1)	Indenture, dated October 9, 2003, by and between the Company and J.P. Morgan Trust Company, National Association, as trustee.
4.2	(2)	First Supplemental Indenture, dated October 17, 2003, by and between the Company and J.P. Morgan Trust Company, National Association, as trustee.
4.3	(3)	Resale Registration Rights Agreement, dated October 9, 2003, by and among the Company and the entities named therein.
4.4	(1)	Form of Convertible Subordinated Note due 2010
10.1	(3)	Pledge Agreement, dated October 9, 2003, by and among the Company, J.P. Morgan Trust Company, National Association, as trustee, and J.P. Morgan Trust Company, National Association, as collateral agent, with updated Schedule I as of October 31, 2003.
10.2	(3)	Exchange Agreement, dated October 29, 2003, by and among the Company and entities named therein.
10.3	(3)	Exchange Agreement, dated October 30, 2003, by and among the Company and entities named therein.
10.4	(3)	Exchange Agreement, dated October 30, 2003, by and among the Company and entities named therein.

(1) Incorporated by reference to the indicated exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on October 10, 2003.

(2) Incorporated by reference to the indicated Exhibit in Nektar Therapeutics' Current Report on Form 8-K, filed on October 20, 2003.

(3) Filed herewith.

SIGNATURE

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 hereunto duly authorized.

NEKTAR THERAPEUTICS

Dated: November 3, 2003

By: /s/ Ajit S. Gill
Ajit S. Gill
President, Chief Executive Officer and Director

RESALE REGISTRATION RIGHTS AGREEMENT

This **Resale Registration Rights Agreement** (the "***Agreement***") is made as of October 9, 2003 by and among **NEKTAR THERAPEUTICS**, a Delaware corporation (together with any successor entity, herein referred to as the "***Issuer***") and the persons or entities listed on the signature pages hereto (the "***Holders***" and each individually as a "***Holder***").

RECITALS

WHEREAS, each Holder has agreed to acquire from the Issuer 3% Convertible Subordinated Notes due 2010 (the "***Notes***");

WHEREAS, the Notes will be convertible into fully paid, nonassessable common stock, par value $0.0001 per share, of the Issuer (the "***Common Stock***") on the terms, and subject to the conditions, set forth in the Indenture (as defined herein); and

WHEREAS, to induce each Holder to acquire the Notes, the Issuer has agreed to provide the registration rights set forth in this Agreement.

AGREEMENT

The parties hereby agree as follows:

1. *Definitions.* As used in this Agreement, the following capitalized terms shall have the following meanings:

Advice: As defined in Section 4(c)(ii) hereof.

Agreement: As defined in the preamble hereto.

Blue Sky Application: As defined in Section 6(a)(i) hereof.

Broker-Dealer: Any broker or dealer registered under the Exchange Act.

Business Day: A day other than a Saturday or Sunday or any federal holiday in the United States.

Closing Date: The date of this Agreement.

Commission: Securities and Exchange Commission.

Common Stock: As defined in the preamble hereto.

Damages Payment Date: Each Interest Payment Date. For purposes of this Agreement, if no Notes are outstanding, "Damages Payment Date" shall mean each June 30 and December 30.

Effectiveness Period: As defined in Section 2(a)(iii) hereof.

Effectiveness Target Date: As defined in Section 2(a)(ii) hereof.

Exchange Act: Securities Exchange Act of 1934, as amended.

Holder: As defined in the initial paragraph of this Agreement.

Indemnified Holder: As defined in Section 6(a) hereof.

Indenture: The Indenture, dated as of the date herewith, by and between the Issuer and J.P. Morgan Trust Company, National Association, as trustee (the "***Trustee***"), pursuant to which the Notes are to be issued, as such Indenture is amended, modified or supplemented from time to time in accordance with the terms thereof.

Interest Payment Date: As defined in the Indenture.

Issuer: As defined in the preamble hereto.

Liquidated Damages: As defined in Section 3(a) hereof.

Majority of Holders: Holders holding over 50% of the aggregate principal amount of Notes outstanding; *provided* that, for purpose of this definition, a holder of shares of Common Stock which constitute Transfer Restricted Securities and were issued upon conversion of the Notes shall be deemed to hold an aggregate principal amount of Notes (in addition to the aggregate principal amount of Notes held by such holder) equal to the aggregate principal amount of Notes converted by such Holder into such shares of Common Stock.

Notes: As defined in the preamble hereto.

Person: An individual, partnership, corporation, unincorporated organization, trust, joint venture or a government or agency or political subdivision thereof.

Prospectus: The prospectus included in a Shelf Registration Statement, as amended or supplemented by any prospectus supplement and by all other amendments thereto, including post-effective amendments, and all material incorporated by reference into such Prospectus.

Questionnaire Deadline: As defined in Section 2(b) hereof.

Record Holder: With respect to any Damages Payment Date, each Person who is a Holder on the record date with respect to the Interest Payment Date on which such Damages Payment Date shall occur. In the case of a Holder of shares of Common Stock issued upon conversion of the Notes, "Record Holder" shall mean each Person who is a Holder of shares of Common Stock which constitute Transfer Restricted Securities on the June 15 or December 15 immediately preceding the Damages Payment Date.

Registration Default: As defined in Section 3(a) hereof.

Sale Notice: As defined in Section 4(e) hereof.

Securities Act: Securities Act of 1933, as amended.

Shelf Filing Deadline: As defined in Section 2(a)(i) hereof.

Shelf Registration Statement: As defined in Section 2(a)(i) hereof.

Suspension Period. As defined in Section 4(b)(i) hereof.

Transfer Restricted Securities: Each Note and each share of Common Stock issued upon conversion of Notes until the earlier of:

(i) the date on which such Note or such share of Common Stock issued upon conversion has been effectively registered under the Securities Act and disposed of in accordance with the Shelf Registration Statement;

(ii) the date on which such Note or such share of Common Stock issued upon conversion (y) is transferred in compliance with Rule 144 under the Securities Act, or (z) may be sold or transferred pursuant to Rule 144(k) under the Securities Act (or any other similar provision then in force); *provided*, that with respect to the condition set forth in (z) above, the Issuer shall have notified the Holder of its willingness to remove the restricted securities legends placed on such securities as required by the terms of the Indenture upon the request of the Holder; or

(iii) the date on which such Note or such share of Common Stock issued upon conversion ceases to be outstanding (whether as a result of redemption, repurchase and cancellation, conversion or otherwise).

Underwritten Registration or Underwritten Offering: A registration in which securities of the Issuer are sold to an underwriter for reoffering to the public.

2. *Shelf Registration.*

(a) The Issuer shall:

(i) not later than 45 days after the date hereof (the "***Shelf Filing Deadline***"), cause to be filed a registration statement pursuant to Rule 415 under the Securities Act (the "***Shelf Registration Statement***"), which Shelf Registration Statement shall provide for resales of all Transfer Restricted Securities held by Holders that have provided the information required pursuant to the terms of Section 2(b) hereof;

(ii) use commercially reasonable efforts to cause the Shelf Registration Statement to be declared effective by the Commission as promptly as reasonably practicable thereafter (the "***Effectiveness Target Date***"); and

(iii) use commercially reasonable efforts to keep the Shelf Registration Statement continuously effective, supplemented and amended as required by the provisions of Section 4(b) hereof to the extent necessary to ensure that (A) it is available for resales by the Holders of Transfer Restricted Securities entitled to the benefit of this Agreement and (B) conforms with the requirements of this Agreement and the Securities

Act and the rules and regulations of the Commission promulgated thereunder as announced from time to time for a period (the "***Effectiveness Period***") of:

(A) two (2) years after the date hereof; *provided*, that such period shall be extended to the extent the Issuer shall not have notified the Holder of its willingness to remove the restricted securities legends placed on such securities as required by the terms of the Indenture upon the request of the Holder; or

(B) such shorter period that will terminate when (w) all of the Holders of Transfer Restricted Securities are able to sell all Transfer Restricted Securities immediately without restriction pursuant to Rule 144(k) under the Securities Act or any successor rule thereto; *provided*, that the Issuer shall have notified the Holder of its willingness to remove the restricted securities legends placed on such securities as required by the terms of the Indenture upon the request of the Holders, (x) when all Transfer Restricted Securities have ceased to be outstanding (whether as a result of redemption, repurchase and cancellation, conversion or otherwise), (y) all Transfer Restricted Securities registered under the Shelf Registration Statement have been sold or (z) all Notes and Conversion Shares cease to be Transfer Restricted Securities.

(b) No Holder of Transfer Restricted Securities may include any of its Transfer Restricted Securities in the Shelf Registration Statement pursuant to this Agreement unless such Holder furnishes to the Issuer in writing, prior to or on the 15th day after becoming a party to this Agreement (the "***Questionnaire Deadline***"), a complete and accurate questionnaire in substantially the form of Exhibit A hereto and such other information as the Issuer may reasonably request for use in connection with the Shelf Registration Statement or the Prospectus or preliminary Prospectus included therein and in any application to be filed with or under state securities laws. Each Holder as to which the Shelf Registration Statement is being effected agrees to furnish promptly to the Issuer all information required to be disclosed in order to make information previously furnished to the Issuer by such Holder not materially misleading.

3. *Liquidated Damages.*

(a) If:

(i) the Shelf Registration Statement has not been declared effective by the Commission prior to or on the date 210 days after the date of this Agreement;

(ii) subject to the provisions of Section 4(b)(i) hereof, the Shelf Registration Statement is filed and declared effective but, during the Effectiveness Period, shall thereafter cease to be effective or fail to be usable for its intended purpose without being succeeded within five Business Days by the filing of a post-effective amendment to the Shelf Registration Statement or a report filed with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act that, upon effectiveness, cures such failure; or

(iii) prior to or on the 45th, 60th or 90th day, as the case may be, of any Suspension Period, such suspension has not been terminated,

(each such event referred to in foregoing clauses (i) through (iii), a "Registration Default"), the Issuer hereby agrees to pay additional interest as liquidated damages ("Liquidated Damages") with respect to the Transfer Restricted Securities from and including the day following the Registration Default to but excluding the day on which the Registration Default has been cured:

(A) in respect of the Notes, to each holder of Notes, (x) with respect to the first 90-day period during which a Registration Default shall have occurred and be continuing, in an amount per year equal to an additional 0.25% of the principal amount of the Notes, and (y) with respect to the period commencing on the 91st day following the day the Registration Default shall have occurred and be continuing, in an amount per year equal to an additional 0.50% of the principal amount of the Notes; provided that in no event shall Liquidated Damages accrue at a rate per year exceeding 0.50% of the principal amount of the Notes; and

(B) in respect of any shares of Common Stock, to each holder of shares of Common Stock issued upon conversion of Notes, (x) with respect to the first 90-day period during which a Registration Default shall have occurred and be continuing, in an amount per year equal to 0.25% of the principal amount of the converted Notes, and (y) with respect to the period commencing the 91st day following the day the Registration Default shall have occurred and be continuing, in an amount per year equal to 0.50% of the principal amount of the converted Notes; provided that in no event shall Liquidated Damages accrue at a rate per year exceeding 0.50% of the principal amount of the converted Notes.

(c) All accrued Liquidated Damages shall be paid in arrears to Record Holders by the Issuer on each Damages Payment Date by wire transfer of immediately available funds or by federal funds check. Following the cure of all Registration Defaults relating to any particular Note or share of Common Stock, the accrual of Liquidated Damages with respect to such Note or share of Common Stock will cease. All obligations of the Issuer set forth in this Section 3 that are outstanding with respect to any Transfer Restricted Security at the time such security ceases to be a Transfer Restricted Security shall survive until such time as all such obligations with respect to such Transfer Restricted Security shall have been satisfied in full.

(d) The Liquidated Damages set forth above shall be the exclusive monetary remedy available to the Holders of Transfer Restricted Securities for such Registration Default.

4. *Registration Procedures.*

(a) In connection with the Shelf Registration Statement, the Issuer shall comply with all the provisions of Section 4(b) hereof and shall use commercially reasonable efforts to effect such registration to permit the sale of the Transfer Restricted Securities being sold in accordance with the intended method or methods of distribution thereof, and pursuant thereto, shall as expeditiously as possible prepare and file with the Commission a Shelf Registration Statement relating to the registration on any appropriate form under the Securities Act.

(b) In connection with the Shelf Registration Statement and any Prospectus required by this Agreement to permit the sale or resale of Transfer Restricted Securities, the Issuer shall:

(i) Subject to any notice by the Issuer in accordance with this Section 4(b) of the existence of any fact or event of the kind described in Section 4(b)(iii)(D), use commercially reasonable efforts to keep the Shelf Registration Statement continuously effective during the Effectiveness Period; upon the occurrence of any event that would cause the Shelf Registration Statement or the Prospectus contained therein (A) to contain a material misstatement or omission or (B) not be effective and usable for resale of Transfer Restricted Securities during the Effectiveness Period, the Issuer shall file promptly an appropriate amendment to the Shelf Registration Statement or a report filed with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, in the case of clause (A), correcting any such misstatement or omission, and, in the case of either clause (A) or (B), use commercially reasonable efforts to cause such amendment to be declared effective and the Shelf Registration Statement and the related Prospectus to become usable for their intended purposes as soon as practicable thereafter. Notwithstanding the foregoing, the Issuer may suspend the effectiveness of the Shelf Registration Statement by written notice to the Holders:

(x) for a period (each such period, a "***Suspension Period***") not to exceed an aggregate of 45 days in any 90-day if (A) an event occurs and is continuing as a result of which the Shelf Registration Statement would, in the Issuer's reasonable judgment, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and (B) the Issuer reasonably determines that the disclosure of such event at such time would have a material adverse effect on the business of the Issuer (and its subsidiaries, if any, taken as a whole); *provided* that in the event the disclosure relates to a previously undisclosed proposed or pending material business transaction, the disclosure of which would impede the Issuer's ability to consummate such transaction, the Issuer may extend a Suspension Period from 45 days to 60 days; *provided*, *however*, that Suspension Periods shall not exceed an aggregate of 90 days in any 360-day period; or

(y) upon the filing of any post-effective amendment required to be filed by the Issuer pursuant to the Issuer's obligations under Section 4(b)(iv) until such time as such post-effective amendment is declared effective.

(ii) Prepare and file with the Commission such amendments and post-effective amendments to the Shelf Registration Statement as may be necessary to keep the Shelf Registration Statement effective during the Effectiveness Period; cause the Prospectus to be supplemented by any required Prospectus supplement, and as so supplemented to be filed pursuant to Rule 424 under the Securities Act, and to comply fully with the applicable provisions of Rules 424 and 430A under the Securities Act in a timely manner; and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by the Shelf Registration Statement during the applicable period in accordance with the intended method or methods of distribution by the sellers thereof set forth in the Shelf Registration Statement or supplement to the Prospectus.

(iii) Advise the selling Holders promptly (but in any event within five (5) Business Days) and, if requested by any Holder, to confirm such advice in writing:

(A) when the Prospectus or any Prospectus supplement or post-effective amendment has been filed, and, with respect to the Shelf Registration Statement or any post-effective amendment thereto, when the same has become effective,

(B) of any request by the Commission for amendments to the Shelf Registration Statement or amendments or supplements to the Prospectus or for additional information relating thereto,

(C) of the issuance by the Commission of any stop order suspending the effectiveness of the Shelf Registration Statement under the Securities Act or of the suspension by any state securities commission of the qualification of the Transfer Restricted Securities for offering or sale in any jurisdiction, or the initiation of any proceeding for any of the preceding purposes, or

(D) of the existence of any fact or the happening of any event, during the Effectiveness Period, that makes any statement of a material fact made in the Shelf Registration Statement, the Prospectus, any amendment or supplement thereto, or any document incorporated by reference therein untrue, or that requires the making of any additions to or changes in the Shelf Registration Statement or the Prospectus in order to make the statements therein not misleading.

If at any time the Commission shall issue any stop order suspending the effectiveness of the Shelf Registration Statement, or any state securities commission or other regulatory authority shall issue an order suspending the qualification or exemption from qualification of the Transfer Restricted Securities under state securities or Blue Sky laws, the Issuer shall use commercially reasonable efforts to obtain the withdrawal or lifting of such order at the earliest possible time.

(iv) If requested by any selling Holders, promptly incorporate in the Shelf Registration Statement or Prospectus, pursuant to a supplement or post-effective amendment if necessary, such information as such selling Holders, if any, may reasonably request to have included therein, including, without limitation: (1) information relating to the "Plan of Distribution" of the Transfer Restricted Securities, or (2) any other terms of the offering of the Transfer Restricted Securities to be sold in such offering; and make all required filings of such Prospectus supplement or post-effective amendment as soon as reasonably practicable after the Issuer is notified of the matters to be incorporated in such Prospectus supplement or post-effective amendment. Notwithstanding the foregoing, following the effective date of the Shelf Registration Statement, the Issuer shall not be required to file at the request of the Holders more than one such supplement or post-effective amendment to reflect (x) changes in the amount of Notes held by or the identity of any Holder, or (y) the addition of any Holder, in any 30-day period.

(v) Make available to each selling Holder, without charge, at least one copy of the Shelf Registration Statement, as first filed with the Commission, and of each amendment thereto (and any documents incorporated by reference therein or exhibits

thereto (or exhibits incorporated in such exhibits by reference) as such Person may request).

(vi) Make available to each selling Holder, without charge, as many copies of the Prospectus (including each preliminary prospectus) and any amendment or supplement thereto as such Holders reasonably may request; subject to any notice by the Issuer in accordance with this Section 4(b) of the existence of any fact or event of the kind described in Section 4(b)(iii)(D), the Issuer hereby consents to the use of the Prospectus and any amendment or supplement thereto by each of the selling Holders and each of the underwriter(s), if any, in connection with the offering and the sale of the Transfer Restricted Securities covered by the Prospectus or any amendment or supplement thereto.

(vii) Cooperate with the selling Holders in connection with the registration and qualification of the Transfer Restricted Securities under the securities or Blue Sky laws of such jurisdictions as the selling Holders may reasonably request and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Transfer Restricted Securities covered by the Shelf Registration Statement; *provided*, *however*, that the Issuer shall not be required (A) to register or qualify as a foreign corporation or a dealer of securities where it is not now so qualified or to take any action that would subject it to the service of process in any jurisdiction where it is not now so subject or (B) to subject themselves to taxation in any such jurisdiction if they are not now so subject.

(viii) Cooperate with the selling Holders to facilitate the timely preparation and delivery of certificates representing Transfer Restricted Securities to be sold and not bearing any restrictive legends (unless required by applicable securities laws); and enable such Transfer Restricted Securities to be in such denominations and registered in such names as the Holders may request at least two (2) Business Days before any sale of Transfer Restricted Securities made by such underwriter(s).

(ix) Use commercially reasonable efforts to cause the Transfer Restricted Securities covered by the Shelf Registration Statement to be registered with or approved by such other U.S. governmental agencies or authorities as may be necessary to enable the Holders to consummate the disposition of such Transfer Restricted Securities.

(x) Subject to Section 4(b)(i) hereof, if any fact or event contemplated by Section 4(b)(iii)(D) hereof shall exist or have occurred, use commercially reasonable efforts to prepare a supplement or post-effective amendment to the Shelf Registration Statement or related Prospectus or any document incorporated therein by reference or file any other required document so that, as thereafter delivered to the purchasers of Transfer Restricted Securities, the Prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(xi) Provide CUSIP numbers for all Transfer Restricted Securities not later than the effective date of the Shelf Registration Statement and provide the Trustee under

the Indenture with certificates for the Notes that are in a form eligible for deposit with The Depository Trust Company.

(xii) Otherwise use commercially reasonable efforts to comply with all applicable rules and regulations of the Commission and all reporting requirements under the rules and regulations of the Exchange Act.

(xiii) Cause all Transfer Restricted Securities covered by the Shelf Registration Statement to be listed or quoted, as the case may be, on each securities exchange or automated quotation system on which similar securities issued by the Issuer are then listed or quoted.

(c) Each Holder agrees by acquisition of a Transfer Restricted Security that, upon receipt of any notice from the Issuer of the existence of any fact of the kind described in Section 4(b)(iii)(D) hereof, such Holder will, and will use its reasonable best efforts to cause any underwriter(s) in an Underwritten Offering to, forthwith discontinue disposition of Transfer Restricted Securities pursuant to the Shelf Registration Statement until:

(i) such Holder has received copies of the supplemented or amended Prospectus contemplated by Section 4(b)(x) hereof; or

(ii) such Holder is advised in writing (the "***Advice***") by the Issuer that the use of the Prospectus may be resumed, and has received copies of any additional or supplemental filings that are incorporated by reference in the Prospectus.

If so directed by the Issuer, each Holder will deliver to the Issuer all copies, other than permanent file copies then in such Holder's possession, of the Prospectus covering such Transfer Restricted Securities that was current at the time of receipt of such notice of suspension.

(d) Each Holder who intends to be named as a selling Holder in the Shelf Registration Statement shall furnish to the Issuer in writing, within 15 days after becoming a party hereto, a complete and accurate questionnaire in substantially the form set forth as Exhibit A hereto and such other information regarding such Holder and the proposed distribution by such Holder of its Transfer Restricted Securities as the Issuer may reasonably request for use in connection with the Shelf Registration Statement or Prospectus or preliminary Prospectus included therein. Holders that do not complete the questionnaire and deliver it to the Issuer on or prior to the Questionnaire Deadline shall not be named as selling securityholders in the Prospectus or preliminary Prospectus included in the Shelf Registration Statement and therefore shall not be permitted to sell any Transfer Restricted Securities pursuant to the Shelf Registration Statement. Each Holder who intends to be named as a selling Holder in the Shelf Registration Statement shall promptly furnish to the Issuer in writing such other information as the Issuer may from time to time reasonably request in writing.

(e) Upon the effectiveness of the Shelf Registration Statement, each Holder shall notify the Issuer at least three (3) Business Days prior to any intended distribution of Transfer Restricted Securities pursuant to the Shelf Registration Statement (a "***Sale Notice***"), which notice shall be effective for five (5) Business Days. Each Holder of this Security, by accepting the same, agrees to hold any communication by the Issuer in response to a Sale Notice in

confidence. Upon any transfer of Transfer Restricted Securities pursuant to the Shelf Registration Statement, each Holder shall comply with all such Holder's obligations relating to delivery of the Prospectus under applicable securities laws. The Issuer and its representatives shall be entitled to rely on the foregoing covenant as evidence of compliance with such obligations by such Holder in connection with (i) any instruction requested of it in connection with such transfer by the Trustee of the Notes or the transfer agent of the Common Stock or (ii) any representation made by the Issuer or such representative to any governing authority, including, the Commission or NASD.

5. *Registration Expenses.* All expenses incident to the Issuer's performance of or compliance with this Agreement shall be borne by the Issuer regardless of whether a Shelf Registration Statement becomes effective, which shall include:

(a) all registration and filing fees and expenses (including filings made by any Holders with the NASD);

(b) all fees and expenses of compliance with federal securities and state Blue Sky or securities laws;

(c) all expenses of printing (including printing of Prospectuses and certificates for the Common Stock to be issued upon conversion of the Notes), messenger and delivery services and telephone charges;

(d) all fees and disbursements of counsel to the Issuer;

(e) all application and filing fees in connection with listing (or authorizing for quotation) the Common Stock on a national securities exchange or automated quotation system pursuant to the requirements hereof; and

(f) all fees and disbursements of independent certified public accountants of the Issuer (including the expenses of any special audit and comfort letters required by or incident to such performance).

The Issuer shall bear its internal expenses (including, without limitation, all salaries and expenses of their officers and employees performing legal, accounting or other duties), the expenses of any annual audit and the fees and expenses of any Person, including special experts, retained by the Issuer.

6. *Indemnification and Contribution.*

(a) The Issuer shall indemnify and hold harmless each Holder, such Holder's officers and employees and each person, if any, who controls such Holder within the meaning of the Securities Act (each, an "***Indemnified Holder***"), from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to resales of the Transfer Restricted Securities), to which such Indemnified Holder may become subject, insofar as any such loss, claim, damage, liability or action arises out of, or is based upon:

(i) any untrue statement or alleged untrue statement of a material fact contained in (A) the Shelf Registration Statement or Prospectus or any amendment or supplement thereto or (B) any blue sky application or other document or any amendment or supplement thereto prepared or executed by the Issuer (or based upon written information furnished by or on behalf of the Issuer expressly for use in such blue sky application or other document or amendment on supplement) filed in any jurisdiction specifically for the purpose of qualifying any or all of the Transfer Restricted Securities under the securities law of any state or other jurisdiction (such application or document being hereinafter called a "***Blue Sky Application***"); or

(ii) the omission or alleged omission to state therein any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading,

and shall reimburse each Indemnified Holder promptly upon demand for any legal or other expenses reasonably incurred by such Indemnified Holder in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; *provided*, *however*, that the Issuer shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in the Shelf Registration Statement or Prospectus or amendment or supplement thereto or Blue Sky Application in reliance upon and in conformity with written information furnished to the Issuer by or on behalf of any Holder (or its related Indemnified Holder) specifically for use therein. The foregoing indemnity agreement is in addition to any liability which the Issuer may otherwise have to any Indemnified Holder.

(b) Each Holder, severally and not jointly, shall indemnify and hold harmless the Issuer, its officers and employees and each person, if any, who controls the Issuer within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Issuer or any such officer, employee or controlling person may become subject, insofar as any such loss, claim, damage or liability or action arises out of, or is based upon:

(i) any untrue statement or alleged untrue statement of any material fact contained in the Shelf Registration Statement or Prospectus or any amendment or supplement thereto or any Blue Sky Application; or

(ii) the omission or the alleged omission to state therein any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading,

but in each case only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Issuer by or on behalf of such Holder (or its related Indemnified Holder) specifically for use therein, and shall reimburse the Issuer and any such officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by the Issuer or any such officer, employee or controlling person in

connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which any Holder may otherwise have to the Issuer and any such officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 6 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 6, notify the indemnifying party in writing of the claim or the commencement of that action; *provided*, *however*, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 6 except to the extent it has been materially prejudiced by such failure and, *provided*, *further*, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 6. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 6 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; *provided*, *however*, that a Majority of Holders shall have the right to employ a single counsel to represent jointly a Majority of Holders and their respective officers, employees and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by a Majority of Holders against the Issuer under this Section 6, if a Majority of Holders shall have reasonably concluded that there may be one or more legal defenses available to them and their respective officers, employees

and controlling persons that are different from or additional to those available to the Issuer and its officers, employees and controlling persons, the fees and expenses of a single separate counsel shall be paid by the Issuer. No indemnifying party shall:

(i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld) settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent (1) includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding and (2) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party, or

(ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with its written consent or if there be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss of liability by reason of such settlement or judgment.

(d) If the indemnification provided for in this Section 6 shall for any reason be unavailable or insufficient to hold harmless an indemnified party under Section 6(a) or 6(b) in respect of any loss, claim, damage or liability (or action in respect thereof) referred to therein, each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability (or action in respect thereof):

(i) in such proportion as is appropriate to reflect the relative benefits received by the Issuer from the offering and sale of the Transfer Restricted Securities on the one hand and a Holder with respect to the sale by such Holder of the Transfer Restricted Securities on the other, or

(ii) if the allocation provided by clause (6)(d)(i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 6(d)(i) but also the relative fault of the Issuer on the one hand and the Holders on the other in connection with the statements or omissions or alleged statements or alleged omissions that resulted in such loss, claim, damage or liability (or action in respect thereof), as well as any other relevant equitable considerations.

The relative benefits received by the Issuer on the one hand and a Holder on the other with respect to such offering and such sale shall be deemed to be in the same proportion as the total net proceeds from the offering of the Notes (before deducting expenses) received by the Issuer, on the one hand, bear to the total proceeds received by such Holder with respect to its sale if Transfer Restricted Securities on the other.

The relative fault of the parties shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuer on the one hand or the Holders on the other, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Issuer and each Holder agree that it would not be just and equitable if the amount of contribution pursuant to this Section 6(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the first sentence of this paragraph (d). The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section 6 shall be deemed to include, for purposes of this Section 6, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating, or defending or preparing to defend any such litigation, investigation or proceeding by any governmental agency or body, or commenced or threatened action or claim. Notwithstanding the provisions of this Section 6, no Holder shall be required to contribute any amount in excess of the amount by which the total price at which the Transfer Restricted Securities purchased by it were resold exceeds the amount of any damages which such Holder has otherwise been required to pay by reason of any untrue or alleged untrue statement or omission or alleged omission.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such

fraudulent misrepresentation. The Holders' obligations to contribute as provided in this Section 6(d) are several and not joint.

7. *Selection of Underwriters.* In the event any Holder of Transfer Restricted Securities covered by the Shelf Registration Statement proposes to dispose of such Transfer Restricted Securities through an Underwritten Offering, the investment banker or investment bankers and manager or managers that will administer the offering will be selected by a Majority of Holders whose Transfer Restricted Securities are included in such offering; *provided*, that such investment bankers and managers must be reasonably satisfactory to the Issuer.

8. *Miscellaneous.*

(a) *Amendments and Waivers*. Except as set forth pursuant to Section 8(c) and Section 8(i) hereto, this Agreement may not be amended, modified or supplemented, and waivers or consents to or departures from the provisions hereof may not be given, unless the Issuer has obtained the written consent of a Majority of Holders.

(b) *Notices*. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail (registered or certified, return receipt requested), electronic mail, telex, telecopier, or air courier guaranteeing overnight delivery:

(i) if to a Holder, at the address set forth on the records of the registrar under the Indenture or the transfer agent of the Common Stock, as the case may be; and

(ii) if to the Issuer:

Nektar Therapeutics
150 Industrial Road
San Carlos, California 94070
Attention: Secretary

With a copy to:

Cooley Godward LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306
Attention: John M. Geschke, Esq.

All such notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five (5) Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if telecopied or electronically mailed; and on the next Business Day, if timely delivered to an air courier guaranteeing overnight delivery.

(c) *Successors and Assigns*. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including without limitation

assignees of the Holders of Transfer Restricted Securities. The rights to cause the Issuer to register Transfer Restricted Securities pursuant to this Agreement may be assigned by a Holder to a transferee or assignee of Transfer Restricted Securities that (a) is a subsidiary, parent, general partner, limited partner, retired partner, member or retired member of a Holder, or (b) is an entity affiliated by common control with such Holder; *provided*, *however*, that (i) the Holder shall, with five (5) days after such transfer, furnish to the Company written notice of the name and address of such assignee, (ii) such assignee shall agree in writing to be bound by the terms and conditions of this Agreement, (iii) the inclusion of the assignee as a selling securityholder and the Transfer Restricted Securities held by such assignee in the Shelf Registration Statement may be accomplished by a Prospectus supplement filed pursuant to Rule 424 under the Securities Act and shall not require a post-effective amendment to the Shelf Registration Statement, and (iv) nothing contained herein shall be deemed to permit any assignment, transfer or other disposition of Transfer Restricted Securities in violation of the Indenture.

(d) *Counterparts*. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(e) *Securities Held by the Issuer or its Affiliates*. Whenever the consent or approval of Holders of a specified percentage of Transfer Restricted Securities is required hereunder, Transfer Restricted Securities held by the Issuer or its "affiliates" (as such term is defined in Rule 405 under the Securities Act) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(f) *Headings*. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(g) *Governing Law*. This Agreement shall be governed by, and construed in accordance with, the law of the State of California, without regard to conflict of laws principles thereof.

(h) *Severability*. If any one or more of the provisions contained herein, or the application thereof in any circumstance, is held invalid, illegal or unenforceable, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions contained herein shall not be affected or impaired thereby.

(i) *Additional Holders*. Notwithstanding anything to the contrary contained herein, if the Issuer shall sell additional Notes under the Indenture prior to the date that the Commission declares the Shelf Registration Statement effective, any such holder of such Notes shall become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement and shall be deemed a "Holder" and a party hereunder without the approval of the Holders; *provided*, *however*, that if such sale of additional Notes is after the effectiveness of the Shelf Registration Statement, then such holder of such Notes shall become a party to this Agreement only with the approval of a Majority of Holders.

(j) *Entire Agreement*. This Agreement is intended by the parties as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein with respect to the registration rights granted by the Issuer with respect to the Transfer Restricted Securities. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

NEKTAR THERAPEUTICS

By: /s/ Ajay Bansal
Ajay Bansal

Chief Financial Officer

HOLDERS:

Salomon Brothers Qualified Investor Portfolios Multi-Strategy Arbitrage Portfolio
Salomon Brothers Diversified Arbitrage Strategies Fund Ltd.
Salomon Brothers Enhanced Arbitrage Strategies Fund
CEBT- Comingled Employee Benefit Trust – Capital Structure Arbitrage
General Motors Employees Global Group Pension Trust
General Motors Welfare Benefits Trust
Salomon Brothers Market Neutral Arbitrage Fund L.P.

By: Solomon Brothers Asset Management, Inc.,
the investment manager of each of the above listed Holders.

Signature: /s/ Kenneth Lee

Print Name: Kenneth Lee

Title: Director

RESALE REGISTRATION RIGHTS AGREEMENT
SIGNATURE PAGE

HOLDERS:

ALEXANDRA GLOBAL MASTER FUND LTD.

By: Alexandra Investment Management, LLC,
as Investment Advisor

Signature: /s/ Mikhail Filimonov

Print Name: Mikhail Filimonov

Title: Chairman, CEO & Chief Investment Officer

RESALE REGISTRATION RIGHTS AGREEMENT
SIGNATURE PAGE

HOLDERS:

BRENCOURT MULTI-STRATEGY MASTER, LTD.
BRENCOURT MERGER ARBITRAGE MASTER, LTD.

By: Brencourt Advisors, LLC as investment manager

Signature: /s/ James D. Balakian

Print Name: James D. Balakian

Title: Managing Director

Address: 101 East 52nd Street, 8th Floor
New York, NY 10022

RESALE REGISTRATION RIGHTS AGREEMENT
SIGNATURE PAGE

HOLDER:

Context Convertible Arbitrage Fund, LP

Signature: /s/ Michael S. Rosen

Print Name: Michael S. Rosen

Title: Co-Chairman and CEO

Address: 12626 High Bluff Drive, Suite 440
San Diego, CA 92130

RESALE REGISTRATION RIGHTS AGREEMENT
SIGNATURE PAGE

HOLDER:

Context Convertible Arbitrage Offshore Ltd.

Signature: /s/ Jeremy Bond

Print Name: Jeremy Bond

Title: Director

Address: 12626 High Bluff Drive, Suite 440
San Diego, CA 92130

RESALE REGISTRATION RIGHTS AGREEMENT
SIGNATURE PAGE

PLEDGE AGREEMENT

This PLEDGE AGREEMENT (this "Agreement") is made and entered into as of October 9, 2003 by and among NEKTAR THERAPEUTICS, a Delaware corporation (the "Grantor"), having its principal executive offices at 150 Industrial Road, San Carlos, California 94070 and J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION ("J.P. Morgan"), having an office at 560 Mission Street, 13th Floor, San Francisco, California 94105, (i) in its capacity as trustee (the "Trustee") for the holders (the "Holders") of the Notes (as hereinafter defined) issued by the Grantor under the Indenture referred to below and (ii) in its individual capacity, as securities intermediary (in such capacity, the "Pledged Securities Intermediary") at its office in New York c/o: J.P. Morgan Chase Bank, Institutional Trust Services, 4 New York Plaza, 15th Floor, New York, New York 10004 (the "Account Office") with respect to the Pledge Account (as hereinafter defined). Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Indenture.

W I T N E S S E T H

WHEREAS, the Grantor and the Trustee have entered into that certain Indenture dated as of the date hereof (as amended, restated, supplemented or otherwise modified from time to time, the "Indenture"), pursuant to which the Grantor is issuing in one or more series from time to time its 3% Convertible Subordinated Notes due 2010 (the "Notes"); and

WHEREAS, subject to the terms of this Agreement, the Pledged Securities Intermediary has established for the Grantor, as beneficial owner, a securities account (the "Pledge Account") at the Account Office, registered in the name of the Trustee, as entitlement holder, and designated as Account No. 10206353.1, Reference: "J.P. Morgan Trust Company, National Association as Pledged Securities Intermediary, Nektar Therapeutics Convertible Bond Collateral A/C"; and

WHEREAS, the Grantor has agreed to purchase or cause the purchase of security entitlements with respect to the U. S. Government Securities identified by CUSIP number in Schedule I hereto (such security entitlements being, collectively, the "Pledged Securities"), for the account of the Pledged Securities Intermediary for credit to the Pledge Account, in an amount that will be sufficient, upon receipt of the scheduled interest and principal payments in respect thereof, to provide for the payment of the first six scheduled interest payments due on the Notes; and

WHEREAS, to secure the obligations of the Grantor under the Indenture and the Notes to pay in full each of the first six scheduled interest payments on the Notes and to pay in full all of the principal, premium (if any) and interest on the Notes and all other amounts payable by the Grantor under the Indenture in the event that the Notes or any principal thereof or premium, if any, thereon becomes due and payable prior to such time as the first six scheduled interest payments thereon shall have been paid in full (collectively, the "Obligations"), the Grantor has

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agreed (i) to grant to the Trustee, for its benefit and the ratable benefit of the Holders of the Notes, a security interest in the Pledge Account and all cash, Pledged Securities and other Collateral (as hereinafter defined) from time to time deposited therein or credited thereto and (ii) to execute and deliver this Agreement in order to secure the payment and performance by the Grantor of all the Obligations; and

WHEREAS, it is a condition precedent to the purchase of the Notes by the initial Holders thereof that the Grantor shall have granted the security interests contemplated by this Agreement; and

WHEREAS, unless otherwise defined herein or in the Indenture, terms used herein that are defined in Article 8 or 9 of the Uniform Commercial Code as in effect in the State of New York (the "UCC") are used herein as therein defined:

NOW, THEREFORE, in consideration of the mutual promises herein contained, and in order to induce the initial Holders to purchase the Notes, the Grantor hereby agrees with the Trustee, for the benefit of the Trustee and for the ratable benefit of the Holders of the Notes, and with the Pledged Securities Intermediary as follows:

SECTION 1. Grant of Security Interest. The Grantor hereby grants to the Trustee, for its benefit and for the ratable benefit of the Holders of the Notes, a security interest in and to all of the Grantor's right, title and interest in, to and under the following, in each case whether now owned or hereafter acquired, wherever located and whether now or hereafter existing (hereinafter collectively referred to as the "Collateral"):

(a) the Pledge Account;

(b) all cash or credit balances from time to time deposited in or credited to the Pledge Account;

(c) the Pledged Securities and all other financial assets (including certificated and uncertificated securities) and security entitlements from time to time deposited in, credited to, or created or otherwise carried in the Pledge Account;

(d) all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Collateral;

(e) all securities (whether certificated or uncertificated) or other financial assets, security entitlements, securities accounts, accounts, general intangibles, instruments, documents, cash or deposit accounts representing or evidencing any or all of the Collateral; and

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(f) to the extent not covered by clauses (a) through (e) above, all proceeds of any and all of the foregoing Collateral (including, without limitation, proceeds that constitute property of the types described in clauses (a) through (e) above).

SECTION 2. Secured Obligations. This Agreement and the grant of a security interest in the Collateral secure the prompt and complete payment and performance when due (whether at stated maturity, by acceleration, upon redemption or otherwise) of all Obligations now or hereafter existing, whether for principal, premium, interest, fees, indemnities or otherwise, and all obligations of the Grantor now or hereafter existing under this Agreement (all such Obligations and such other obligations being, collectively, the "Secured Obligations"). Without limiting the generality of the foregoing, this Agreement and the grant of a security interest in the Collateral hereunder secure, to the fullest extent permitted by applicable law, the payment of all amounts that constitute part of the Secured Obligations and that would be owed by the Grantor to the Trustee or the Holders under the Notes or the Indenture but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Grantor.

SECTION 3. Maintaining the Pledge Account. Prior to or concurrently with the execution and delivery hereof and for so long as any Secured Obligation shall remain outstanding,

(a) the Trustee shall establish and maintain (and the Pledged Securities Intermediary shall maintain and administer in accordance with this Agreement) the Pledge Account with the Pledged Securities Intermediary at the Account Office in accordance with the terms of this Agreement. The Pledge Account shall at all times be under the sole dominion and control of, and shall at all times be segregated from any other custodial, collateral or other accounts maintained by, or under the dominion and control of, the Trustee;

(b) it shall be a term and condition of the Pledge Account, notwithstanding any term or condition to the contrary in any other agreement relating to the Pledge Account, and except as otherwise provided by the provisions of Section 5 and Section 15.9 of this Agreement, that no Collateral (including proceeds thereof) shall be paid or released from the Pledge Account to or for the account of, or withdrawn by or for the account of, and no entitlement orders with respect to any of the Collateral shall be given to the Pledged Securities Intermediary by, the Grantor or any other Person other than the Trustee as provided herein;

(c) subject to the provisions of this Agreement, the Pledge Account shall be registered in the name of the Trustee on the books and records of the Pledged Securities Intermediary, the Trustee shall be identified on such books and records as the entitlement holder with respect to all security entitlements in all financial assets from time to time held in or credited to the Pledge Account, and the Trustee shall have the sole right to (i) deliver entitlement orders with respect to the Pledge Account and any Collateral from time to time credited thereto, deposited therein or represented thereby or (ii) make withdrawals from the Pledge Account or

otherwise exercise any other rights with respect to any Collateral from time to time credited thereto or on deposit therein; and

(d) the Pledge Account shall be subject to such applicable laws, and such applicable regulations of any appropriate banking or governmental authority, as may now or hereafter be in effect, including without limitation any applicable regulations of the Board of Governors of the Federal Reserve System.

SECTION 4. Acquisition of Pledged Securities for Credit to the Pledge Account.

(a) On or prior to the date hereof, the Grantor shall purchase or cause the purchase of the Pledged Securities for the account of the Pledged Securities Intermediary for credit to the Pledge Account.

(b) Upon transfer or credit of the Pledged Securities to the Pledged Securities Intermediary, as confirmed to the Pledged Securities Intermediary by the Federal Reserve Bank of New York or another securities intermediary at which the Pledged Securities Intermediary maintains a securities account, the Pledged Securities Intermediary shall make appropriate book entries indicating that the Pledged Securities have been credited to and are held in the Pledge Account.

SECTION 5. Disbursements From the Pledge Account; Transfers of Additional Amounts to the Pledge Account.

(a) At least three Business Days prior to the due date of any of the first six scheduled interest payments on the Notes, the Grantor may, pursuant to written instructions given by the Grantor to the Trustee (each an "Issuer Order"), instruct the Trustee to direct the Pledged Securities Intermediary to release from the Pledge Account, and pay to the Holders of the Notes as of the applicable Regular Record Date, proceeds of the Pledged Securities sufficient to provide for payment in full of such interest then due on the Notes. Upon receipt of an Issuer Order, the Trustee will direct the Pledged Securities Intermediary to release funds from (and to the extent of) proceeds of the Pledged Securities in the Pledge Account in an amount sufficient to provide for the payment in full of such interest then due on the Notes, as instructed in such Issuer Order, and to transfer such funds to the Holders of the Notes in accordance with the payment provisions of the Indenture. Nothing in this Section 5 shall affect the Trustee's rights to direct the application of the Collateral to the payment of amounts due on the Notes upon acceleration thereof in accordance with the terms of the Indenture.

(b) If the Grantor makes all or any portion of any interest payment for which the Collateral is security from a source of funds other than the Pledge Account ("Grantor Funds"), the Grantor may, after payment in full of such interest payment, instruct the Trustee, pursuant to an Issuer Order, to direct the Pledged Securities Intermediary to release to the Grantor, or to another party designated by the Grantor in such Issuer Order (the "Grantor's Designee"), proceeds from the Pledge Account in an amount that, in the discretion of the Grantor, is less than

or equal to the amount of Grantor Funds applied to such interest payment; *provided* that, after giving effect to such release, the scheduled interest and principal payments in respect of the Pledged Securities remaining in the Pledge Account, together with any cash remaining in the Pledge Account, equal or exceed the amount necessary to provide for the timely payment in full of interest on the Notes for as many of the first six scheduled interest payments as shall then remain. Upon (i) receipt by the Trustee of such Issuer Order and (ii) confirmation by the Trustee of the payment in full of such interest payment (from such Grantor Funds and, if necessary, additional funds released from the Pledge Account in accordance with Section 5(a)), the Trustee shall direct the Pledged Securities Intermediary to release funds from (and to the extent of) proceeds of the Pledged Securities in the Pledge Account and to transfer such funds to the Grantor or the Grantor's Designee, as the case may be, as instructed in such Issuer Order as soon as practicable after such conditions are satisfied.

(c) If at any time the scheduled interest and principal payments in respect of the Pledged Securities then credited to the Pledge Account, together with any cash then held in the Pledge Account, exceed 100% of the amount necessary (which shall be certified in writing by an Officer of the Company or, if such amount, together with all other amounts disbursed from the Pledge Account in the preceding 12 month period, equals or exceeds $100,000, by a nationally recognized firm of independent accountants selected by the Grantor and delivered to the Trustee) to provide for the payment in full, when due, of the first six scheduled interest payments on the Notes (or such number of the first six scheduled interest payments on the Notes as shall then remain, as the case may be), the Grantor may instruct the Trustee, pursuant to an Issuer Order, to direct the Pledged Securities Intermediary to release any such excess amount to the Grantor or to the Grantor's Designee. Upon receipt of such Issuer Order (which shall be accompanied by a certificate in accordance with, and meeting the requirements of, the provisions of Section 314(d) of the TIA or, if the amount to be released from the pledge, together with all other amounts disbursed from the Pledge Account in the preceding 12 month period, equals or exceeds $100,000, by a certificate of such nationally recognized firm of independent accountants stating that the scheduled interest and principal payments in respect of the Pledged Securities credited to the Pledge Account, together with any cash held in the Pledge Account, in each case after giving effect to such release, equal or exceed 100% of the amount necessary to provide for the payment in full, when due, of such remaining scheduled interest payments on the Notes), the Trustee shall instruct the Pledged Securities Intermediary to release funds from (and to the extent of) proceeds of such Pledged Securities in accordance with such Issuer Order and the accompanying certificate and to transfer such funds to the Grantor or the Grantor's Designee, as the case may be.

(d) Upon the release of any Collateral from the Pledge Account in accordance with the terms of this Section 5, whether upon release of proceeds of Collateral to the Holders as payment of interest or upon release of proceeds of Collateral to the Grantor or the Grantor's Designee as provided in Section 5(b) or Section 5(c), the security interest evidenced by this Agreement in such released Collateral will automatically terminate and be of no further force and effect.

(e) At least three Business Days prior to the due date of each of the first six scheduled interest payments on the Notes, the Grantor shall give the Trustee notice (by Issuer Order) as to whether such interest payment will be made pursuant to Section 5(a) or 5(b) above and the respective amounts of interest that will be paid from the Pledge Account and from Grantor Funds (it being understood that the failure by the Grantor to provide an Issuer Order shall not constitute an Event of Default). Any Grantor Funds to be used to make any interest payment (or portion thereof) shall be delivered to the Trustee, in immediately available funds, prior to 12:00 p.m. (New York City time) on such interest payment date. If no such notice is given or such Grantor Funds have not been so delivered, the Trustee will act pursuant to Section 5(a) above as if it had received an Issuer Order pursuant thereto for the payment in full of the interest then due from the proceeds of Pledged Securities in the Pledge Account.

(f) If on any interest payment date there are insufficient proceeds of Pledged Securities in the Pledge Account to make the scheduled payment of interest due on such date (after taking into account any Grantor Funds delivered to the Trustee as provided in Section 5(b) above), the Trustee shall direct the Pledged Securities Intermediary to liquidate Collateral in the Pledge Account to the extent necessary to pay, in full, such scheduled payment of interest.

(g) Nothing contained in this Agreement (including without limitation the provisions hereof regarding the delivery of Issuer Orders by the Grantor to the Trustee) shall (i) afford the Grantor any right to issue entitlement orders to the Pledged Securities Intermediary or any other Person with respect to the Pledge Account or any security entitlement in respect of the Pledged Securities, or otherwise afford the Grantor control of the Pledge Account or any such security entitlement, or (ii) otherwise give rise to any rights of the Grantor with respect to the Pledge Account, the Pledged Securities, or any security entitlement thereto, other than the Grantor's rights under this Agreement as the beneficial owner of Collateral pledged to and subject to the exclusive dominion and control (subject to the Trustee's obligations to comply with Sections 5(a) through (f) and Section 15.9 hereof) of the Trustee in its capacity as such (and not as a securities intermediary). The Grantor acknowledges, confirms and agrees that the Trustee holds a security interest in the Pledged Securities solely as Trustee for the Holders of the Notes and not as a securities intermediary.

(h) Anything contained herein to the contrary notwithstanding, prior to any release of any Collateral to the Grantor or the Grantor's Designee, the Grantor shall deliver to the Trustee such certificates, opinions or other documents as may be required by the Indenture or the TIA in connection with such release and shall otherwise comply with the requirements of the Indenture and the TIA applicable thereto.

(i) If at any time the Grantor is obligated to pay any amount to the Trustee pursuant to the terms of this Agreement and the Trustee charges such amount against the Pledge Account with the result that the scheduled interest and principal payments in respect of the Pledged Securities then credited to the Pledge Account, together with any cash then held in the Pledge Account, are less than 100% of the amount necessary to provide for the payment in full, when

due, of the first six scheduled interest payments on the Notes (or such number of the first six scheduled interest payments on the Notes as shall then remain, as the case may be), the Grantor shall deposit cash into the Pledge Account in the amount of such deficiency and shall deliver to the Trustee a certificate signed by one of its Officers (as defined in the Indenture) stating that the scheduled interest and principal payments in respect of the Pledged Securities credited to the Pledge Account, together with any cash held in the Pledge Account, in each case after giving effect to such deposit by the Grantor, equal or exceed 100% of the amount necessary to provide for the payment in full, when due, of such remaining scheduled interest payments on the Notes.

(j) Neither the Trustee nor the Pledged Securities Intermediary shall be liable for any disbursement made or other action taken in accordance with an Issuer Order. In no event shall either of the Pledged Securities Intermediary or the Trustee in its role hereunder be liable for any special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), except as a result of its gross negligence or willful misconduct.

SECTION 6. Securities Intermediary. (a) J.P. Morgan, as Pledged Securities Intermediary, hereby represents and warrants to, and agrees with the Grantor and the Trustee, as follows:

(a) It is a securities intermediary as of the date hereof and, for so long as this Agreement remains in effect and J.P. Morgan is acting as the Pledged Securities Intermediary hereunder, it shall remain a securities intermediary and shall at all times act in such capacity with respect to the Trustee, the Pledge Account and all other Collateral.

(b) The Pledge Account is and will be maintained as a securities account.

(c) Each item of property (whether cash, certificated or uncertificated securities, security certificates, security entitlements or any other property whatsoever) credited to the Pledge Account shall be treated as a financial asset.

(d) All financial assets in registered form or payable to, or to the order of, any Person and credited to the Pledge Account shall be registered in the name of, payable to or to the order of, or endorsed to, the Pledged Securities Intermediary, and in no case during the term of this Agreement will any financial asset credited to the Pledge Account be registered in the name of, payable to or to the order of, or endorsed to, the Grantor, except to the extent the foregoing have been subsequently endorsed by the Grantor to the Pledged Securities Intermediary or in blank.

(e) It (i) shall, upon written direction from the Trustee, as entitlement holder with respect to the Pledge Account, the Pledged Securities and all other Collateral, and without further consent from the Grantor, comply with all instructions, entitlement orders and directions of any kind originated by the Trustee concerning the Collateral, including without limitation directions to liquidate or otherwise dispose of the Collateral as and to the extent directed by the Trustee and to pay over to the Trustee, or as otherwise directed by the Trustee, all proceeds and other value therefrom or otherwise distributed with respect thereto, without any set-off or deduction, and (ii)

shall not, except as otherwise directed in writing by the Trustee, as entitlement holder with respect to the Pledge Account, the Pledged Securities and all other Collateral, comply or agree to comply with any instructions, entitlement orders or directions of any kind that are originated by the Grantor or any other Person with respect to any of the Collateral.

(f) Except for the claims and interests of the Trustee under this Agreement and the rights of the Grantor vis-à-vis the Trustee hereunder, it does not know of any claim to or security interest or other interest in the Collateral.

(g) It hereby waives its rights to set off any obligations of the Grantor to it against any or all of the Collateral, and hereby agrees that any and all liens, encumbrances, claims or security interests which it may have against the Collateral, either now or in the future, are and shall be subordinate and junior in right of payment to the prior payment in full of all Secured Obligations.

SECTION 7. Representations and Warranties. The Grantor hereby represents and warrants that:

(a) The execution and delivery by the Grantor of, and the performance by the Grantor of its obligations under, this Agreement will not contravene any provision of applicable law or the articles of incorporation or by-laws of the Grantor or any material agreement or other material instrument binding upon the Grantor or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Grantor, or result in the creation or imposition of any lien on any assets of the Grantor, except for the security interests granted under this Agreement.

(b) No consent of any other Person and no approval, authorization or order of, action by or qualification with, any governmental authority, regulatory body, agency or other third party is required (i) for the execution, delivery or performance by the Grantor of its obligations under this Agreement or (ii) for the grant by the Grantor of the security interests created by this Agreement. To the best of Grantor's knowledge, no consent of any other Person and no approval, authorization or order of, action by or qualification with, any governmental authority, regulatory body, agency or other third party is required for the exercise by the Trustee of the rights provided for in this Agreement or the remedies in respect of the Collateral pursuant to this Agreement.

(c) The Grantor is the beneficial owner of the Collateral, free and clear of any lien or claim of any Person (except for the security interests created by this Agreement and any lien arising under the Indenture in favor of the Trustee). The Grantor has not at any time transferred any of the Collateral to any Person other than the Trustee or encumbered any of the Collateral with a lien in favor of any other Person. No financing statement or instrument similar in effect covering all or any part of the Grantor's interest in any of the Collateral is on file in any public or

recording office, other than the financing statements filed pursuant to this Agreement. Other than the Grantor's previous name, Inhale Therapeutics, Inc., the Grantor has no trade names.

(d) This Agreement has been duly authorized, executed and delivered by the Grantor and constitutes a valid and binding agreement of the Grantor, enforceable against the Grantor in accordance with its terms, except as the enforceability hereof may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally or by equitable principles of general applicability.

(e) Upon the transfer to the Pledged Securities Intermediary of the Pledged Securities, the crediting thereof to the Pledge Account in accordance with Section 4 above and the execution and delivery of this Agreement by all of the parties hereto, the grant of a security interest in the Collateral pursuant to this Agreement for the benefit of the Trustee and the Holders of the Notes will create a valid and perfected first priority security interest in such Collateral securing the payment of the Secured Obligations.

(f) There are no legal or governmental proceedings pending or, to the best of the Grantor's knowledge, threatened to which the Grantor is a party or to which any of the properties of the Grantor is subject that would adversely affect in any material respect the power or ability of the Grantor to perform its obligations under this Agreement or to consummate the transactions contemplated hereby.

(g) The pledge of the Collateral pursuant to this Agreement is not prohibited by any law or governmental regulation (including, without limitation, Regulations U and X of the Board of Governors of the Federal Reserve System) applicable to the Grantor.

(h) To the best of Grantor's knowledge, no Default or Event of Default exists.

(i) The Grantor's exact legal name is that indicated on the signature page hereof.

(j) The Grantor is a corporation organized in the State of Delaware.

(k) The Grantor's organizational identification number is 943134940.

(l) The Grantor's place of business or, if more than one, its chief executive office as well as the Grantor's mailing address is as is set forth in Section 15.1.

SECTION 8. Further Assurances.

(a) The Grantor agrees that from time to time, it will, at its own expense, promptly upon reasonable request by the Trustee, execute and deliver or cause to be executed and delivered, or use its commercially reasonable efforts to procure, all assignments, instruments and other documents, all in form and substance reasonably satisfactory to the Trustee, deliver any instruments to the Trustee and take any other actions that may be necessary or, in the reasonable

opinion of the Trustee, desirable to perfect, continue the perfection of, or protect the first priority of the Trustee's security interest in and to the Collateral, to protect the Collateral against the rights, claims, or interests of third Persons (other than any such rights, claims or interests created by or arising through the Trustee) or to effect the purposes of this Agreement.

(b) The Grantor hereby authorizes the Trustee to file any financing or continuation statements with respect to the Collateral without the signature of the Grantor (to the extent permitted by applicable law); *provided, however*, that the Grantor shall not be relieved of any of its obligations under Section 8(a) or 8(d) hereof. A photocopy or other reproduction of this Agreement or any financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by law.

(c) The Grantor will furnish to the Trustee from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Trustee may reasonably request, all in reasonable detail.

(d) The Grantor will promptly pay all costs and expenses reasonably incurred in connection with any of the foregoing within 30 days of receipt of an invoice therefor. The Grantor also agrees, whether or not requested by the Trustee, to take all actions that are necessary to perfect and to continue the perfection of, and to protect the first priority of, the Trustee's security interest in and to the Collateral, including the filing of all necessary financing and continuation statements, and to protect the Collateral against the rights, claims or interests of third Persons (other than any such rights, claims or interests created by or arising through the Trustee).

(e) The Grantor hereby irrevocably authorizes the Trustee at any time and from time to time to file in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (x) indicate the Collateral as being of an equal or lesser scope or with greater detail, and (y) contain any other information required by part 5 of Article 9 of the Uniform Commercial Code of the appropriate jurisdiction for the sufficiency or filing office acceptance of any financing statement or amendment; *provided* that the Trustee shall have no obligation to perform any of the foregoing actions other than those expressly provided herein or in the Indenture.

(f) The Pledged Securities Intermediary covenants and agrees with the Grantor and the Trustee that for so long as the Pledged Securities Intermediary holds assets in the Pledge Account, the Pledged Securities Intermediary will, as soon as reasonably practicable, certify in writing the aggregate dollar value of the assets held in such Pledge Account on a monthly basis, as of the Grantor's fiscal month end or at such other time as the parties may mutually agree. The Grantor will provide the Pledged Securities Intermediary with a schedule of its fiscal months as soon as such schedule becomes reasonably available.

SECTION 9. Covenants. The Grantor covenants and agrees with the Trustee and the Holders of the Notes that from and after the date of this Agreement until the earlier of (x) payment in full in cash of each of the first six scheduled interest payments due on the Notes under the terms of the Indenture or (y) payment in full in cash of all Secured Obligations due and owing under the Indenture and the Notes in the event such Secured Obligations become due and payable prior to the payment in full of the first six scheduled interest payments on the Notes:

(a) it will not (and will not purport to) sell or otherwise dispose of, or grant any option, right or warrant with respect to, any of the Collateral or its beneficial interest therein, and it will not create or permit to exist any lien or other adverse interest in or with respect to its beneficial interest in any of the Collateral (except for the security interests granted under this Agreement and any lien arising under the Indenture in favor of the Trustee);

(b) it will not (i) enter into any agreement or understanding that restricts or inhibits or purports to restrict or inhibit the Trustee's rights or remedies hereunder, including without limitation the Trustee's right to sell or otherwise dispose of the Collateral, or (ii) fail to pay or discharge when due any tax, assessment or levy of any nature with respect to its beneficial interest in the Collateral not later than five days prior to the date of any proposed sale under any judgment, writ or warrant of attachment with respect to such beneficial interest; and

(c) it will not, without providing at least five days prior written notice to the Trustee, change its name, its place of business or, if more than one, chief executive office, or its mailing address or organizational identification number and will not change its type of organization, jurisdiction of organization or other legal structure.

SECTION 10. Power of Attorney. In addition to all of the powers granted to the Trustee pursuant to the Indenture, the Grantor hereby appoints and constitutes the Trustee as the Grantor's attorney-in-fact (with full power of substitution), with full authority in the place and stead of the Grantor and in the name of the Grantor or otherwise, from time to time in the Trustee's reasonable discretion to take any action and to execute any instrument that the Trustee may deem necessary or advisable to accomplish the purposes of this Agreement, including, without limitation:

(a) to ask for, demand, collect, sue for, recover, compromise, receive and give acquittance and receipt for moneys due and to become due under or in respect of any of the Collateral,

(b) to receive, indorse and collect any drafts or other instruments, documents and chattel paper,

(c) to file any claims or take any action or institute any proceedings that the Trustee may reasonably deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of the Trustee with respect to any of the Collateral, and

(d) to pay or discharge any taxes or liens levied or placed upon the Collateral, the legality or validity thereof and the amounts necessary to discharge the same all as determined by the Trustee in its sole discretion, it being understood that any such payments made by the Trustee shall become part of the Secured Obligations of the Grantor to the Trustee, and shall be due and payable immediately upon demand;

provided, however, that the Trustee shall have no obligation to perform any of the foregoing actions. The Trustee's authority under this Section 10 shall include, without limitation, the authority to endorse and negotiate any checks or instruments representing proceeds of Collateral in the name of the Grantor, execute and give receipt for any certificate of ownership or any document constituting Collateral, transfer title to any item of Collateral, authorize the filing of any financing statements (to the extent permitted by applicable law) or any other documents reasonably deemed necessary or appropriate by the Trustee to preserve, protect or perfect the security interest in the Collateral and to file the same, prepare, file and sign the Grantor's name on any notice of lien, and to take any other actions arising from or incident to the powers granted to the Trustee in this Agreement. This power of attorney is coupled with an interest and is irrevocable by the Grantor.

SECTION 11. No Assumption of Duties; Reasonable Care. The rights and powers conferred on the Trustee hereunder are solely to preserve and protect the security interest of the Trustee and the Holders of the Notes in and to the Collateral granted hereby and shall not be interpreted to, and shall not, impose any duties on the Trustee in connection therewith other than those expressly provided herein or in the Indenture or imposed under applicable law. Except as provided by herein, by applicable law or by the Indenture, the Trustee shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Trustee accords similar property held by itself for its own account, it being understood that the Trustee, in its capacity as such, shall not have any responsibility for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities or other matters relative to any Collateral, whether or not the Trustee has or is deemed to have knowledge of such matters, (b) taking any necessary steps to preserve rights against any parties with respect to any Collateral or (c) investing or reinvesting any of the Collateral or any loss on any investment. Without limiting any rights of the Trustee hereunder, the rights and limitations upon the liability of the Trustee set forth in Article 5 of the Indenture are expressly incorporated herein and made a part hereof and shall extend to the role of the Trustee as Pledged Securities Intermediary.

SECTION 12. Indemnity. The Grantor shall indemnify, hold harmless and defend the Trustee, the Pledged Securities Intermediary and each of their respective directors, officers, agents and employees, from and against any and all claims, actions, obligations, liabilities and expenses, including defense costs, investigative fees and costs, and legal fees and damages arising from their execution of or performance under this Agreement, except to the extent that such claim, action, obligation, liability or expense is directly attributable to the bad faith, gross

negligence or willful misconduct of such indemnified person. This indemnification shall survive the termination of this Agreement.

SECTION 13. Remedies Upon Event of Default. If any Event of Default shall have occurred and be continuing:

(a) The Trustee may exercise, in addition to all other rights given by law or by this Agreement or the Indenture, all of the rights and remedies with respect to the Collateral of a secured party under the Uniform Commercial Code as in effect from time to time in any relevant jurisdiction and also may, without notice except as specified below, (i) sell, redeem or liquidate any of the Collateral, (ii) transfer any or all of the Collateral to any account designated by the Trustee, including an account or accounts established in the Trustee's name, (iii) register title to any Collateral in any name specified by the Trustee, including the name of the Trustee or any of its nominees or agents, without reference to any interest of the Grantor, or (iv) sell the Collateral or any part thereof in one or more parcels at any broker's board or at public or private sale, in one or more sales or lots, at any of the Trustee's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Trustee may deem commercially reasonable. The Grantor agrees that the Collateral is of a type customarily sold on recognized markets and, accordingly, that no notice to any Person is required before any sale of any of the Collateral pursuant to the terms of this Agreement; *provided, however* that, without prejudice to the foregoing, to the extent notice of any such sale shall be required by law, the Grantor agrees that at least ten days' notice to the Grantor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Trustee shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. The Trustee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. The purchaser of any or all Collateral so sold shall thereafter hold the same absolutely free from any claim, encumbrance or right of any kind whatsoever created by or through the Grantor. Any sale of the Collateral conducted in conformity with reasonable commercial practices of banks, insurance companies, commercial finance companies, or other financial institutions disposing of property similar to the Collateral shall be deemed to be commercially reasonable. The Trustee or any Holder of Notes may, in its own name or in the name of a designee or nominee, buy any of the Collateral at any public sale and, if permitted by applicable law, at any private sale. All expenses (including court costs and reasonable attorneys' fees, expenses and disbursements) of, or incident to, the enforcement of any of the provisions hereof shall be recoverable from the proceeds of the sale or other disposition of the Collateral. If there are insufficient Pledged Securities together with proceeds of Pledged Securities and other Collateral in the Pledge Account to make any required payment on the Secured Obligations, the Grantor shall be liable to the Trustee for any deficiency.

(b) All cash proceeds received by or on behalf of the Trustee in respect of any sale of, collection from, or other realization upon all or any part of the Collateral may, following the payment of the reasonable fees and expenses of the Trustee, be held by the Trustee (or by the

Pledged Securities Intermediary on its behalf) as collateral for, and/or then or at any time thereafter applied (after payment of any amounts payable to the Trustee pursuant to Section 14) in whole or in part by the Trustee as provided in clause SECOND of Section 4.13 of the Indenture. Any surplus of such cash or cash proceeds held by or on behalf of the Trustee and remaining after payment in full of all the Secured Obligations shall be paid over as provided in clause THIRD of Section 4.13 of the Indenture.

(c) The Trustee may, without notice to the Grantor except as required by law and at any time or from time to time, charge, set-off and otherwise apply all or any part of the Secured Obligations against the Pledge Account or any part thereof.

(d) The Grantor further agrees to use its commercially reasonable efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Collateral pursuant to this Section 13 valid and binding and in compliance with any and all other applicable requirements of law. The Grantor further agrees that a breach of any of the covenants contained in this Section 13 will cause irreparable injury to the Trustee and the Holders of the Notes, that the Trustee and the Holders of the Notes have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 13 shall be specifically enforceable against the Grantor and, to the fullest extent permitted by law, the Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no Event of Default has occurred and is continuing.

SECTION 14. Expenses. The Grantor will promptly upon demand pay to the Trustee and the Pledged Securities Intermediary the amount of any and all reasonable expenses, including, without limitation, the reasonable fees, expenses and disbursements of counsel, experts and agents retained by the Trustee or the Pledged Securities Intermediary, as the case may be, that the Trustee or the Pledged Securities Intermediary, as the case may be, may incur in connection with (a) the review, negotiation and administration of this Agreement, (b) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, (c) the exercise or enforcement of any of the rights of the Trustee and the Holders of the Notes hereunder or (d) the failure by the Grantor to perform or observe any of the provisions hereof.

SECTION 15. Miscellaneous Provisions.

Section 15.1. Notices. Any notice or other communication given hereunder shall be sufficiently given if in writing and delivered in person or mailed by first class mail, commercial courier service or telecopier communication, addressed as follows:

IF TO THE GRANTOR:

Nektar Therapeutics
150 Industrial Road
San Carlos, California 94070
Attention: Chief Financial Officer
Fax: 650-631-3150

IF TO THE TRUSTEE OR PLEDGED SECURITIES INTERMEDIARY:

J.P. Morgan Trust Company, National Association
560 Mission Street
13th Floor
San Francisco, California 94105
Attention: Institutional Trust Services
Fax: 415-315-7585

All such notices and other communications shall, when mailed, delivered or telecopied, respectively, be effective when deposited in the mails, delivered or telecopied, respectively, addressed as aforesaid.

Section 15.2. No Adverse Interpretation of Other Agreements. This Agreement may not be used to interpret another pledge, security or debt agreement of the Grantor or any subsidiary thereof. No such pledge, security or debt agreement (other than the Indenture) may be used to interpret this Agreement.

Section 15.3. Severability. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid, illegal or unenforceable in whole or in part in any jurisdiction, then, to the fullest extent permitted by law, such invalidity or unenforceability shall affect in that jurisdiction only such clause or provision, or part thereof, and shall not in any manner affect such clause or provision in any other jurisdiction or any other clause or provision of this Agreement in any jurisdiction.

Section 15.4. Headings. The headings in this Agreement have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

Section 15.5. Counterpart Originals. This Agreement may be signed in two or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same agreement.

Section 15.6. Benefits of Agreement. Nothing in this Agreement, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the

Holders of the Notes, any benefit or any legal or equitable right, remedy or claim under this Agreement.

Section 15.7. Amendments, Waivers and Consents. Any amendment or waiver of any provision of this Agreement and any consent to any departure by the Grantor from any provision of this Agreement shall be effective only if made or duly given in compliance with all of the terms and provisions of the Indenture, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given, *provided that* an amendment or supplement to this Agreement for the purpose contemplated by Section 16 may be entered into by the Grantor, the Trustee and the Pledged Securities Intermediary without the consent of any Holder, so long as such amendment or supplement is reasonably satisfactory in form and substance to the Grantor, the Trustee and the Pledged Securities Intermediary. Neither the Trustee nor any Holder of Notes shall be deemed, by any act, delay, indulgence, omission or otherwise, to have waived any right or remedy hereunder or to have acquiesced in any Event of Default or in any breach of any of the terms and conditions hereof. Failure of the Trustee or any Holder of Notes to exercise, or delay in exercising, any right, power or privilege hereunder shall not preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Trustee or any Holder of Notes of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy that the Trustee or such Holder would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

Section 15.8. Interpretation of Agreement. To the fullest extent permitted by applicable law, acceptance of or acquiescence in a course of performance rendered under this Agreement shall not be relevant to determine the meaning of this Agreement even though the accepting or acquiescing party had knowledge of the nature of the performance and opportunity for objection.

Section 15.9. Continuing Security Interest; Termination.

(a) This Agreement shall create a continuing security interest in and to the Collateral and shall, unless otherwise provided in this Agreement, remain in full force and effect until the payment in full in cash of the Secured Obligations. This Agreement shall be binding upon the Grantor, its transferees, successors and assigns, and shall inure, together with the rights and remedies of the Trustee hereunder, to the benefit of the Trustee, the Holders of the Notes, the Pledged Securities Intermediary and their respective successors, transferees and assigns.

(b) This Agreement (other than Grantor's obligations under Sections 12 and 14) shall terminate upon the earlier of (i) the payment in full in cash of the Secured Obligations and (ii) the payment in full in cash of the first six scheduled interest payments on all of the Notes. At such time, the Trustee shall, pursuant to an Issuer Order, direct the Pledged Securities Intermediary to promptly transfer to the Grantor all of the Collateral hereunder that has not been sold, disposed of, retained or applied by or on behalf of the Trustee in accordance with the terms

of this Agreement and the Indenture and take all other actions that are necessary to release the security interest created by this Agreement in and to the Collateral, including the execution and delivery of all termination statements necessary to terminate any financing or continuation statements filed with respect to the Collateral. Such transfer shall be without warranty by or recourse to the Trustee in its capacity as such, except as to the absence of any liens on the Collateral created by or arising through the Trustee, and shall be at the expense of the Grantor.

Section 15.10. Survival of Representations and Covenants. All representations, warranties and covenants of the Grantor contained herein shall survive the execution and delivery of this Agreement and the termination of this Agreement.

Section 15.11. Waivers. The Grantor, to the fullest extent permitted by applicable law, waives presentment and demand for payment of any of the Obligations, protest and notice of dishonor or default with respect to any of the Obligations, and all other notices to which the Grantor might otherwise be entitled, except as otherwise expressly provided herein or in the Indenture.

Section 15.12. Authority of the Trustee.

(a) The Trustee shall have and be entitled to exercise all powers hereunder that are specifically granted to it by the terms hereof, together with such powers as are reasonably incident thereto. The Trustee may perform any of its duties hereunder or in connection with the Collateral by or through agents or employees and shall be entitled to retain counsel and to act in reliance upon the advice of counsel concerning all such matters. Except as otherwise expressly provided in this Agreement or the Indenture, neither the Trustee nor any director, officer, employee, attorney or agent of the Trustee shall be liable to the Grantor for any action taken or omitted to be taken by the Trustee, in its capacity as Trustee, hereunder, except for its own bad faith, gross negligence or willful misconduct, and the Trustee shall not be responsible for the validity, effectiveness or sufficiency hereof or of any document or security furnished pursuant hereto. The Trustee and its directors, officers, employees, attorneys and agents shall be entitled to rely on any communication, instrument or document reasonably believed by it or them to be genuine and correct and to have been signed or sent by the proper person or persons.

(b) The Grantor acknowledges that the rights and responsibilities of the Trustee under this Agreement with respect to any action taken by the Trustee or the exercise or non-exercise by the Trustee of any option, right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Trustee and the Holders of the Notes, be governed by the Indenture and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Trustee and the Grantor, the Trustee shall be conclusively presumed to be acting as agent for the Holders of the Notes with full and valid authority so to act or refrain from acting, and the Grantor shall not be obligated or entitled to make any inquiry respecting such authority.

Section 15.13. Final Expression. This Agreement, together with the Indenture and any other agreement executed in connection herewith, is intended by the parties as a final expression of this Agreement and is intended as a complete and exclusive statement of the terms and conditions thereof.

Section 15.14. Rights of Holders of the Notes. No Holder of Notes shall have any independent rights hereunder other than those rights granted to individual Holders of the Notes pursuant to the Indenture; *provided* that nothing in this subsection shall limit any rights granted to the Trustee under the Notes or the Indenture.

Section 15.15. Governing Law; Submission to Jurisdiction; Waiver of Jury Trial; Waiver of Damages.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND INTERPRETED UNDER THE LAWS OF THE STATE OF NEW YORK.

(b) ANYTHING CONTAINED IN THIS AGREEMENT OR IN ANY OTHER AGREEMENT BETWEEN THE TRUSTEE AND THE PLEDGED SECURITIES INTERMEDIARY TO THE CONTRARY NOTWITHSTANDING, THE "PLEDGED SECURITIES INTERMEDIARY'S JURISDICTION" WITH RESPECT TO THE PLEDGED SECURITIES FOR PURPOSES OF SECTIONS 8-110(e), 9-305(a)(3) AND 9-304(b)(1) OF THE UCC SHALL BE THE STATE OF NEW YORK.

(c) FOR ANY SUIT, ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT, THE GRANTOR HEREBY AGREES TO SUBMIT TO THE JURISDICTION OF ANY FEDERAL OR STATE COURT LOCATED IN THE CITY OF NEW YORK.

(d) THE GRANTOR AGREES THAT THE TRUSTEE SHALL, IN ITS CAPACITY AS TRUSTEE OR IN THE NAME AND ON BEHALF OF ANY HOLDER OF NOTES, HAVE THE RIGHT, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW (AND TO THE EXTENT THE TRUSTEE HAS RECEIVED INDEMNITY DEEMED SATISFACTORY TO IT AND HAS AGREED TO DO SO), TO PROCEED AGAINST THE GRANTOR OR THE COLLATERAL IN A COURT IN ANY LOCATION REASONABLY SELECTED IN GOOD FAITH (AND HAVING PERSONAL OR IN REM JURISDICTION OVER THE GRANTOR OR THE COLLATERAL, AS THE CASE MAY BE) TO ENABLE THE TRUSTEE TO REALIZE ON SUCH COLLATERAL, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF THE TRUSTEE. THE GRANTOR AGREES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THAT IT WILL NOT ASSERT ANY COUNTERCLAIMS, SETOFFS OR CROSSCLAIMS IN ANY PROCEEDING BROUGHT BY THE TRUSTEE TO REALIZE ON SUCH PROPERTY OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE TRUSTEE, EXCEPT FOR SUCH COUNTERCLAIMS, SETOFFS OR CROSSCLAIMS WHICH, IF NOT ASSERTED IN ANY SUCH PROCEEDING, COULD NOT OTHERWISE BE BROUGHT OR

ASSERTED. THE GRANTOR WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN THE CITY OF NEW YORK IN THE BOROUGH OF MANHATTAN ONCE THE TRUSTEE HAS COMMENCED A PROCEEDING DESCRIBED IN THIS PARAGRAPH INCLUDING, WITHOUT LIMITATION, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS.

(e) THE GRANTOR AGREES THAT NONE OF ANY HOLDER OF NOTES, (EXCEPT AS OTHERWISE PROVIDED IN THIS AGREEMENT OR THE INDENTURE) THE TRUSTEE IN ITS CAPACITY AS TRUSTEE, OR J.P. MORGAN IN ITS CAPACITY AS PLEDGED SECURITIES INTERMEDIARY SHALL HAVE ANY LIABILITY TO THE GRANTOR (WHETHER ARISING IN TORT, CONTRACT OR OTHERWISE) FOR LOSSES SUFFERED BY THE GRANTOR IN CONNECTION WITH, ARISING OUT OF, OR IN ANY WAY RELATED TO, THE TRANSACTIONS CONTEMPLATED AND THE RELATIONSHIP ESTABLISHED BY THIS AGREEMENT, OR ANY ACT, OMISSION OR EVENT OCCURRING IN CONNECTION THEREWITH, UNLESS SUCH LOSSES WERE THE RESULT OF ACTS OR OMISSIONS ON THE PART OF THE TRUSTEE OR SUCH HOLDERS OF NOTES, AS THE CASE MAY BE, CONSTITUTING BAD FAITH, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

(f) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE GRANTOR WAIVES THE POSTING OF ANY BOND OTHERWISE REQUIRED OF THE TRUSTEE OR ANY HOLDER OF NOTES IN CONNECTION WITH ANY JUDICIAL PROCESS OR PROCEEDING TO ENFORCE ANY JUDGMENT OR OTHER COURT ORDER PERTAINING TO THIS AGREEMENT OR ANY RELATED AGREEMENT OR DOCUMENT ENTERED IN FAVOR OF THE TRUSTEE OR ANY HOLDER OF NOTES, OR TO ENFORCE BY SPECIFIC PERFORMANCE, TEMPORARY RESTRAINING ORDER OR PRELIMINARY OR PERMANENT INJUNCTION, THIS AGREEMENT OR ANY RELATED AGREEMENT OR DOCUMENT BETWEEN THE GRANTOR ON THE ONE HAND AND THE TRUSTEE AND/OR THE HOLDERS OF THE NOTES ON THE OTHER HAND.

SECTION 16. Provisions Relating to Additional Notes. The Grantor and the Trustee, on behalf of the Holders of the Notes originally issued on the date hereof (the "Initial Notes") and on behalf of the Holders of any additional Notes issued in one or more series from time to time after the date hereof in accordance with the provisions of the Indenture (the "Additional Notes"), hereby acknowledge that the Grantor may issue Additional Notes from time to time after the date hereof and that, pursuant to the terms of the Indenture, the Initial Notes and any Additional Notes will be treated as part of a single class for all purposes under the Indenture. Accordingly, anything contained herein to the contrary notwithstanding, (a) upon the issuance of any Additional Notes (i) for all purposes under this Agreement the term "Notes" shall thereafter include such Additional Notes; *provided that* any references herein to the first six scheduled interest payments due on the Notes shall mean, with respect to such Additional Notes, only such

number, if any, of the first six scheduled interest payments on the Notes as shall then remain at the time such Additional Notes are originally issued (such number, if any, of the first six scheduled interest payments on the Notes that shall remain at such time being the "Covered Interest Payments" in respect of such Additional Notes), (ii) in the event that any Additional Notes are issued prior to such time as the first six scheduled interest payments on the Notes shall have been paid in full, the Grantor shall purchase or cause to be purchased, for the account of the Pledged Securities Intermediary for credit to the Pledge Account, additional security entitlements with respect to U. S. Government Securities (such security entitlements being, collectively, the "Additional Pledged Securities") in an amount that will be sufficient, upon receipt of the scheduled interest and principal payments in respect thereof, to provide for the payment of all Covered Interest Payments in respect of such Additional Notes, and (iii) for all purposes under this Agreement (including without limitation Section 4(b)) the term "Pledged Securities" shall thereafter include any such Additional Pledged Securities, and (b) as provided in Section 15.7, in connection with the issuance of any Additional Notes, the parties hereto shall be permitted to enter into such amendments or supplements to this Agreement as may be necessary or advisable in order to give effect to the provisions of this Section 16 without the consent of the Holders of the Initial Notes or the Holders of any Additional Notes that are outstanding at the time of such issuance. For the avoidance of doubt and without limiting the generality of the foregoing, the Grantor and the Trustee, on behalf of the Holders of the Notes, hereby acknowledge and agree that the Holders of the Initial Notes and the Holders of any Additional Notes shall be entitled to share ratably in the benefits of this Agreement. In the event that the Grantor shall issue Additional Notes on more than one occasion, then the provisions of this Section 16 shall apply to such successive issuances of Additional Notes, mutatis mutandis.

IN WITNESS WHEREOF, the Grantor, the Trustee and the Pledged Securities Intermediary have each caused this Agreement to be duly executed and delivered as of the date first above written.

Grantor:

NEKTAR THERAPEUTICS

By: /s/ Ajit S. Gill
Name: Ajit S. Gill
Title: Chief Executive Officer and President

:

Trustee:

J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION

By: /s/ James Nagy
Name: James Nagy
Title: Assistant Vice President

Pledged Securities Intermediary:

J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION

By: /s/ James Nagy
Name: James Nagy
Title: Assistant Vice President

SCHEDULE I

PLEDGED SECURITIES

SECURITY	CUSIP NO.	MATURITY	PRINCIPAL AMOUNT AT MATURITY
United States Treasury	**912820DJ3**	11/15/03	**227,000**
United States Treasury	**912833FU9**	05/15/04	**504,000**
United States Treasury	**912833FV7**	11/15/04	**504,000**
United States Treasury	**912833FW5**	05/15/05	**504,000**
United States Treasury	**912833FX3**	11/15/05	**504,000**
United States Treasury	**912833FY1**	05/15/06	**504,000**
United States Treasury	**912820DJ3**	11/15/03	**95,000**
United States Treasury	**912833FU9**	05/15/04	**210,000**
United States Treasury	**912833FV7**	11/15/04	**210,000**
United States Treasury	**912833FW5**	05/15/05	**210,000**
United States Treasury	**912833FX3**	11/15/05	**210,000**
United States Treasury	**912833FY1**	05/15/06	**210,000**
United States Treasury	**912820DJ3**	11/15/03	**80,000**
United States Treasury	**912833FU9**	05/15/04	**176,000**
United States Treasury	**912833FV7**	11/15/04	**176,000**
United States Treasury	**912833FW5**	05/15/05	**176,000**
United States Treasury	**912833FX3**	11/15/05	**176,000**
United States Treasury	**912833FY1**	05/15/06	**176,000**
TOTAL			4,852,000

EXCHANGE AGREEMENT

This **EXCHANGE AGREEMENT** (the "***Agreement***") is made and entered into as of October 29, 2003, by and between **NEKTAR THERAPEUTICS**, a Delaware corporation (the "***Company***") and the entities set forth on Appendix I hereto (each a ***"Holder"*** and collectively the "***Holders***").

RECITALS

WHEREAS, the Holders currently hold beneficial interests in an aggregate of $5,000,000 in principal amount of the Company's 3.5% Convertible Subordinated Notes due October 2007 (the "***Prior Notes***");

WHEREAS, the Company has issued 3% Convertible Subordinated Notes due June 2010 (the "***New Notes***") in substantially the form set forth in the Indenture (as defined below), dated October 9, 2003 and as supplemented by the certain First Supplemental Indenture (as defined below), dated October 17, 2003, by and between the Company and J.P. Morgan Trust Company, National Association, as trustee (the "***Trustee***"); and

WHEREAS, the Company and the Holders desire to exchange and cancel the Holders' entire beneficial interest in the Prior Notes in consideration for the issuance by the Company to the Holders of the New Notes (the "***Exchange***").

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises, representations and warranties hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. EXCHANGE.

1.1 Cancellation of Beneficial Interest in Prior Notes. Upon and subject to the terms of this Agreement, each Holder, severally and not jointly, hereby agree, at the Closing (as defined below), to exchange, transfer, cancel and assign all of its right, title, interest and beneficial interest in and to that portion of the Prior Notes set forth opposite the name of such Holders on **Appendix I** to the Company in exchange for the issuance of New Notes in the principal amount set forth opposite the name of such Holders on Appendix I hereto which in the aggregate amount as issued to all Holders shall equal $3,417,000. After the cancellation, the Holders shall have no further right, title, interest or beneficial interest in the Prior Notes.

1.2 Purchase of New Notes. Upon and subject to the terms of this Agreement and in reliance of the representations and warranties set forth herein, the Company hereby agrees to issue to the Holders, and each Holder, severally and not jointly, agree to acquire from the Company, at the Closing, New Notes in the aggregate principal amount of $3,417,000 in exchange for the cancellation of the Holders' beneficial interests in the Prior Notes as described in Section 1.1 above.

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2. CLOSING AND DELIVERY.

2.1 Closing. Subject to the terms and conditions set forth herein, the closing of the Exchange (the "***Closing***") shall take place at 10:00 a.m. Pacific Time on October 31, 2003 (the "***Scheduled Closing Time***") at the offices of Cooley Godward LLP, 3175 Hanover Street, Palo Alto, CA 94304, or at such other time or place as agreed to by the Company and the Holders (the "***Closing Date***").

2.2 Delivery.

(a) At the Closing, subject to the terms and conditions set forth herein, the Company shall issue and deliver to the Holders, against evidence of cancellation of the Holders' beneficial interests in the Prior Notes, a note in favor of the Holders, payable in the principal amount set forth opposite the Holders' name in Appendix I.

(b) At the Closing, subject to the terms and conditions hereof, the Holders will cancel its beneficial interest in the Prior Notes and deliver to the Company evidence that the such beneficial interest has been cancelled on records maintained in book-entry form by The Depository Trust Company ("***DTC***") and its participants.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company hereby represents and warrants to the Holders as of the date of this Agreement and as of the Closing Date, as follows:

3.1 Organization, Good Standing and Qualification. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware. The Company has all requisite corporate power and authority to execute and deliver this Agreement, the Indenture, dated October 9, 2003 (the "***Indenture***") and as supplemented by that certain First Supplemental Indenture, dated October 17, 2003 (the "***First Supplemental Indenture***"), by and between the Company and the Trustee, both in the form set forth as **Exhibit A** hereto, the Pledge Agreement, dated October 9, 2003, by and among the Company, the Trustee and J.P. Morgan Trust Company, National Association, as collateral agent (the "***Collateral Agent***") with updated Schedule I in the form set forth as **Exhibit B** hereto (the "***Pledge Agreement***"), and the Resale Registration Rights Agreement, dated October 9, 2003, by and between the Company and the entities set forth therein in the form set forth as **Exhibit C** hereto (the "***Rights Agreement***") (collectively, with this Agreement and the New Notes, the "***Operative Documents***"), to issue the New Notes in consideration for the exchange and cancellation of the Holders' beneficial interests in the Prior Notes and the shares of common stock, par value $0.0001 per share, of the Company (the "Common Stock") issuable upon conversion of the New Notes (the "***Conversion Shares***") and to carry out the provisions of the Operative Documents.

3.2 Concerning the Conversion Shares. The Conversion Shares, which are authorized on the date hereof, have been duly and validly authorized and reserved for issuance upon conversion of the New Notes by all necessary corporate action and are free of preemptive rights; all Conversion Shares, when so issued and delivered upon such conversion in accordance with the terms of the Indenture, as amended by the First Supplemental Indenture, will be duly

and validly authorized and issued, fully paid and nonassessable and free and clear of all liens, encumbrances, equities or claims; and the issuance of such Conversion Shares upon such conversion will not be subject to the preemptive or other similar rights of any securityholder of the Company. The Company knows of no reason that the Conversion Shares will not be eligible for listing on The Nasdaq National Market.

3.3 Compliance with Other Instruments. The execution and delivery of the Operative Documents by the Company and the issuance of the New Notes and the proposed issuance of the Conversion Shares and the consummation of the transactions contemplated hereby will not (x) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a material default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them are bound or to which any of the properties or assets of the Company or any subsidiary is subject, (y) result in any violation of the provisions of the certificate of incorporation or bylaws of the Company or any of its subsidiaries or (z) result in any violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any subsidiary or any of their properties or assets and except (i) with respect to the transactions contemplated by the Registration Rights Agreement or the Pledge Agreement, as may be required under the Securities Act and the rules and regulations promulgated thereunder and (ii) as required by the state securities or "blue sky" laws, no consent, approval, authorization or order of, or filing or registration with, any such court or governmental agency or body or the stockholders of the Company is required for the execution, delivery and performance of the Operative Documents by the Company, and the consummation of the transactions contemplated hereby and thereby.

3.4 Authorization and Binding Obligations of the Agreement. This Agreement has been duly authorized, executed and delivered by the Company and (assuming due authorization, execution and delivery by the Holders) constitutes a legally valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, subject to general principles of equity and to limitations on availability of equitable relief, including specific performance (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

3.5 Authorization and Binding Obligation of the Indenture and First Supplemental Indenture. The Indenture and the First Supplemental Indenture have been duly authorized by the Company, and the Indenture and the First Supplemental Indenture constitute a legally valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, subject to general principles of equity and to limitations on availability of equitable relief, including specific performance (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

3.6 Authorization and Binding Obligation of the Pledge Agreement. The Pledge Agreement and the transactions contemplated thereby have been duly authorized by the

Company, and constitutes a legally valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, subject to general principles of equity and to limitations on availability of equitable relief, including specific performance (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

3.7 Authorization and Binding Obligation of the Rights Agreement. The Rights Agreement and the transactions contemplated thereby have been duly authorized by the Company, and constitutes a legally valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, subject to general principles of equity and to limitations on availability of equitable relief, including specific performance (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing, and except with respect to the rights of indemnification and contribution thereunder, where enforcement thereof may be limited by federal or state securities laws or the policies underlying such laws.

3.8 Authorization and Binding Obligation of the New Notes. The New Notes have been duly authorized by the Company, and when the New Notes are executed, authenticated and issued in accordance with the terms of the Indenture, as amended by the First Supplemental Indenture, and subject to the terms and conditions set forth herein delivered pursuant to this Agreement at the Closing (assuming due authentication of the New Notes by the Trustee), such New Notes will constitute legally valid and binding obligations of the Company, entitled to the benefits of the Indenture, as amended by the First Supplemental Indenture, and enforceable against the Company in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, subject to general principles of equity and to limitations on availability of equitable relief, including specific performance (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

3.9 Certain Securities Law Matters. Assuming the accuracy of the representations and warranties of the Holders contained in Section 4 hereof, the issuance of the New Notes and the Conversion Shares in accordance with the terms of the New Notes (collectively, the "***Securities***") will be exempt from the registration requirements of the Securities Act of 1933, as amended (the "***Securities Act***"), and will have been registered or qualified (or are exempt from registration and qualification) under the registration, permit or qualification requirements of all applicable state securities laws.

3.10 Absence of Certain Proceedings. Except as disclosed in the reports (the ***"SEC Reports"***) filed by the Company with the Securities and Exchange Commission (the ***"SEC"***) pursuant to the Securities Exchange Act of 1934 (the ***"Exchange Act"***) there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any of their respective properties or assets is the subject which, if determined adversely

to the Company might reasonably be expected to materially and adversely affect the consummation of the transactions contemplated by the Operative Documents or the performance by the Company of its obligations under the Operative Documents and to the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or, except as set forth or contemplated in the SEC Reports, threatened by others.

3.11 No Event of Default. No event has occurred nor has any circumstance arisen which, had the New Notes been outstanding as of June 30, 2003, would constitute a default or an Event of Default (as such term is defined in the Indenture, as amended by the First Supplemental Indenture,).

4. REPRESENTATIONS AND WARRANTIES OF THE HOLDERS. Each Holder hereby represents and warrants to the Company as follows (provided that such representations and warranties do not lessen or obviate the representations and warranties of the Company set forth in this Agreement):

4.1 Requisite Power and Authority. The Holder has all necessary power and authority to execute and deliver this Agreement carry out its provisions. All action on the Holder's part required for the lawful execution and delivery of this Agreement has been taken. Upon execution and delivery, this Agreement will be valid and binding obligations of the Holder, enforceable in accordance with its terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights and (b) as limited by general principles of equity that restrict the availability of equitable remedies.

4.2 Investment Representations. The Holder understands that the Securities have not been registered under the Securities Act. The Holder also understands that the Securities are being offered and sold pursuant to an exemption from registration contained in the Securities Act based in part upon the Holder's representations contained in the Agreement. Each Holder hereby represents and warrants as follows:

(a) The Holder Bears Economic Risk. The Holder has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the Company so that it is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its own interests. The Holder must bear the economic risk of this investment indefinitely unless the Securities are registered pursuant to the Securities Act, or an exemption from registration is available. The Holder understands that, except as provided in the Rights Agreement, the Company has no intention of registering the Securities. The Holder also understands that there is no assurance that any exemption from registration under the Securities Act will be available and that, even if available, such exemption may not allow the Holder to transfer all or any portion of the Securities under the circumstances, in the amounts or at the times the Holder might propose.

(b) Acquisition for Own Account. The Holder is acquiring the Securities for the Holder's own account for investment only, and not with a view towards their distribution.

(c) The Holder Can Protect Its Interest. The Holder represents that by reason of its, or of its management's, business or financial experience, the Holder has the capacity to protect its own interests in connection with the transactions contemplated in this Agreement. Further, the Holder is aware of no publication of any advertisement in connection with the transactions contemplated in the Agreement.

(d) Qualified Institutional Buyer. The Holder represents that it is a qualified institutional buyer as defined in Rule 144A under the Securities Act.

(e) Company Information. The Holder has had an opportunity to discuss the Company's business, management and financial affairs with directors, officers and management of the Company and has had the opportunity to review the Company's operations and facilities. The Holder has also had the opportunity to ask questions of and receive answers from, the Company and its management regarding the terms and conditions of this investment.

(f) Rule 144. The Holder acknowledges and agrees that the Securities are "restricted securities" as defined in Rule 144 promulgated under the Securities Act as in effect from time to time and must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. The Holder has been advised or is aware of the provisions of Rule 144, which permits limited resale of shares purchased in a private placement subject to the satisfaction of certain conditions, including, among other things: the availability of certain current public information about the Company, the resale occurring following the required holding period under Rule 144 and certain volume limitations.

(g) Residence. The office or offices of the Holder in which its investment decision was made is located at the address or addresses of the Holder set forth on the signature page.

(h) Foreign Investors. If the Holder is not a United States person (as defined by Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended), the Holder hereby represents that it has satisfied itself as to the full observance of the laws of its jurisdiction in connection with any invitation to subscribe for the Securities or any use of this Agreement, including (i) the legal requirements within its jurisdiction for the exchange of the Securities for the Prior Notes, (ii) any foreign exchange restrictions applicable to such exchange, (iii) any government or other consents that may need to be obtained, and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale or transfer of the Securities. The Exchange and the continued ownership by the Holder of the Securities will not violate any applicable securities or other laws of the Holder's jurisdiction.

(i) Transfer Restrictions. The Holder acknowledges and agrees that the Securities shall be subject to restrictions on transfer as set forth in the Indenture, as amended by the First Supplemental Indenture,.

4.3 Sole Ownership. The Holder has all right, title and interest in its beneficial interest in the Prior Notes, and has not endorsed, assigned, sold, transferred, deposited under any agreement, hypothecated, pledged for any bank or brokerage loan, or otherwise in any manner disposed of the Holder's beneficial interest in the Prior Notes or any interest therein. No person

or entity other than the Holder has any interest in the Holder's beneficial interest in the Prior Notes.

4.4 Non-Affiliate Status. The Holder is not an "affiliate" (as that term is defined under Rule 144(a) of the Securities Act and Rule 13e-3 of the Exchange Act of the Company. To the best of the Holder's knowledge, the Holder did not acquire its beneficial interest in the Prior Notes from an "affiliate" of the Company.

4.5 Tax Advice. The Holder has had the opportunity to review with its own tax advisors the U.S. Federal, state, local and foreign tax consequences of the Exchange and the transactions contemplated by this Agreement. With respect to such tax matters, the Holder has relied and relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. The Holder understands that it (and not the Company or any of its agents) shall be responsible for its own tax liability that may arise as a result of the Exchange and the transactions contemplated by this Agreement.

5. CONDITIONS TO CLOSING.

5.1 Conditions to the Holder's Obligations at the Closing. Each Holder's obligations to exchange and cancel its beneficial interest in the Prior Notes in exchange for the New Notes at the Closing are subject to the satisfaction, at or prior to the Closing Date, of the following conditions:

(a) Representations and Warranties True; Performance of Obligations. The representations and warranties made by the Company contained in this Agreement shall have been true and correct on the date of this Agreement and shall be true and correct as of the Closing Date with the same force and effect as if they had been made as of the Closing Date, and on or before the Closing Date the Company shall have performed all obligations and conditions herein required to be performed or observed by it on or prior to the Closing.

(b) No Legal Action. On the Closing Date, no legal action, suit or proceeding shall be pending or overtly threatened which seeks to restrain or prohibit the transactions contemplated by this Agreement.

(c) No Event of Default. No event which, if the New Notes were outstanding, would constitute an Event of Default under and as defined in the Indenture, as amended by the First Supplemental Indenture, or which, with the giving of notice or the passage of time, or both, would constitute an Event of Default under and as defined in the Indenture, as amended by the First Supplemental Indenture, shall have occurred and be continuing.

(d) Compliance Certificate. The Company shall have delivered to the Holders a Compliance Certificate, executed by an executive officer of the Company, dated the Closing Date, to the effect that the conditions specified in subsection (a), (b) and (c) of this Section 5.1 have been satisfied.

(e) No Suspension of Trading. On the Closing Date (i) trading in securities on the New York Stock Exchange, Inc., the American Stock Exchange, Inc. or The Nasdaq National Market shall not have been suspended or materially limited and (ii) a general

moratorium on commercial banking activities in the State of New York shall not have been declared by either federal or state authorities.

(f) Legal Investment. On the Closing Date, the issuance of the New Notes and the proposed issuance of the Conversion Shares shall be legally permitted by all laws and regulations to which the Holders and the Company are subject.

(g) New Notes. The New Notes shall have been duly executed and delivered by the Company and duly authenticated by the Trustee.

(h) Pledge Agreement. The Pledge Agreement shall be in full force and effect.

(i) First Supplemental Indenture and Indenture. The First Supplement Indenture and the Indenture shall be in full force and effect.

(j) Rights Agreement. The Rights Agreement shall be in full force and effect.

5.2 Conditions to the Company's Obligations at the Closing. The Company's obligations to issue the New Notes at the Closing is subject to the satisfaction, at or prior to the Closing Date, of the following conditions:

(a) Representations and Warranties True; Performance of Obligations. The representations and warranties of each Holder contained in this Agreement shall have been true and correct on the date of this Agreement and shall be true and correct as of the Closing Date with the same force and effect as if they had been made as of the Closing Date, and on or before the Closing Date each Holder shall have performed all obligations and conditions herein required to be performed or observed by it on or prior to the Closing.

(b) Evidence of Cancellation of Beneficial Interest in the Prior Notes. The Company shall have received confirmation to its reasonable satisfaction that each Holder's beneficial interest in the Prior Notes has been cancelled.

(c) No Legal Action. On the Closing Date, no legal action, suit or proceeding shall be pending or overtly threatened which seeks to restrain or prohibit the transactions contemplated by this Agreement.

(d) Legal Investment. On the Closing Date, the issuance of the New Notes and the proposed issuance of the Conversion Shares shall be legally permitted by all laws and regulations to which the Holders and the Company are subject.

(e) New Notes. The Trustee shall have duly authenticated the New Notes.

(f) Pledge Agreement. The Pledge Agreement shall be in full force and effect.

(g) First Supplemental Indenture and Indenture. The First Supplement Indenture and the Indenture shall be in full force and effect.

(h) Rights Agreement. The Rights Agreement shall be in full force and effect.

(i) No Suspension of Trading. On the Closing Date (i) trading in securities on the New York Stock Exchange, Inc., the American Stock Exchange, Inc. or The Nasdaq National Market shall not have been suspended or materially limited and (ii) a general moratorium on commercial banking activities in the State of New York shall not have been declared by either federal or state authorities.

6. COVENANTS OF THE PARTIES

6.1 Rule 144. The parties agree that pursuant to Rule 144 promulgated under the Securities Act (***"Rule 144"***), interpretations thereof by the SEC and "no-action" letters from the staff of the SEC, the Holders should be entitled to relate back (i.e., tack) the holding period of the New Notes and the Conversion Shares to the holding period of the Prior Notes and, so long as (x) the aggregate period during which the Prior Notes and the New Notes and the Conversion Shares are held is at least two years and (y) at the time of determination such Holder is not and has not for the preceding three months been an "affiliate" (as such term is defined in Rule 144) of the Company, the New Notes and the Conversion Shares may be sold pursuant to Rule 144(k) (the ***"Rule 144 Interpretation"***). The Company shall not, directly or indirectly, dispute or otherwise interfere with any claim by the Holders that the holding period of the New Notes and the Conversion Shares for purposes of Rule 144 tacks to the holding period for the Prior Notes; provided, however, that nothing contained in this Section 6.1 shall obligate the Company or its legal counsel to take a position that is inconsistent with the provisions of applicable law or regulations and the administrative and judicial interpretations thereof in effect from time to time (collectively, the ***"Applicable Law"***); nor shall the covenants set forth in this Section 6.1 be construed as any representation or warranty by the Company or to limit any Holder's representations or warranties to the effect that (A) the Rule 144 Interpretation is consistent with or does not conflict with the Applicable Law, or (B) any Holder has demonstrated that the Securities have been acquired with investment intent and not with a view towards their distribution. The parties agree and acknowledge that the foregoing covenants shall in no way (A) limit the transfer restrictions to which the Securities are subject as set forth in the Indenture, as amended by the First Supplemental Indenture; or (B) require the Company to take any action to authorize the transfer of any Securities if a Holder has not demonstrated to the Company's reasonable satisfaction that the Securities have been acquired with investment intent and not with a view towards their distribution.

6.2 Best Efforts. Each of the parties shall use its best efforts timely to satisfy each of the conditions to the other party's obligations set forth in Section 5.1 or 5.2, as the case may be, of this Agreement on or before the Closing Date.

6.3 Settlement of Interest on the Prior Notes. The parties hereby agree that the Holders shall receive a payment of unpaid and accrued interest with respect to the Prior Notes (the "***Interest Payment***") at the Closing Date. The parties hereby agree that the payment of the

Interest Payment shall be in lieu of and deemed to satisfy all obligation by the Company to pay accrued and unpaid interest on the Prior Notes at the Closing and that the Company may deduct from the Interest Payment paid to the Holders an amount equal to any interest on the Prior Notes deemed to accrue on the Prior Notes on or after the Closing Date. In the event that any Holder shall receive Interest Payment which includes the payment of interest accrued on or after the Closing Date (an ***"Excess Interest Payment"***), such Holder shall immediately remit to the Company in immediately available funds an amount equal to such Excess Interest Payment.

6.4 The Depository Trust Company Eligibility. The Company covenants that it shall use its commercially reasonable efforts to cause the New Notes to be deposited with DTC and the Holders' ownership to be reflected in book entry-form as soon as reasonably practicable in accordance with DTC policies and procedures, following the effective date of a registration statement covering the resale of the New Notes by the Holders.

7. MISCELLANEOUS.

7.1 Governing Law. This Agreement shall be governed by and construed under the laws of the State of New York.

7.2 Survival. The representations, warranties, covenants and agreements made herein shall survive the closing of the transactions contemplated hereby. The representations, warranties, covenants and obligations of the Company, and the rights and remedies that may be exercised by the Holders, shall not be limited or otherwise affected by or as a result of any information furnished to, or any investigation made by or knowledge of, the Holders or any of its representatives.

7.3 Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon the parties hereto and their respective successors, assigns, heirs, executors and administrators.

7.4 Entire Agreement. This Agreement and the other Operative Documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and no party shall be liable or bound to any other in any manner by any oral or written representations, warranties, covenants and agreements except as specifically set forth herein and therein. Each party expressly represents and warrants that it is not relying on any oral or written representations, warranties, covenants or agreements outside of the Operative Documents.

7.5 Severability. In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

7.6 Amendment and Waiver. This Agreement may be amended or modified only upon the written consent of the Company and the Holders holding a majority in interest of the Prior Notes.

7.7 Delays or Omissions. It is agreed that no delay or omission to exercise any right, power or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind or character on any party's part of any breach, default or noncompliance under this Agreement or any waiver on such party's part of any provisions or conditions of the Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to any party, shall be cumulative and not alternative.

7.8 Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail, telex or facsimile if sent during normal business hours of the recipient, if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the Company at the address as set forth on the signature page hereof and to the Holders at the address set forth on the signature page or at such other address or electronic mail address as the Company or the Holders may designate by ten (10) days advance written notice to the other parties hereto.

7.9 Expenses. Each party shall pay all costs and expenses that it incurs with respect to the negotiation, execution, delivery and performance of the Agreement.

7.10 Attorneys' Fees. In the event that any suit or action is instituted under or in relation to this Agreement, including, without limitation, to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

7.11 Titles and Subtitles. The titles of the sections and subsections of the Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

7.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

7.13 Broker's Fees. Each party hereto represents and warrants that no agent, broker, investment banker, person or firm acting on behalf of or under the authority of such party hereto is or will be entitled to any broker's or finder's fee or any other commission directly or indirectly in connection with the transactions contemplated herein. Each party hereto further agrees to indemnify each other party for any claims, losses or expenses incurred by such other party as a result of the representation in this Section 7.13 being untrue.

7.14 Pronouns. All pronouns contained herein, and any variations thereof, shall be deemed to refer to the masculine, feminine or neutral, singular or plural, as to the identity of the parties hereto may require.

7.15 Further Assurances. Each party to this Agreement will perform any and all acts and execute any and all documents as may be necessary and proper under the circumstances in order to accomplish the intents and purposes of this Agreement and to carry out its provisions.

7.16 Termination.

(a) Termination Events. This Agreement may be terminated prior to the Closing:

(i) By the Holders holding a majority in interest of the Prior Notes at or after the Scheduled Closing Time if any condition set forth in Section 5.1 has not been satisfied by the Scheduled Closing Time (other than as a result of any failure on the part of any Holder to comply with or perform any covenant or obligation of the Holders set forth in this Agreement);

(ii) By the Company at or after the Scheduled Closing Time if any condition set forth in Section 5.2 has not been satisfied by the Scheduled Closing Time (other than as a result of any failure on the part of the Company to comply with or perform any covenant or obligation of the Company set forth in this Agreement);

(iii) By Holders holding a majority in interest of the Prior Notes or the Company if the Closing has not taken place on or before November 7, 2003 (other than as a result of any failure on the part of the party seeking to terminate this Agreement to comply with or perform any covenant or obligation of such party set forth in this Agreement);

(iv) By mutual consent of the Holders holding a majority in interest of the Prior Notes and the Company

(b) Termination Procedures. If the Holders wish to terminate this Agreement pursuant to Section 7.16(a)(i) or Section 7.16(a)(iii), the Holders shall deliver to the Company a written notice stating that the Holders are terminating this Agreement and setting forth a brief description of the basis on which the Holders are terminating this Agreement. If the Company wishes to terminate this Agreement pursuant to Section 7.16(a)(ii) or Section 7.16(iii), the Company shall deliver to the Holders a written notice stating that the Company is terminating this Agreement and setting forth a brief description of the basis on which the Company is terminating this Agreement.

(c) Effect of Termination. If this Agreement is terminated pursuant to Section 7.16(a), this Agreement shall be of no further force or effect (and, except as provided in this Section 7.16(c), there shall be no liability or obligation hereunder on the part of any of the parties hereto or their respective officers, directors, stockholders or affiliates); *provided, however*, that Section 7, including without limitation, this Section 7.16, shall survive the termination of this Agreement and shall remain in full force and effect, and the termination of

this Agreement shall not relieve any party from any liability for any willful breach of any representation, warranty or covenant contained in this Agreement.

7.17 Public Statements, Press Releases, Etc. The Company and the Holders holding a majority in interest of the Prior Notes shall have the right to approve before issuance any press releases or any other public statements with respect to the transactions contemplated hereby; *provided, however*, that the Company shall be entitled, without the prior approval of the Holders, to make any press release or other public disclosure with respect to such transactions that it deems appropriate pursuant to applicable law and regulations, including the Exchange Act and the rules and regulations promulgated thereunder.

[Remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this **EXCHANGE AGREEMENT** as of the date set forth in the first paragraph hereof.

COMPANY:

NEKTAR THERAPEUTICS

Signature: /s/ Ajay Bansal

Ajay Bansal
Vice President, Finance and
Administration and Chief Financial Officer

Address: 150 Industrial Road
San Carlos, CA 94070

HOLDERS:

Salomon Brothers Qualified Investor Portfolios Multi-Strategy Arbitrage Portfolio
Salomon Brothers Diversified Arbitrage Strategies Fund Ltd.
Salomon Brothers Enhanced Arbitrage Strategies Fund
CEBT- Comingled Employee Benefit Trust – Capital Structure Arbitrage
General Motors Employees Global Group Pension Trust
General Motors Welfare Benefits Trust
Salomon Brothers Market Neutral Arbitrage Fund L.P.

By: Solomon Brothers Asset Management, Inc.,
the investment manager of each of the above listed Holders.

Signature: /s/ Kenneth Lee

Print Name: Kenneth Lee

Title: Director / Portfolio Manager

Address: 399 Park Avenue, 7th Floor
New York, NY 10022

Copies to: Salomon Brothers Asset Management
P.O. Box 1080
Church Street Station
New York, NY 10008-1080
ATTN: SBAM/Citigroup LIBRA

APPENDIX I

HOLDERS	PRIOR NOTES	NEW NOTES

Salomon Brothers Qualified Investor Portfolios Multi-Strategy Arbitrage Portfolio	$	3,270,000	$	2,236,000
Salomon Brothers Diversified Arbitrage Strategies Fund Ltd.	$	838,000	$	573,000
Salomon Brothers Enhanced Arbitrage Strategies Fund	$	161,000	$	110,000
CEBT- Comingled Employee Benefit Trust – Capital Structure Arbitrage	$	159,000	$	108,000
General Motors Employees Global Group Pension Trust	$	84,000	$	57,000
General Motors Welfare Benefits Trust	$	245,000	$	167,000
Salomon Brothers Market Neutral Arbitrage Fund L.P.	$	243,000	$	166,000
TOTAL:	**$**	**5,000,000**	**$**	**3,417,000**

EXCHANGE AGREEMENT

This **EXCHANGE AGREEMENT** (the "***Agreement***") is made and entered into as of October 30, 2003, by and between **NEKTAR THERAPEUTICS**, a Delaware corporation (the "***Company***") and the entities set forth on Appendix I hereto (each a ***"Holder"*** and collectively the "***Holders***").

RECITALS

WHEREAS, the Holders currently hold beneficial interests in an aggregate of $10,125,000 in principal amount of the Company's 3.5% Convertible Subordinated Notes due October 2007 (the "***Prior Notes***");

WHEREAS, the Company has issued 3% Convertible Subordinated Notes due June 2010 (the "***New Notes***") in substantially the form set forth in the Indenture (as defined below), dated October 9, 2003 and as supplemented by the certain First Supplemental Indenture (as defined below), dated October 17, 2003, by and between the Company and J.P. Morgan Trust Company, National Association, as trustee (the "***Trustee***"); and

WHEREAS, the Company and the Holders desire to exchange and cancel the Holders' entire beneficial interest in the Prior Notes in consideration for the issuance by the Company to the Holders of the New Notes (the "***Exchange***").

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises, representations and warranties hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. EXCHANGE.

1.1 Cancellation of Beneficial Interest in Prior Notes. Upon and subject to the terms of this Agreement, each Holder, severally and not jointly, hereby agree, at the Closing (as defined below), to exchange, transfer, cancel and assign all of its right, title, interest and beneficial interest in and to that portion of the Prior Notes set forth opposite the name of such Holders on **Appendix I** to the Company in exchange for the issuance of New Notes in the principal amount set forth opposite the name of such Holders on Appendix I hereto which in the aggregate amount as issued to all Holders shall equal $6,925,000. After the cancellation, the Holders shall have no further right, title, interest or beneficial interest in the Prior Notes.

1.2 Purchase of New Notes. Upon and subject to the terms of this Agreement and in reliance of the representations and warranties set forth herein, the Company hereby agrees to issue to the Holders, and each Holder, severally and not jointly, agree to acquire from the Company, at the Closing, New Notes in the aggregate principal amount of $6,925,000 in exchange for the cancellation of the Holders' beneficial interests in the Prior Notes as described in Section 1.1 above.

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2. CLOSING AND DELIVERY.

2.1 Closing. Subject to the terms and conditions set forth herein, the closing of the Exchange (the "***Closing***") shall take place at 10:00 a.m. Pacific Time on October 31, 2003 (the "***Scheduled Closing Time***") at the offices of Cooley Godward LLP, 3175 Hanover Street, Palo Alto, CA 94304, or at such other time or place as agreed to by the Company and the Holders (the "***Closing Date***").

2.2 Delivery.

(a) At the Closing, subject to the terms and conditions set forth herein, the Company shall issue and deliver to the Holders, against evidence of cancellation of the Holders' beneficial interests in the Prior Notes, a note in favor of the Holders, payable in the principal amount set forth opposite the Holders' name in Appendix I.

(b) At the Closing, subject to the terms and conditions hereof, the Holders will cancel its beneficial interest in the Prior Notes and deliver to the Company evidence that the such beneficial interest has been cancelled on records maintained in book-entry form by The Depository Trust Company ("***DTC***") and its participants.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company hereby represents and warrants to the Holders as of the date of this Agreement and as of the Closing Date, as follows:

3.1 Organization, Good Standing and Qualification. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware. The Company has all requisite corporate power and authority to execute and deliver this Agreement, the Indenture, dated October 9, 2003 (the "***Indenture***") and as supplemented by that certain First Supplemental Indenture, dated October 17, 2003 (the "***First Supplemental Indenture***"), by and between the Company and the Trustee, both in the form set forth as **Exhibit A** hereto, the Pledge Agreement, dated October 9, 2003, by and among the Company, the Trustee and J.P. Morgan Trust Company, National Association, as collateral agent (the "***Collateral Agent***") with updated Schedule I in the form set forth as **Exhibit B** hereto (the "***Pledge Agreement***"), and the Resale Registration Rights Agreement, dated October 9, 2003, by and between the Company and the entities set forth therein in the form set forth as **Exhibit C** hereto (the "***Rights Agreement***") (collectively, with this Agreement and the New Notes, the "***Operative Documents***"), to issue the New Notes in consideration for the exchange and cancellation of the Holders' beneficial interests in the Prior Notes and the shares of common stock, par value $0.0001 per share, of the Company (the "Common Stock") issuable upon conversion of the New Notes (the "***Conversion Shares***") and to carry out the provisions of the Operative Documents.

3.2 Concerning the Conversion Shares. The Conversion Shares, which are authorized on the date hereof, have been duly and validly authorized and reserved for issuance upon conversion of the New Notes by all necessary corporate action and are free of preemptive rights; all Conversion Shares, when so issued and delivered upon such conversion in accordance with the terms of the Indenture, as amended by the First Supplemental Indenture, will be duly

and validly authorized and issued, fully paid and nonassessable and free and clear of all liens, encumbrances, equities or claims; and the issuance of such Conversion Shares upon such conversion will not be subject to the preemptive or other similar rights of any securityholder of the Company. The Company knows of no reason that the Conversion Shares will not be eligible for listing on The Nasdaq National Market.

3.3 Compliance with Other Instruments. The execution and delivery of the Operative Documents by the Company and the issuance of the New Notes and the proposed issuance of the Conversion Shares and the consummation of the transactions contemplated hereby will not (x) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a material default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them are bound or to which any of the properties or assets of the Company or any subsidiary is subject, (y) result in any violation of the provisions of the certificate of incorporation or bylaws of the Company or any of its subsidiaries or (z) result in any violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any subsidiary or any of their properties or assets and except (i) with respect to the transactions contemplated by the Registration Rights Agreement or the Pledge Agreement, as may be required under the Securities Act and the rules and regulations promulgated thereunder and (ii) as required by the state securities or "blue sky" laws, no consent, approval, authorization or order of, or filing or registration with, any such court or governmental agency or body or the stockholders of the Company is required for the execution, delivery and performance of the Operative Documents by the Company, and the consummation of the transactions contemplated hereby and thereby.

3.4 Authorization and Binding Obligations of the Agreement. This Agreement has been duly authorized, executed and delivered by the Company and (assuming due authorization, execution and delivery by the Holders) constitutes a legally valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, subject to general principles of equity and to limitations on availability of equitable relief, including specific performance (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

3.5 Authorization and Binding Obligation of the Indenture and First Supplemental Indenture. The Indenture and the First Supplemental Indenture have been duly authorized by the Company, and the Indenture and the First Supplemental Indenture constitute a legally valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, subject to general principles of equity and to limitations on availability of equitable relief, including specific performance (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

3.6 Authorization and Binding Obligation of the Pledge Agreement. The Pledge Agreement and the transactions contemplated thereby have been duly authorized by the

Company, and constitutes a legally valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, subject to general principles of equity and to limitations on availability of equitable relief, including specific performance (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

3.7 Authorization and Binding Obligation of the Rights Agreement. The Rights Agreement and the transactions contemplated thereby have been duly authorized by the Company, and (assuming due authorization, execution and delivery by the Holders) constitutes a legally valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, subject to general principles of equity and to limitations on availability of equitable relief, including specific performance (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing, and except with respect to the rights of indemnification and contribution thereunder, where enforcement thereof may be limited by federal or state securities laws or the policies underlying such laws.

3.8 Authorization and Binding Obligation of the New Notes. The New Notes have been duly authorized by the Company, and when the New Notes are executed, authenticated and issued in accordance with the terms of the Indenture, as amended by the First Supplemental Indenture, and subject to the terms and conditions set forth herein delivered pursuant to this Agreement at the Closing (assuming due authentication of the New Notes by the Trustee), such New Notes will constitute legally valid and binding obligations of the Company, entitled to the benefits of the Indenture, as amended by the First Supplemental Indenture, and enforceable against the Company in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, subject to general principles of equity and to limitations on availability of equitable relief, including specific performance (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

3.9 Certain Securities Law Matters. Assuming the accuracy of the representations and warranties of the Holders contained in Section 4 hereof, the issuance of the New Notes and the Conversion Shares in accordance with the terms of the New Notes (collectively, the "***Securities***") will be exempt from the registration requirements of the Securities Act of 1933, as amended (the "***Securities Act***"), and will have been registered or qualified (or are exempt from registration and qualification) under the registration, permit or qualification requirements of all applicable state securities laws.

3.10 Absence of Certain Proceedings. Except as disclosed in the reports (the ***"SEC Reports"***) filed by the Company with the Securities and Exchange Commission (the ***"SEC"***) pursuant to the Securities Exchange Act of 1934 (the ***"Exchange Act"***) there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or

of which any of their respective properties or assets is the subject which, if determined adversely to the Company might reasonably be expected to materially and adversely affect the consummation of the transactions contemplated by the Operative Documents or the performance by the Company of its obligations under the Operative Documents and to the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or, except as set forth or contemplated in the SEC Reports, threatened by others.

3.11 No Event of Default. No event has occurred nor has any circumstance arisen which, had the New Notes been outstanding as of June 30, 2003, would constitute a default or an Event of Default (as such term is defined in the Indenture, as amended by the First Supplemental Indenture,).

4. REPRESENTATIONS AND WARRANTIES OF THE HOLDERS. Each Holder hereby represents and warrants to the Company as follows (provided that such representations and warranties do not lessen or obviate the representations and warranties of the Company set forth in this Agreement):

4.1 Requisite Power and Authority. The Holder has all necessary power and authority to execute and deliver this Agreement carry out its provisions. All action on the Holder's part required for the lawful execution and delivery of this Agreement has been taken. Upon execution and delivery, this Agreement will be valid and binding obligations of the Holder, enforceable in accordance with its terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights and (b) as limited by general principles of equity that restrict the availability of equitable remedies.

4.2 Investment Representations. The Holder understands that the Securities have not been registered under the Securities Act. The Holder also understands that the Securities are being offered and sold pursuant to an exemption from registration contained in the Securities Act based in part upon the Holder's representations contained in the Agreement. Each Holder hereby represents and warrants as follows:

(a) The Holder Bears Economic Risk. The Holder has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the Company so that it is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its own interests. The Holder must bear the economic risk of this investment indefinitely unless the Securities are registered pursuant to the Securities Act, or an exemption from registration is available. The Holder understands that, except as provided in the Rights Agreement, the Company has no intention of registering the Securities. The Holder also understands that there is no assurance that any exemption from registration under the Securities Act will be available and that, even if available, such exemption may not allow the Holder to transfer all or any portion of the Securities under the circumstances, in the amounts or at the times the Holder might propose.

(b) Acquisition for Own Account. The Holder is acquiring the Securities for the Holder's own account for investment only, and not with a view towards their distribution.

(c) The Holder Can Protect Its Interest. The Holder represents that by reason of its, or of its management's, business or financial experience, the Holder has the capacity to protect its own interests in connection with the transactions contemplated in this Agreement. Further, the Holder is aware of no publication of any advertisement in connection with the transactions contemplated in the Agreement.

(d) Qualified Institutional Buyer. The Holder represents that it is a qualified institutional buyer as defined in Rule 144A under the Securities Act.

(e) Company Information. The Holder has had an opportunity to discuss the Company's business, management and financial affairs with directors, officers and management of the Company and has had the opportunity to review the Company's operations and facilities. The Holder has also had the opportunity to ask questions of and receive answers from, the Company and its management regarding the terms and conditions of this investment.

(f) Rule 144. The Holder acknowledges and agrees that the Securities are "restricted securities" as defined in Rule 144 promulgated under the Securities Act as in effect from time to time and must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. The Holder has been advised or is aware of the provisions of Rule 144, which permits limited resale of shares purchased in a private placement subject to the satisfaction of certain conditions, including, among other things: the availability of certain current public information about the Company, the resale occurring following the required holding period under Rule 144 and certain volume limitations.

(g) Residence. The office or offices of the Holder in which its investment decision was made is located at the address or addresses of the Holder set forth on the signature page.

(h) Foreign Investors. If the Holder is not a United States person (as defined by Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended), the Holder hereby represents that it has satisfied itself as to the full observance of the laws of its jurisdiction in connection with any invitation to subscribe for the Securities or any use of this Agreement, including (i) the legal requirements within its jurisdiction for the exchange of the Securities for the Prior Notes, (ii) any foreign exchange restrictions applicable to such exchange, (iii) any government or other consents that may need to be obtained, and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale or transfer of the Securities. The Exchange and the continued ownership by the Holder of the Securities will not violate any applicable securities or other laws of the Holder's jurisdiction.

(i) Transfer Restrictions. The Holder acknowledges and agrees that the Securities shall be subject to restrictions on transfer as set forth in the Indenture, as amended by the First Supplemental Indenture,.

4.3 Sole Ownership. The Holder has all right, title and interest in its beneficial interest in the Prior Notes, and has not endorsed, assigned, sold, transferred, deposited under any agreement, hypothecated, pledged for any bank or brokerage loan, or otherwise in any manner disposed of the Holder's beneficial interest in the Prior Notes or any interest therein. No person

or entity other than the Holder has any interest in the Holder's beneficial interest in the Prior Notes.

4.4 Non-Affiliate Status. The Holder is not an "affiliate" (as that term is defined under Rule 144(a) of the Securities Act and Rule 13e-3 of the Exchange Act of the Company. To the best of the Holder's knowledge, the Holder did not acquire its beneficial interest in the Prior Notes from an "affiliate" of the Company.

4.5 Tax Advice. The Holder has had the opportunity to review with its own tax advisors the U.S. Federal, state, local and foreign tax consequences of the Exchange and the transactions contemplated by this Agreement. With respect to such tax matters, the Holder has relied and relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. The Holder understands that it (and not the Company or any of its agents) shall be responsible for its own tax liability that may arise as a result of the Exchange and the transactions contemplated by this Agreement.

5. CONDITIONS TO CLOSING.

5.1 Conditions to the Holder's Obligations at the Closing. Each Holder's obligations to exchange and cancel its beneficial interest in the Prior Notes in exchange for the New Notes at the Closing are subject to the satisfaction, at or prior to the Closing Date, of the following conditions:

(a) Representations and Warranties True; Performance of Obligations. The representations and warranties made by the Company contained in this Agreement shall have been true and correct on the date of this Agreement and shall be true and correct as of the Closing Date with the same force and effect as if they had been made as of the Closing Date, and on or before the Closing Date the Company shall have performed all obligations and conditions herein required to be performed or observed by it on or prior to the Closing.

(b) No Legal Action. On the Closing Date, no legal action, suit or proceeding shall be pending or overtly threatened which seeks to restrain or prohibit the transactions contemplated by this Agreement.

(c) No Event of Default. No event which, if the New Notes were outstanding, would constitute an Event of Default under and as defined in the Indenture, as amended by the First Supplemental Indenture, or which, with the giving of notice or the passage of time, or both, would constitute an Event of Default under and as defined in the Indenture, as amended by the First Supplemental Indenture, shall have occurred and be continuing.

(d) Compliance Certificate. The Company shall have delivered to the Holders a Compliance Certificate, executed by an executive officer of the Company, dated the Closing Date, to the effect that the conditions specified in subsection (a), (b) and (c) of this Section 5.1 have been satisfied.

(e) No Suspension of Trading. On the Closing Date (i) trading in securities on the New York Stock Exchange, Inc., the American Stock Exchange, Inc. or The Nasdaq National Market shall not have been suspended or materially limited and (ii) a general

moratorium on commercial banking activities in the State of New York shall not have been declared by either federal or state authorities.

(f) Legal Investment. On the Closing Date, the issuance of the New Notes and the proposed issuance of the Conversion Shares shall be legally permitted by all laws and regulations to which the Holders and the Company are subject.

(g) New Notes. The New Notes shall have been duly executed and delivered by the Company and duly authenticated by the Trustee.

(h) Pledge Agreement. The Pledge Agreement shall be in full force and effect.

(i) First Supplemental Indenture and Indenture. The First Supplement Indenture and the Indenture shall be in full force and effect.

(j) Rights Agreement. The Rights Agreement shall be in full force and effect.

5.2 Conditions to the Company's Obligations at the Closing. The Company's obligations to issue the New Notes at the Closing is subject to the satisfaction, at or prior to the Closing Date, of the following conditions:

(a) Representations and Warranties True; Performance of Obligations. The representations and warranties of each Holder contained in this Agreement shall have been true and correct on the date of this Agreement and shall be true and correct as of the Closing Date with the same force and effect as if they had been made as of the Closing Date, and on or before the Closing Date each Holder shall have performed all obligations and conditions herein required to be performed or observed by it on or prior to the Closing.

(b) Evidence of Cancellation of Beneficial Interest in the Prior Notes. The Company shall have received confirmation to its reasonable satisfaction that each Holder's beneficial interest in the Prior Notes has been cancelled.

(c) No Legal Action. On the Closing Date, no legal action, suit or proceeding shall be pending or overtly threatened which seeks to restrain or prohibit the transactions contemplated by this Agreement.

(d) Legal Investment. On the Closing Date, the issuance of the New Notes and the proposed issuance of the Conversion Shares shall be legally permitted by all laws and regulations to which the Holders and the Company are subject.

(e) New Notes. The Trustee shall have duly authenticated the New Notes.

(f) Pledge Agreement. The Pledge Agreement shall be in full force and effect.

(g) First Supplemental Indenture and Indenture. The First Supplement Indenture and the Indenture shall be in full force and effect.

(h) Rights Agreement. Each Holder shall have executed and delivered the Rights Agreement and the Rights Agreement shall be in full force and effect.

(i) No Suspension of Trading. On the Closing Date (i) trading in securities on the New York Stock Exchange, Inc., the American Stock Exchange, Inc. or The Nasdaq National Market shall not have been suspended or materially limited and (ii) a general moratorium on commercial banking activities in the State of New York shall not have been declared by either federal or state authorities.

6. COVENANTS OF THE PARTIES

6.1 Rule 144. The parties agree that pursuant to Rule 144 promulgated under the Securities Act (***"Rule 144"***), interpretations thereof by the SEC and "no-action" letters from the staff of the SEC, the Holders should be entitled to relate back (i.e., tack) the holding period of the New Notes and the Conversion Shares to the holding period of the Prior Notes and, so long as (x) the aggregate period during which the Prior Notes and the New Notes and the Conversion Shares are held is at least two years and (y) at the time of determination such Holder is not and has not for the preceding three months been an "affiliate" (as such term is defined in Rule 144) of the Company, the New Notes and the Conversion Shares may be sold pursuant to Rule 144(k) (the ***"Rule 144 Interpretation"***). The Company shall not, directly or indirectly, dispute or otherwise interfere with any claim by the Holders that the holding period of the New Notes and the Conversion Shares for purposes of Rule 144 tacks to the holding period for the Prior Notes; provided, however, that nothing contained in this Section 6.1 shall obligate the Company or its legal counsel to take a position that is inconsistent with the provisions of applicable law or regulations and the administrative and judicial interpretations thereof in effect from time to time (collectively, the ***"Applicable Law"***); nor shall the covenants set forth in this Section 6.1 be construed as any representation or warranty by the Company or to limit any Holder's representations or warranties to the effect that (A) the Rule 144 Interpretation is consistent with or does not conflict with the Applicable Law, or (B) any Holder has demonstrated that the Securities have been acquired with investment intent and not with a view towards their distribution. The parties agree and acknowledge that the foregoing covenants shall in no way (A) limit the transfer restrictions to which the Securities are subject as set forth in the Indenture, as amended by the First Supplemental Indenture; or (B) require the Company to take any action to authorize the transfer of any Securities if a Holder has not demonstrated to the Company's reasonable satisfaction that the Securities have been acquired with investment intent and not with a view towards their distribution.

6.2 Best Efforts. Each of the parties shall use its best efforts timely to satisfy each of the conditions to the other party's obligations set forth in Section 5.1 or 5.2, as the case may be, of this Agreement on or before the Closing Date.

6.3 Settlement of Interest on the Prior Notes. The parties hereby agree that the Holders shall receive a payment of unpaid and accrued interest with respect to the Prior Notes (the "***Interest Payment***") at the Closing Date. The parties hereby agree that the payment of the

Interest Payment shall be in lieu of and deemed to satisfy all obligation by the Company to pay accrued and unpaid interest on the Prior Notes at the Closing and that the Company may deduct from the Interest Payment paid to the Holders an amount equal to any interest on the Prior Notes deemed to accrue on the Prior Notes on or after the Closing Date. In the event that any Holder shall receive Interest Payment which includes the payment of interest accrued on or after the Closing Date (an ***"Excess Interest Payment"***), such Holder shall immediately remit to the Company in immediately available funds an amount equal to such Excess Interest Payment.

6.4 The Depository Trust Company Eligibility. The Company covenants that it shall use its commercially reasonable efforts to cause the New Notes to be deposited with DTC and the Holders' ownership to be reflected in book entry-form as soon as reasonably practicable in accordance with DTC policies and procedures, following the effective date of a registration statement covering the resale of the New Notes by the Holders.

7. MISCELLANEOUS.

7.1 Governing Law. This Agreement shall be governed by and construed under the laws of the State of New York.

7.2 Survival. The representations, warranties, covenants and agreements made herein shall survive the closing of the transactions contemplated hereby. The representations, warranties, covenants and obligations of the Company, and the rights and remedies that may be exercised by the Holders, shall not be limited or otherwise affected by or as a result of any information furnished to, or any investigation made by or knowledge of, the Holders or any of its representatives.

7.3 Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon the parties hereto and their respective successors, assigns, heirs, executors and administrators.

7.4 Entire Agreement. This Agreement and the other Operative Documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and no party shall be liable or bound to any other in any manner by any oral or written representations, warranties, covenants and agreements except as specifically set forth herein and therein. Each party expressly represents and warrants that it is not relying on any oral or written representations, warranties, covenants or agreements outside of the Operative Documents.

7.5 Severability. In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

7.6 Amendment and Waiver. This Agreement may be amended or modified only upon the written consent of the Company and the Holders holding a majority in interest of the Prior Notes.

7.7 Delays or Omissions. It is agreed that no delay or omission to exercise any right, power or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind or character on any party's part of any breach, default or noncompliance under this Agreement or any waiver on such party's part of any provisions or conditions of the Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to any party, shall be cumulative and not alternative.

7.8 Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail, telex or facsimile if sent during normal business hours of the recipient, if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the Company at the address as set forth on the signature page hereof and to the Holders at the address set forth on the signature page or at such other address or electronic mail address as the Company or the Holders may designate by ten (10) days advance written notice to the other parties hereto.

7.9 Expenses. Each party shall pay all costs and expenses that it incurs with respect to the negotiation, execution, delivery and performance of the Agreement.

7.10 Attorneys' Fees. In the event that any suit or action is instituted under or in relation to this Agreement, including, without limitation, to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

7.11 Titles and Subtitles. The titles of the sections and subsections of the Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

7.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

7.13 Broker's Fees. Each party hereto represents and warrants that no agent, broker, investment banker, person or firm acting on behalf of or under the authority of such party hereto is or will be entitled to any broker's or finder's fee or any other commission directly or indirectly in connection with the transactions contemplated herein. Each party hereto further agrees to indemnify each other party for any claims, losses or expenses incurred by such other party as a result of the representation in this Section 7.13 being untrue.

7.14 Pronouns. All pronouns contained herein, and any variations thereof, shall be deemed to refer to the masculine, feminine or neutral, singular or plural, as to the identity of the parties hereto may require.

7.15 Further Assurances. Each party to this Agreement will perform any and all acts and execute any and all documents as may be necessary and proper under the circumstances in order to accomplish the intents and purposes of this Agreement and to carry out its provisions.

7.16 Termination.

(a) Termination Events. This Agreement may be terminated prior to the Closing:

(i) By the Holders holding a majority in interest of the Prior Notes at or after the Scheduled Closing Time if any condition set forth in Section 5.1 has not been satisfied by the Scheduled Closing Time (other than as a result of any failure on the part of any Holder to comply with or perform any covenant or obligation of the Holders set forth in this Agreement);

(ii) By the Company at or after the Scheduled Closing Time if any condition set forth in Section 5.2 has not been satisfied by the Scheduled Closing Time (other than as a result of any failure on the part of the Company to comply with or perform any covenant or obligation of the Company set forth in this Agreement);

(iii) By Holders holding a majority in interest of the Prior Notes or the Company if the Closing has not taken place on or before November 7, 2003 (other than as a result of any failure on the part of the party seeking to terminate this Agreement to comply with or perform any covenant or obligation of such party set forth in this Agreement);

(iv) By mutual consent of the Holders holding a majority in interest of the Prior Notes and the Company

(b) Termination Procedures. If the Holders wish to terminate this Agreement pursuant to Section 7.16(a)(i) or Section 7.16(a)(iii), the Holders shall deliver to the Company a written notice stating that the Holders are terminating this Agreement and setting forth a brief description of the basis on which the Holders are terminating this Agreement. If the Company wishes to terminate this Agreement pursuant to Section 7.16(a)(ii) or Section 7.16(iii), the Company shall deliver to the Holders a written notice stating that the Company is terminating this Agreement and setting forth a brief description of the basis on which the Company is terminating this Agreement.

(c) Effect of Termination. If this Agreement is terminated pursuant to Section 7.16(a), this Agreement shall be of no further force or effect (and, except as provided in this Section 7.16(c), there shall be no liability or obligation hereunder on the part of any of the parties hereto or their respective officers, directors, stockholders or affiliates); *provided, however*, that Section 7, including without limitation, this Section 7.16, shall survive the termination of this Agreement and shall remain in full force and effect, and the termination of

this Agreement shall not relieve any party from any liability for any willful breach of any representation, warranty or covenant contained in this Agreement.

7.17 Public Statements, Press Releases, Etc. The Company and the Holders holding a majority in interest of the Prior Notes shall have the right to approve before issuance any press releases or any other public statements with respect to the transactions contemplated hereby; *provided, however*, that the Company shall be entitled, without the prior approval of the Holders, to make any press release or other public disclosure with respect to such transactions that it deems appropriate pursuant to applicable law and regulations, including the Exchange Act and the rules and regulations promulgated thereunder.

[Remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this **EXCHANGE AGREEMENT** as of the date set forth in the first paragraph hereof.

COMPANY:

NEKTAR THERAPEUTICS

Signature: /s/ Ajay Bansal
Ajay Bansal
Vice President, Finance and
Administration and Chief
Financial Officer

Address: 150 Industrial Road
San Carlos, CA 94070

HOLDERS:

BRENCOURT MULTI-STRATEGY MASTER, LTD.
BRENCOURT MERGER ARBITRAGE MASTER, LTD.

By: Brencourt Advisors, LLC as investment manager

Signature: /s/ James D. Balakian

Print Name: James D. Balakian

Title: Managing Director

Address: 101 East 52nd Street, 8th Floor
New York, NY 10022

APPENDIX I

HOLDERS	PRIOR NOTES	NEW NOTES
Brencourt Multi-Strategy Master, Ltd.	$ 9,005,000	$ 6,159,000
Brencourt Merger Arbitrage Master, Ltd.	$ 1,120,000	$ 766,000
TOTAL:	**$ 10,125,000**	**$ 6,925,000**

EXCHANGE AGREEMENT

This **EXCHANGE AGREEMENT** (the "***Agreement***") is made and entered into as of October 30, 2003, by and between **NEKTAR THERAPEUTICS**, a Delaware corporation (the "***Company***") and the entities set forth on Appendix I hereto (each a ***"Holder"*** and collectively the "***Holders***").

RECITALS

WHEREAS, the Holders currently hold beneficial interests in an aggregate of $2,000,000 in principal amount of the Company's 3.5% Convertible Subordinated Notes due October 2007 (the "***Prior Notes***");

WHEREAS, the Company has issued 3% Convertible Subordinated Notes due June 2010 (the "***New Notes***") in substantially the form set forth in the Indenture (as defined below), dated October 9, 2003 and as supplemented by the certain First Supplemental Indenture (as defined below), dated October 17, 2003, by and between the Company and J.P. Morgan Trust Company, National Association, as trustee (the "***Trustee***"); and

WHEREAS, the Company and the Holders desire to exchange and cancel the Holders' entire beneficial interest in the Prior Notes in consideration for the issuance by the Company to the Holders of the New Notes (the "***Exchange***").

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises, representations and warranties hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. EXCHANGE.

1.1 Cancellation of Beneficial Interest in Prior Notes. Upon and subject to the terms of this Agreement, each Holder, severally and not jointly, hereby agree, at the Closing (as defined below), to exchange, transfer, cancel and assign all of its right, title, interest and beneficial interest in and to that portion of the Prior Notes set forth opposite the name of such Holders on **Appendix I** to the Company in exchange for the issuance of New Notes in the principal amount set forth opposite the name of such Holders on Appendix I hereto which in the aggregate amount as issued to all Holders shall equal $1,368,000. After the cancellation, the Holders shall have no further right, title, interest or beneficial interest in the Prior Notes.

1.2 Purchase of New Notes. Upon and subject to the terms of this Agreement and in reliance of the representations and warranties set forth herein, the Company hereby agrees to issue to the Holders, and each Holder, severally and not jointly, agree to acquire from the Company, at the Closing, New Notes in the aggregate principal amount of $1,368,000 in exchange for the cancellation of the Holders' beneficial interests in the Prior Notes as described in Section 1.1 above.

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2. CLOSING AND DELIVERY.

2.1 Closing. Subject to the terms and conditions set forth herein, the closing of the Exchange (the "***Closing***") shall take place at 10:00 a.m. Pacific Time on October 31, 2003 (the "***Scheduled Closing Time***") at the offices of Cooley Godward LLP, 3175 Hanover Street, Palo Alto, CA 94304, or at such other time or place as agreed to by the Company and the Holders (the "***Closing Date***").

2.2 Delivery.

(a) At the Closing, subject to the terms and conditions set forth herein, the Company shall issue and deliver to the Holders, against evidence of cancellation of the Holders' beneficial interests in the Prior Notes, a note in favor of the Holders, payable in the principal amount set forth opposite the Holders' name in Appendix I.

(b) At the Closing, subject to the terms and conditions hereof, the Holders will cancel its beneficial interest in the Prior Notes and deliver to the Company evidence that the such beneficial interest has been cancelled on records maintained in book-entry form by The Depository Trust Company ("***DTC***") and its participants.

3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company hereby represents and warrants to the Holders as of the date of this Agreement and as of the Closing Date, as follows:

3.1 Organization, Good Standing and Qualification. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware. The Company has all requisite corporate power and authority to execute and deliver this Agreement, the Indenture, dated October 9, 2003 (the "***Indenture***") and as supplemented by that certain First Supplemental Indenture, dated October 17, 2003 (the "***First Supplemental Indenture***"), by and between the Company and the Trustee, both in the form set forth as **Exhibit A** hereto, the Pledge Agreement, dated October 9, 2003, by and among the Company, the Trustee and J.P. Morgan Trust Company, National Association, as collateral agent (the "***Collateral Agent***") with updated Schedule I in the form set forth as **Exhibit B** hereto (the "***Pledge Agreement***"), and the Resale Registration Rights Agreement, dated October 9, 2003, by and between the Company and the entities set forth therein in the form set forth as **Exhibit C** hereto (the "***Rights Agreement***") (collectively, with this Agreement and the New Notes, the "***Operative Documents***"), to issue the New Notes in consideration for the exchange and cancellation of the Holders' beneficial interests in the Prior Notes and the shares of common stock, par value $0.0001 per share, of the Company (the "Common Stock") issuable upon conversion of the New Notes (the "***Conversion Shares***") and to carry out the provisions of the Operative Documents.

3.2 Concerning the Conversion Shares. The Conversion Shares, which are authorized on the date hereof, have been duly and validly authorized and reserved for issuance upon conversion of the New Notes by all necessary corporate action and are free of preemptive rights; all Conversion Shares, when so issued and delivered upon such conversion in accordance with the terms of the Indenture, as amended by the First Supplemental Indenture, will be duly

and validly authorized and issued, fully paid and nonassessable and free and clear of all liens, encumbrances, equities or claims; and the issuance of such Conversion Shares upon such conversion will not be subject to the preemptive or other similar rights of any securityholder of the Company. The Company knows of no reason that the Conversion Shares will not be eligible for listing on The Nasdaq National Market.

3.3 Compliance with Other Instruments. The execution and delivery of the Operative Documents by the Company and the issuance of the New Notes and the proposed issuance of the Conversion Shares and the consummation of the transactions contemplated hereby will not (x) conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a material default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them are bound or to which any of the properties or assets of the Company or any subsidiary is subject, (y) result in any violation of the provisions of the certificate of incorporation or bylaws of the Company or any of its subsidiaries or (z) result in any violation of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any subsidiary or any of their properties or assets and except (i) with respect to the transactions contemplated by the Registration Rights Agreement or the Pledge Agreement, as may be required under the Securities Act and the rules and regulations promulgated thereunder and (ii) as required by the state securities or "blue sky" laws, no consent, approval, authorization or order of, or filing or registration with, any such court or governmental agency or body or the stockholders of the Company is required for the execution, delivery and performance of the Operative Documents by the Company, and the consummation of the transactions contemplated hereby and thereby.

3.4 Authorization and Binding Obligations of the Agreement. This Agreement has been duly authorized, executed and delivered by the Company and (assuming due authorization, execution and delivery by the Holders) constitutes a legally valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, subject to general principles of equity and to limitations on availability of equitable relief, including specific performance (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

3.5 Authorization and Binding Obligation of the Indenture and First Supplemental Indenture. The Indenture and the First Supplemental Indenture have been duly authorized by the Company, and the Indenture and the First Supplemental Indenture constitute a legally valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, subject to general principles of equity and to limitations on availability of equitable relief, including specific performance (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

3.6 Authorization and Binding Obligation of the Pledge Agreement. The Pledge Agreement and the transactions contemplated thereby have been duly authorized by the

Company, and constitutes a legally valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, subject to general principles of equity and to limitations on availability of equitable relief, including specific performance (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

3.7 Authorization and Binding Obligation of the Rights Agreement. The Rights Agreement and the transactions contemplated thereby have been duly authorized by the Company, and (assuming due authorization, execution and delivery by the Holders) constitutes a legally valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, subject to general principles of equity and to limitations on availability of equitable relief, including specific performance (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing, and except with respect to the rights of indemnification and contribution thereunder, where enforcement thereof may be limited by federal or state securities laws or the policies underlying such laws.

3.8 Authorization and Binding Obligation of the New Notes. The New Notes have been duly authorized by the Company, and when the New Notes are executed, authenticated and issued in accordance with the terms of the Indenture, as amended by the First Supplemental Indenture, and subject to the terms and conditions set forth herein delivered pursuant to this Agreement at the Closing (assuming due authentication of the New Notes by the Trustee), such New Notes will constitute legally valid and binding obligations of the Company, entitled to the benefits of the Indenture, as amended by the First Supplemental Indenture, and enforceable against the Company in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, subject to general principles of equity and to limitations on availability of equitable relief, including specific performance (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

3.9 Certain Securities Law Matters. Assuming the accuracy of the representations and warranties of the Holders contained in Section 4 hereof, the issuance of the New Notes and the Conversion Shares in accordance with the terms of the New Notes (collectively, the "***Securities***") will be exempt from the registration requirements of the Securities Act of 1933, as amended (the "***Securities Act***"), and will have been registered or qualified (or are exempt from registration and qualification) under the registration, permit or qualification requirements of all applicable state securities laws.

3.10 Absence of Certain Proceedings. Except as disclosed in the reports (the ***"SEC Reports"***) filed by the Company with the Securities and Exchange Commission (the ***"SEC"***) pursuant to the Securities Exchange Act of 1934 (the ***"Exchange Act"***) there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or

of which any of their respective properties or assets is the subject which, if determined adversely to the Company might reasonably be expected to materially and adversely affect the consummation of the transactions contemplated by the Operative Documents or the performance by the Company of its obligations under the Operative Documents and to the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or, except as set forth or contemplated in the SEC Reports, threatened by others.

3.11 No Event of Default. No event has occurred nor has any circumstance arisen which, had the New Notes been outstanding as of June 30, 2003, would constitute a default or an Event of Default (as such term is defined in the Indenture, as amended by the First Supplemental Indenture,).

4. REPRESENTATIONS AND WARRANTIES OF THE HOLDERS. Each Holder hereby represents and warrants to the Company as follows (provided that such representations and warranties do not lessen or obviate the representations and warranties of the Company set forth in this Agreement):

4.1 Requisite Power and Authority. The Holder has all necessary power and authority to execute and deliver this Agreement carry out its provisions. All action on the Holder's part required for the lawful execution and delivery of this Agreement has been taken. Upon execution and delivery, this Agreement will be valid and binding obligations of the Holder, enforceable in accordance with its terms, except (a) as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights and (b) as limited by general principles of equity that restrict the availability of equitable remedies.

4.2 Investment Representations. The Holder understands that the Securities have not been registered under the Securities Act. The Holder also understands that the Securities are being offered and sold pursuant to an exemption from registration contained in the Securities Act based in part upon the Holder's representations contained in the Agreement. Each Holder hereby represents and warrants as follows:

(a) The Holder Bears Economic Risk. The Holder has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the Company so that it is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its own interests. The Holder must bear the economic risk of this investment indefinitely unless the Securities are registered pursuant to the Securities Act, or an exemption from registration is available. The Holder understands that, except as provided in the Rights Agreement, the Company has no intention of registering the Securities. The Holder also understands that there is no assurance that any exemption from registration under the Securities Act will be available and that, even if available, such exemption may not allow the Holder to transfer all or any portion of the Securities under the circumstances, in the amounts or at the times the Holder might propose.

(b) Acquisition for Own Account. The Holder is acquiring the Securities for the Holder's own account for investment only, and not with a view towards their distribution.

(c) The Holder Can Protect Its Interest. The Holder represents that by reason of its, or of its management's, business or financial experience, the Holder has the capacity to protect its own interests in connection with the transactions contemplated in this Agreement. Further, the Holder is aware of no publication of any advertisement in connection with the transactions contemplated in the Agreement.

(d) Qualified Institutional Buyer. The Holder represents that it is a qualified institutional buyer as defined in Rule 144A under the Securities Act.

(e) Company Information. The Holder has had an opportunity to discuss the Company's business, management and financial affairs with directors, officers and management of the Company and has had the opportunity to review the Company's operations and facilities. The Holder has also had the opportunity to ask questions of and receive answers from, the Company and its management regarding the terms and conditions of this investment.

(f) Rule 144. The Holder acknowledges and agrees that the Securities are "restricted securities" as defined in Rule 144 promulgated under the Securities Act as in effect from time to time and must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption from such registration is available. The Holder has been advised or is aware of the provisions of Rule 144, which permits limited resale of shares purchased in a private placement subject to the satisfaction of certain conditions, including, among other things: the availability of certain current public information about the Company, the resale occurring following the required holding period under Rule 144 and certain volume limitations.

(g) Residence. The office or offices of the Holder in which its investment decision was made is located at the address or addresses of the Holder set forth on the signature page.

(h) Foreign Investors. If the Holder is not a United States person (as defined by Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended), the Holder hereby represents that it has satisfied itself as to the full observance of the laws of its jurisdiction in connection with any invitation to subscribe for the Securities or any use of this Agreement, including (i) the legal requirements within its jurisdiction for the exchange of the Securities for the Prior Notes, (ii) any foreign exchange restrictions applicable to such exchange, (iii) any government or other consents that may need to be obtained, and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale or transfer of the Securities. The Exchange and the continued ownership by the Holder of the Securities will not violate any applicable securities or other laws of the Holder's jurisdiction.

(i) Transfer Restrictions. The Holder acknowledges and agrees that the Securities shall be subject to restrictions on transfer as set forth in the Indenture, as amended by the First Supplemental Indenture,.

4.3 Sole Ownership. The Holder has all right, title and interest in its beneficial interest in the Prior Notes, and has not endorsed, assigned, sold, transferred, deposited under any agreement, hypothecated, pledged for any bank or brokerage loan, or otherwise in any manner disposed of the Holder's beneficial interest in the Prior Notes or any interest therein. No person

or entity other than the Holder has any interest in the Holder's beneficial interest in the Prior Notes.

4.4 Non-Affiliate Status. The Holder is not an "affiliate" (as that term is defined under Rule 144(a) of the Securities Act and Rule 13e-3 of the Exchange Act of the Company. To the best of the Holder's knowledge, the Holder did not acquire its beneficial interest in the Prior Notes from an "affiliate" of the Company.

4.5 Tax Advice. The Holder has had the opportunity to review with its own tax advisors the U.S. Federal, state, local and foreign tax consequences of the Exchange and the transactions contemplated by this Agreement. With respect to such tax matters, the Holder has relied and relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. The Holder understands that it (and not the Company or any of its agents) shall be responsible for its own tax liability that may arise as a result of the Exchange and the transactions contemplated by this Agreement.

5. CONDITIONS TO CLOSING.

5.1 Conditions to the Holder's Obligations at the Closing. Each Holder's obligations to exchange and cancel its beneficial interest in the Prior Notes in exchange for the New Notes at the Closing are subject to the satisfaction, at or prior to the Closing Date, of the following conditions:

(a) Representations and Warranties True; Performance of Obligations. The representations and warranties made by the Company contained in this Agreement shall have been true and correct on the date of this Agreement and shall be true and correct as of the Closing Date with the same force and effect as if they had been made as of the Closing Date, and on or before the Closing Date the Company shall have performed all obligations and conditions herein required to be performed or observed by it on or prior to the Closing.

(b) No Legal Action. On the Closing Date, no legal action, suit or proceeding shall be pending or overtly threatened which seeks to restrain or prohibit the transactions contemplated by this Agreement.

(c) No Event of Default. No event which, if the New Notes were outstanding, would constitute an Event of Default under and as defined in the Indenture, as amended by the First Supplemental Indenture, or which, with the giving of notice or the passage of time, or both, would constitute an Event of Default under and as defined in the Indenture, as amended by the First Supplemental Indenture, shall have occurred and be continuing.

(d) Compliance Certificate. The Company shall have delivered to the Holders a Compliance Certificate, executed by an executive officer of the Company, dated the Closing Date, to the effect that the conditions specified in subsection (a), (b) and (c) of this Section 5.1 have been satisfied.

(e) No Suspension of Trading. On the Closing Date (i) trading in securities on the New York Stock Exchange, Inc., the American Stock Exchange, Inc. or The Nasdaq National Market shall not have been suspended or materially limited and (ii) a general

moratorium on commercial banking activities in the State of New York shall not have been declared by either federal or state authorities.

(f) Legal Investment. On the Closing Date, the issuance of the New Notes and the proposed issuance of the Conversion Shares shall be legally permitted by all laws and regulations to which the Holders and the Company are subject.

(g) New Notes. The New Notes shall have been duly executed and delivered by the Company and duly authenticated by the Trustee.

(h) Pledge Agreement. The Pledge Agreement shall be in full force and effect.

(i) First Supplemental Indenture and Indenture. The First Supplement Indenture and the Indenture shall be in full force and effect.

(j) Rights Agreement. The Rights Agreement shall be in full force and effect.

5.2 Conditions to the Company's Obligations at the Closing. The Company's obligations to issue the New Notes at the Closing is subject to the satisfaction, at or prior to the Closing Date, of the following conditions:

(a) Representations and Warranties True; Performance of Obligations. The representations and warranties of each Holder contained in this Agreement shall have been true and correct on the date of this Agreement and shall be true and correct as of the Closing Date with the same force and effect as if they had been made as of the Closing Date, and on or before the Closing Date each Holder shall have performed all obligations and conditions herein required to be performed or observed by it on or prior to the Closing.

(b) Evidence of Cancellation of Beneficial Interest in the Prior Notes. The Company shall have received confirmation to its reasonable satisfaction that each Holder's beneficial interest in the Prior Notes has been cancelled.

(c) No Legal Action. On the Closing Date, no legal action, suit or proceeding shall be pending or overtly threatened which seeks to restrain or prohibit the transactions contemplated by this Agreement.

(d) Legal Investment. On the Closing Date, the issuance of the New Notes and the proposed issuance of the Conversion Shares shall be legally permitted by all laws and regulations to which the Holders and the Company are subject.

(e) New Notes. The Trustee shall have duly authenticated the New Notes.

(f) Pledge Agreement. The Pledge Agreement shall be in full force and effect.

(g) First Supplemental Indenture and Indenture. The First Supplement Indenture and the Indenture shall be in full force and effect.

(h) Rights Agreement. Each Holder shall have executed and delivered the Rights Agreement and the Rights Agreement shall be in full force and effect.

(i) No Suspension of Trading. On the Closing Date (i) trading in securities on the New York Stock Exchange, Inc., the American Stock Exchange, Inc. or The Nasdaq National Market shall not have been suspended or materially limited and (ii) a general moratorium on commercial banking activities in the State of New York shall not have been declared by either federal or state authorities.

6. COVENANTS OF THE PARTIES

6.1 Rule 144. The parties agree that pursuant to Rule 144 promulgated under the Securities Act (***"Rule 144"***), interpretations thereof by the SEC and "no-action" letters from the staff of the SEC, the Holders should be entitled to relate back (i.e., tack) the holding period of the New Notes and the Conversion Shares to the holding period of the Prior Notes and, so long as (x) the aggregate period during which the Prior Notes and the New Notes and the Conversion Shares are held is at least two years and (y) at the time of determination such Holder is not and has not for the preceding three months been an "affiliate" (as such term is defined in Rule 144) of the Company, the New Notes and the Conversion Shares may be sold pursuant to Rule 144(k) (the ***"Rule 144 Interpretation"***). The Company shall not, directly or indirectly, dispute or otherwise interfere with any claim by the Holders that the holding period of the New Notes and the Conversion Shares for purposes of Rule 144 tacks to the holding period for the Prior Notes; provided, however, that nothing contained in this Section 6.1 shall obligate the Company or its legal counsel to take a position that is inconsistent with the provisions of applicable law or regulations and the administrative and judicial interpretations thereof in effect from time to time (collectively, the ***"Applicable Law"***); nor shall the covenants set forth in this Section 6.1 be construed as any representation or warranty by the Company or to limit any Holder's representations or warranties to the effect that (A) the Rule 144 Interpretation is consistent with or does not conflict with the Applicable Law, or (B) any Holder has demonstrated that the Securities have been acquired with investment intent and not with a view towards their distribution. The parties agree and acknowledge that the foregoing covenants shall in no way (A) limit the transfer restrictions to which the Securities are subject as set forth in the Indenture, as amended by the First Supplemental Indenture; or (B) require the Company to take any action to authorize the transfer of any Securities if a Holder has not demonstrated to the Company's reasonable satisfaction that the Securities have been acquired with investment intent and not with a view towards their distribution.

6.2 Best Efforts. Each of the parties shall use its best efforts timely to satisfy each of the conditions to the other party's obligations set forth in Section 5.1 or 5.2, as the case may be, of this Agreement on or before the Closing Date.

6.3 Settlement of Interest on the Prior Notes. The parties hereby agree that the Holders shall receive a payment of unpaid and accrued interest with respect to the Prior Notes (the "***Interest Payment***") at the Closing Date. The parties hereby agree that the payment of the

Interest Payment shall be in lieu of and deemed to satisfy all obligation by the Company to pay accrued and unpaid interest on the Prior Notes at the Closing and that the Company may deduct from the Interest Payment paid to the Holders an amount equal to any interest on the Prior Notes deemed to accrue on the Prior Notes on or after the Closing Date. In the event that any Holder shall receive Interest Payment which includes the payment of interest accrued on or after the Closing Date (an ***"Excess Interest Payment"***), such Holder shall immediately remit to the Company in immediately available funds an amount equal to such Excess Interest Payment.

6.4 The Depository Trust Company Eligibility. The Company covenants that it shall use its commercially reasonable efforts to cause the New Notes to be deposited with DTC and the Holders' ownership to be reflected in book entry-form as soon as reasonably practicable in accordance with DTC policies and procedures, following the effective date of a registration statement covering the resale of the New Notes by the Holders.

7. MISCELLANEOUS.

7.1 Governing Law. This Agreement shall be governed by and construed under the laws of the State of New York.

7.2 Survival. The representations, warranties, covenants and agreements made herein shall survive the closing of the transactions contemplated hereby. The representations, warranties, covenants and obligations of the Company, and the rights and remedies that may be exercised by the Holders, shall not be limited or otherwise affected by or as a result of any information furnished to, or any investigation made by or knowledge of, the Holders or any of its representatives.

7.3 Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon the parties hereto and their respective successors, assigns, heirs, executors and administrators.

7.4 Entire Agreement. This Agreement and the other Operative Documents delivered pursuant hereto constitute the full and entire understanding and agreement between the parties with regard to the subjects hereof and no party shall be liable or bound to any other in any manner by any oral or written representations, warranties, covenants and agreements except as specifically set forth herein and therein. Each party expressly represents and warrants that it is not relying on any oral or written representations, warranties, covenants or agreements outside of the Operative Documents.

7.5 Severability. In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

7.6 Amendment and Waiver. This Agreement may be amended or modified only upon the written consent of the Company and the Holders holding a majority in interest of the Prior Notes.

7.7 Delays or Omissions. It is agreed that no delay or omission to exercise any right, power or remedy accruing to any party, upon any breach, default or noncompliance by another party under this Agreement shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent or approval of any kind or character on any party's part of any breach, default or noncompliance under this Agreement or any waiver on such party's part of any provisions or conditions of the Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to any party, shall be cumulative and not alternative.

7.8 Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail, telex or facsimile if sent during normal business hours of the recipient, if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the Company at the address as set forth on the signature page hereof and to the Holders at the address set forth on the signature page or at such other address or electronic mail address as the Company or the Holders may designate by ten (10) days advance written notice to the other parties hereto.

7.9 Expenses. Each party shall pay all costs and expenses that it incurs with respect to the negotiation, execution, delivery and performance of the Agreement.

7.10 Attorneys' Fees. In the event that any suit or action is instituted under or in relation to this Agreement, including, without limitation, to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

7.11 Titles and Subtitles. The titles of the sections and subsections of the Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

7.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

7.13 Broker's Fees. Each party hereto represents and warrants that no agent, broker, investment banker, person or firm acting on behalf of or under the authority of such party hereto is or will be entitled to any broker's or finder's fee or any other commission directly or indirectly in connection with the transactions contemplated herein. Each party hereto further agrees to indemnify each other party for any claims, losses or expenses incurred by such other party as a result of the representation in this Section 7.13 being untrue.

7.14 Pronouns. All pronouns contained herein, and any variations thereof, shall be deemed to refer to the masculine, feminine or neutral, singular or plural, as to the identity of the parties hereto may require.

7.15 Further Assurances. Each party to this Agreement will perform any and all acts and execute any and all documents as may be necessary and proper under the circumstances in order to accomplish the intents and purposes of this Agreement and to carry out its provisions.

7.16 Termination.

(a) Termination Events. This Agreement may be terminated prior to the Closing:

(i) By the Holders holding a majority in interest of the Prior Notes at or after the Scheduled Closing Time if any condition set forth in Section 5.1 has not been satisfied by the Scheduled Closing Time (other than as a result of any failure on the part of any Holder to comply with or perform any covenant or obligation of the Holders set forth in this Agreement);

(ii) By the Company at or after the Scheduled Closing Time if any condition set forth in Section 5.2 has not been satisfied by the Scheduled Closing Time (other than as a result of any failure on the part of the Company to comply with or perform any covenant or obligation of the Company set forth in this Agreement);

(iii) By Holders holding a majority in interest of the Prior Notes or the Company if the Closing has not taken place on or before November 7, 2003 (other than as a result of any failure on the part of the party seeking to terminate this Agreement to comply with or perform any covenant or obligation of such party set forth in this Agreement);

(iv) By mutual consent of the Holders holding a majority in interest of the Prior Notes and the Company

(b) Termination Procedures. If the Holders wish to terminate this Agreement pursuant to Section 7.16(a)(i) or Section 7.16(a)(iii), the Holders shall deliver to the Company a written notice stating that the Holders are terminating this Agreement and setting forth a brief description of the basis on which the Holders are terminating this Agreement. If the Company wishes to terminate this Agreement pursuant to Section 7.16(a)(ii) or Section 7.16(iii), the Company shall deliver to the Holders a written notice stating that the Company is terminating this Agreement and setting forth a brief description of the basis on which the Company is terminating this Agreement.

(c) Effect of Termination. If this Agreement is terminated pursuant to Section 7.16(a), this Agreement shall be of no further force or effect (and, except as provided in this Section 7.16(c), there shall be no liability or obligation hereunder on the part of any of the parties hereto or their respective officers, directors, stockholders or affiliates); *provided*, *however*, that Section 7, including without limitation, this Section 7.16, shall survive the termination of this Agreement and shall remain in full force and effect, and the termination of

this Agreement shall not relieve any party from any liability for any willful breach of any representation, warranty or covenant contained in this Agreement.

7.17 Public Statements, Press Releases, Etc. The Company and the Holders holding a majority in interest of the Prior Notes shall have the right to approve before issuance any press releases or any other public statements with respect to the transactions contemplated hereby; *provided, however*, that the Company shall be entitled, without the prior approval of the Holders, to make any press release or other public disclosure with respect to such transactions that it deems appropriate pursuant to applicable law and regulations, including the Exchange Act and the rules and regulations promulgated thereunder.

[Remainder of this page is intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this **EXCHANGE AGREEMENT** as of the date set forth in the first paragraph hereof.

COMPANY:

NEKTAR THERAPEUTICS

Signature: /s/ Ajay Bansal

Ajay Bansal
Vice President, Finance and
Administration and Chief
Financial Officer

Address: 150 Industrial Road
San Carlos, CA 94070

HOLDER:

Context Convertible Arbitrage Fund, LP

Signature: /s/ Michael S. Rosen

Print Name: Michael S. Rosen

Title: Co-Chairman, CEO

Address: 12626 High Bluff Drive, Suite 440
San Diego, CA 92130

HOLDER:

Context Convertible Arbitrage Offshore Ltd.

Signature: /s/ Jeremy Bond

Print Name: Jeremy Bond

Title: Director

Address: 12626 High Bluff Drive, Suite 440
San Diego, CA 92130

APPENDIX I

HOLDERS	PRIOR NOTES	NEW NOTES
Context Convertible Arbitrage Fund, LP	$ 640,000	$ 438,000
Context Convertible Arbitrage Offshore Ltd.	$ 1,360,000	$ 930,000
TOTAL:	**$ 2,000,000**	**$ 1,368,000**