

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): July 21, 2010

NILE THERAPEUTICS, INC.

(Exact name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34058
(Commission
File Number)

88-0363465
(I.R.S. Employer
Identification No.)

4 West 4th Ave., Suite 400
San Mateo, California 94402
(Address of Principal Executive Offices)

(650) 458-2670
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Appointment of Executive Chairman

On July 21, 2010 (the "Effective Date"), Richard B. Brewer was appointed to serve as Executive Chairman of Nile Therapeutics, Inc. (the "Company"). The terms of Mr. Brewer's employment with the Company are set forth in a letter agreement dated July 15, 2010 and delivered to the Company on July 21, 2010 (the "Agreement"). Pursuant to the Agreement, Mr. Brewer will receive an annualized base salary of \$240,000 and will be expected to devote an average of approximately two days per week to the performance of his duties as the Company's Executive Chairman.

On the Effective Date, as provided for in the Agreement, Mr. Brewer was granted a 10-year stock option (the "Initial Option") to purchase 450,000 shares of the Company's common stock at an exercise price of \$0.32 per share. The Initial Option was awarded pursuant to the Company's Amended and Restated 2005 Stock Option Plan (the "Plan") and was fully-vested and immediately-exercisable upon the date of grant. Further to the terms of the Agreement, on July 26, 2010, following stockholder approval of an amendment to the Plan as discussed below under the heading "Amendment of Stock Option Plan," Mr. Brewer was awarded a 10-year stock option (the "Additional Option," and together with the Initial Option, the "Stock Options") to purchase an additional 900,000 shares of the Company's common stock at an exercise price of \$0.37 per share, with the right to purchase the shares subject to the Additional Option vesting and becoming exercisable in eight equal quarterly installments beginning on September 30, 2011 and continuing on the last day of each calendar quarter thereafter until fully-vested; provided, however, that the vesting of the Additional Option shall accelerate upon a "change of control" of the Company, as such term is defined in the Plan. The Stock Options are evidenced by stock option agreements between the Company and Mr. Brewer in the standard form of agreement for use under the Plan, a copy of which was filed as Exhibit 10.10 to the Company's Current Report on Form 8-K filed on September 21, 2007.

Pursuant to the terms of the Agreement, the Company may terminate Mr. Brewer's employment at any time with no obligation to make severance payments to Mr. Brewer. The Agreement further provides that, in the event of such termination, Mr. Brewer shall tender his resignation as a director of the Company.

The foregoing description of the material terms of the Agreement is qualified in its entirety by reference to the actual Agreement, which is attached hereto and incorporated by reference herein as Exhibit 10.1. A copy of the Company's press release issued July 22, 2010, announcing Mr. Brewer's appointment is attached hereto and incorporated by reference herein as Exhibit 99.1.

Severance Benefits Agreement with Chief Financial Officer

On July 24, 2010, the Company entered into a Severance Benefits Agreement with Daron Evans, the Company's Chief Financial Officer. The Severance Benefits Agreement provides that, if Mr. Evans' employment is terminated by the Company other than for "cause" (as defined below), Mr. Evans shall be entitled, upon execution of a customary release, to continued payment of his then-current base salary for a period of six months thereafter.

For purposes of the Severance Benefits Agreement, "cause" means the following conduct or actions taken by Mr. Evans: (i) willful failure to perform his duties to the Company or willful misconduct in the performance of such duties; (ii) any willful, intentional or grossly negligent act causing material harm to the business or reputation of the Company; (iii) any material violation of the confidentiality, invention assignment, or non-solicitation obligations set forth in the agreement; (iv) indictment of any felony or a misdemeanor involving moral turpitude; or (v) any misappropriation or embezzlement of the Company's property.

The foregoing description of the material terms of the Severance Benefits Agreement is qualified in its entirety by reference to the actual agreement, which is attached hereto and incorporated by reference herein as Exhibit 10.2.

Stock Option Award to Chief Financial Officer

On July 26, 2010, Mr. Evans was granted a 10-year option to purchase 250,000 shares of the Company's common stock at an exercise price equal to \$0.37 per share. The stock option award, which was made pursuant to the Plan, will vest in twelve equal quarterly installments over three years with the first installment vesting on September 30, 2010, and is evidenced by a stock option agreement in the standard form of agreement for use under the Plan.

Amendment of Compensation Plan for Non-Employee Directors

On July 26, 2010, the Board approved an amendment to the Company's compensation plan for its non-employee directors to increase the annual stock option grants to be awarded to such directors. As amended, the plan provides that (i) non-employee directors shall receive annual stock option grants relating to 80,000 shares of the Company's common stock, and (ii) the chairs of the Board's Audit and Compensation committees shall receive annual stock option grants relating to an additional 20,000 shares. All such stock options shall be awarded as of each director's re-election at the Company's annual meeting of stockholders and shall vest in their entirety on the first anniversary of the date of grant. In addition to the annual stock option grants summarized above, newly-appointed non-employee directors are entitled to an initial stock option to purchase 130,000 shares, vesting in three equal annual installments commencing on the first anniversary of the date of grant. A summary of the compensation payable to the Company's non-employee directors pursuant to the amended plan is attached hereto as Exhibit 10.3 and incorporated herein by reference.

In accordance with the terms of the amended plan, on July 26, 2010, each non-employee director of the Company was awarded a 10-year stock option to purchase 80,000 shares of the Company's common stock, and the chairs of each of the Audit and Compensation Committees received an option to purchase an additional 20,000 shares of common stock (100,000 shares total). All such stock options are exercisable at \$0.37 per share (the closing sale price on the date of grant) and vest in full on July 26, 2011.

Amendment of Stock Option Plan

On July 26, 2010, at the 2010 Annual Meeting of Stockholders, the Company's stockholders ratified and approved an amendment to the Company's Amended and Restated 2005 Stock Option Plan to increase the number of shares of the Company's common stock issuable thereunder from 5,517,676 to 9,500,000 shares. The Board had previously adopted the amendment to the Plan, subject to stockholder approval, on June 14, 2010.

Set forth below is a summary of the Plan, as amended. This summary is qualified in its entirety by reference to the complete text of the Plan, as amended, a copy of which was attached as Appendix A to the Company's definitive proxy statement on Schedule 14A filed with the Securities and Commission on June 15, 2010, and is incorporated herein by reference.

General

The purpose of the Plan is to increase stockholder value and to advance the interests of the Company by furnishing a variety of economic incentives ("Incentives") designed to attract, retain and motivate employees and directors of and consultants to the Company. The Plan provides that a committee (the "Committee") composed of at least two disinterested members of the Board of Directors of the Company may grant Incentives in the following forms: (a) stock options; (b) stock appreciation rights ("SARs"); (c) stock awards; (d) restricted stock; (e) performance shares; and (f) cash awards. Incentives may be granted to employees, directors, consultants, advisors or other independent contractors who provide services to the Company (including members of the Company's scientific advisory board) as selected from time to time by the Committee. In the event there is no Committee, then the entire Board shall have responsibility for administering the Plan.

As amended, the Plan authorizes a total of 9,500,000 shares of common stock for issuance. There are currently outstanding under the Plan stock options representing the right to purchase an aggregate of 6,807,749 shares of our common stock at a weighted average exercise price of \$1.46 and an average remaining life of 8.0 years. In addition to the shares reserved for issuance pursuant to the outstanding stock options, we have already issued an additional 240,025 shares of common stock under the Plan pursuant to exercises of stock options. Shares of common stock that are issued under the Plan or that are subject to outstanding Incentives are applied to reduce the maximum number of shares of common stock remaining available for issuance under the Plan. Accordingly, there are currently 2,452,226 shares of common stock remaining available for future issuance under the Plan, as amended.

Types of Incentives

Stock Options. Under the Plan, the Committee may grant non-qualified and incentive stock options to eligible participants to purchase shares of common stock from the Company. The Plan confers on the Committee discretion, with respect to any such stock option, to determine the number and purchase price of the shares subject to the option, the term of each option and the time or times during its term when the option becomes exercisable. The purchase price for incentive stock options may not be less than the fair market value of the shares subject to the option on the date of grant. The number of shares subject to an option will be reduced proportionately to the extent that the optionee exercises a related SAR. The term of a non-qualified option may not exceed 10 years and one day from the date of grant and the term of an incentive stock option may not exceed 10 years from the date of grant. Unless otherwise provided by the Committee, any option shall become immediately exercisable in the event of specified changes in corporate ownership or control. The Committee may accelerate the exercisability of any option.

The option price may be paid in cash, check, bank draft or, at the discretion of the Committee, by delivery of shares of common stock valued at their fair market value at the time of purchase or by withholding from the shares issuable upon exercise of the option shares of common stock valued at their fair market value.

In the event that an optionee ceases to be an employee of or consultant to the Company, or the optionee's other service with the Company is terminated, for any reason, including death, any stock option or unexercised portion thereof which was otherwise exercisable on the date of termination shall expire at the time or times established by the Committee.

Stock Appreciation Rights. A stock appreciation right, or a SAR, is a right to receive, without payment to the Company, a number of shares, cash or any combination thereof, the amount of which is determined pursuant to the formula described below. A SAR may be granted with respect to any stock option granted under the Plan, or alone, without reference to any stock option. A SAR granted with respect to any stock option may be granted concurrently with the grant of such option or at such later time as determined by the Committee and as to all or any portion of the shares subject to the option.

The Plan confers on the Committee discretion to determine the number of shares as to which a SAR will relate as well as the duration and exercisability of a SAR. In the case of a SAR granted with respect to a stock option, the number of shares of common stock to which the SAR pertains will be reduced in the same proportion that the holder exercises the related option. The term of a SAR may not exceed 10 years and one day from the date of grant. Unless otherwise provided by the Committee, a SAR will be exercisable for the same time period as the stock option to which it relates is exercisable. The Committee may accelerate the exercisability of any SAR. Unless otherwise provided by the Committee, any SAR shall become immediately exercisable in the event of specified changes in corporate ownership or control.

Upon exercise of a SAR, the holder is entitled to receive an amount which is equal to the aggregate amount of the appreciation in the shares of common stock as to which the SAR is exercised. For this purpose, the "appreciation" in the shares consists of the amount by which the fair market value of the shares of common stock on the exercise date exceeds (a) in the case of a SAR related to a stock option, the purchase price of the shares under the option or (b) in the case of a SAR granted alone, without reference to a related stock option, an amount determined by the Committee at the time of grant. The Committee may pay the amount of this appreciation to the holder of the SAR by the delivery of common stock, cash, or any combination of common stock and cash.

Restricted Stock. Restricted stock consists of the sale or transfer by the Company to an eligible participant of one or more shares of common stock which are subject to restrictions on their sale or other transfer by the participant. The price at which restricted stock will be sold will be determined by the Committee, and it may vary from time to time and among participants and may be less than the fair market value of the shares at the date of sale. All shares of restricted stock will be subject to such restrictions as the Committee may determine. Subject to these restrictions and the other requirements of the Plan, a participant receiving restricted stock shall have all of the rights of a stockholder as to those shares, including, for example, the right to vote such shares.

Stock Awards. Stock awards consist of the transfer by the Company to an eligible participant of shares of common stock, without payment, as additional compensation for services to the Company. The number of shares transferred pursuant to any stock award will be determined by the Committee.

Performance Shares. Performance shares consist of the grant by the Company to an eligible participant of a contingent right to receive shares of common stock. The performance shares shall be paid in shares of common stock to the extent performance objectives set forth in the grant are achieved. The number of shares granted and the performance criteria will be determined by the Committee. At the discretion of the Committee, performance shares may be paid in cash in lieu of shares of common stock.

Non-Transferability of Most Incentives

No stock option, SAR, restricted stock or performance award granted under the Plan is transferable by its holder, except in the event of the holder's death, by will or the laws of descent and distribution. During a participant's lifetime, an Incentive may be exercised only by him or her or by his or her guardian or legal representative.

Amendment to the Plan

The Board of Directors may amend or discontinue the Plan at any time. However, no such amendment or discontinuance may, subject to adjustment in the event of a merger, recapitalization, or other corporate restructuring, (a) change or impair, without the consent of the recipient thereof, an Incentive previously granted, (b) materially increase the maximum number of shares of common stock which may be issued to all participants under the Plan, (c) materially change or expand the types of Incentives that may be granted under the Plan, (d) materially modify the requirements as to eligibility for participation in the Plan, or (e) materially increase the benefits accruing to participants. Certain Plan amendments require stockholder approval, including amendments which would materially increase benefits accruing to participants, increase the number of securities issuable under the Plan, or change the requirements for eligibility under the Plan.

Item 5.07. Submission of Matters to a Vote of Security Holders.

On July 26, 2010, the Company held its 2010 Annual Meeting of Stockholders. Set forth below is a brief description of each matter voted upon at the meeting and the voting results with respect to each matter.

1. A proposal to elect seven directors to hold office until the Company's 2011 Annual Meeting of Stockholders, or until their respective successors have been elected and have qualified, or until their earlier resignation or removal.

<u>Director Nominee</u>	<u>Votes For</u>	<u>Votes Withheld</u>
Arie S. Bellegrun	15,055,820	18,607
Pedro Granadillo	15,046,820	27,607
Peter M. Kash	14,974,311	100,116
Joshua A. Kazam	15,050,820	23,607
Frank Litvack	15,055,820	18,607
Paul A. Mieczal	15,051,320	23,107
Gregory Schafer	15,054,320	20,107

2. A proposal to ratify and approve an amendment to the Company's Amended and Restated 2005 Stock Option Plan to increase the number of shares of the Company's common stock issuable thereunder from 5,517,676 to 9,500,000 shares, as described above under Item 5.02.

<u>For</u>	<u>Against</u>	<u>Abstentions</u>	<u>Broker Non-Votes</u>
14,485,119	327,198	262,110	9,001,077

3. A proposal to ratify the appointment of Crowe Horwath LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010.

<u>For</u>	<u>Against</u>	<u>Abstentions</u>	<u>Broker Non-Votes</u>
23,959,213	39,321	76,970	0

Pursuant to the foregoing votes, the seven director nominees listed above were elected to serve as directors until the next annual meeting of stockholders, the amendment to the Company's Amended and Restated 2005 Stock Option Plan to increase the number of shares of the Company's common stock issuable thereunder from 5,517,676 to 9,500,000 shares was ratified and approved, and the appointment of Crowe Horwath LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010 was ratified.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	Letter Agreement between Nile Therapeutics, Inc. and Richard Brewer, dated July 15, 2010.
10.2	Severance Benefits Agreement between Nile Therapeutics, Inc. and Daron Evans, dated July 24, 2010.
10.3	Summary terms of compensation plan for directors of Nile Therapeutics, Inc., as amended July 26, 2010.
99.1	Press release dated July 22, 2010.

SIGNATURES

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

NILE THERAPEUTICS, INC.

Date: July 27, 2010

By: /s/ Daron Evans
Daron Evans
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
10.1	Letter Agreement between Nile Therapeutics, Inc. and Richard Brewer, dated July 15, 2010.
10.2	Severance Benefits Agreement between Nile Therapeutics, Inc. and Daron Evans, dated July 24, 2010.
10.3	Summary terms of compensation plan for directors of Nile Therapeutics, Inc., as amended July 26, 2010.
99.1	Press release dated July 22, 2010.



4 West 4th Ave., Suite 400
San Mateo, CA 94402

(650) 458-2670 Tel.
(415) 875-7075 Fax

July 15, 2010

Richard Brewer
5 Bird Hill Lane
Santa Cruz, CA 95060

Re: Employment Agreement

Dear Dick:

Nile Therapeutics, Inc. (the "**Company**") is pleased to offer you the following agreement regarding your employment as Executive Chairman of the Company (the "**Agreement**").

1. **Employment.** The Company hereby agrees to employ you and you hereby accept such employment upon the terms and conditions set forth herein and agree to perform such duties as are commensurate with your office as prescribed by the Board of Directors of the Company. Your appointment to the Company's Board of Directors at the inception of your employment shall be a condition to your employment under this Agreement. This Agreement shall become effective upon commencement of your employment with the Company, which shall occur on or before August 1, 2010 (the "**Effective Date**").

2. **Duties.** You shall render services to the Company as its Executive Chairman and shall report to the Company's Board of Directors. The Chief Executive Officer of the Company shall "report" to you in the normal course of activities, as you are the point person for the board and management interface. As the Executive Chairman of the Board, your duties and responsibilities will also include the following:

- Serve as the leader of the Board of Directors, including setting the Board's agenda (in consultation with the CEO, as well as other directors), presiding over meetings of the Board, and acting as a regular communication channel between the Board and CEO.
- Have overall responsibility for the development and the execution of the Company's strategic objectives.
- Assist the CEO to oversee operational aspects involved in running the Company, including assisting with planning, budgeting, evaluation of growth opportunities and implementation of Board directives.
- As appropriate from time to time, meet with the Company's key stockholders, investors, analysts, collaboration partners and other stakeholders.

During the term of your employment hereunder, you shall devote to the Company so much of your business time, skill and attention as are reasonably required for the performance of your duties. It is understood that the work-load as Chairman will vary considerable. In general however, it is expected that two days per week will be required, on average, to perform the duties contemplated in this agreement. The Company will permit you to continue to serve on the boards of directors of other corporations, provided that such service does not interfere with your duties to the Company as its Executive Chairman, or conflict with your fiduciary obligations to the Company; and further provided, that the Board of Directors may review the impact of your outside activities on your duties to the Company at any time.

3. Compensation.

(a) For all services rendered and to be rendered hereunder, and for the other agreements by you contained herein, the Company agrees to pay you, and you agree to accept an initial annualized salary of \$240,000.00, payable semi-monthly or otherwise in accordance with the Company's regular payroll practices in effect from time to time. Such salary shall be subject to such deductions or withholdings as the Company is required to make pursuant to law, or by further agreement with you.

(b) Upon the Effective Date, you will be granted a 10-year option to purchase 450,000 shares of the Company's Common Stock (the **Initial Option**). The exercise price for the Initial Option shall be equal to the fair market value of the Common Stock at the time of grant as determined by the Company's Board of Directors. The Initial Option shall be fully vested and immediately exercisable upon the date of grant. Subject to the foregoing, the Initial Option will be subject to the terms and conditions of the Company's Amended & Restated 2005 Stock Option Plan (the "**Plan**") in effect at the time of grant, and a stock option agreement between you and the Company in the Company's standard form for use under the Plan.

(c) In addition to the Initial Option, at the first meeting of the Company's Board of Directors following both the Effective Date and the date the Company's stockholders approve an amendment to the Plan increasing the number of shares of Common Stock authorized for issuance thereunder to 9,500,000 shares, you will be entitled to a 10-year stock option to purchase 900,000 shares of Common Stock (the "**Additional Option**," and together with the Initial Option, the "**Stock Options**"). The exercise price for the Additional Option shall be equal to the fair market value of the Common Stock at the time of the grant, as determined by the Company's Board of Directors. The right to purchase the shares subject to the Additional Option shall vest and become exercisable in eight equal quarterly installments beginning on September 30, 2011 and continuing on the last day of each calendar quarter thereafter until fully-vested; provided, however, that the vesting of the Additional Option shall accelerate and become immediately vested and exercisable in its entirety upon a "change of control" of the Company (as such term is defined in the Plan). Subject to the foregoing, the Additional Option will be subject to the terms and conditions of the Plan in effect at the time of grant, and a stock option agreement between you and the Company in the Company's standard form for use under the Plan.

(d) Subject to and in accordance with Company policy in effect from time to time, you will be reimbursed for all of your out-of-pocket expenses incurred in connection with the Company's business. You agree to provide reasonable documentation of these expenses.

(e) You will also be eligible to participate in the Company's benefit plans based on the eligibility criteria for each of those plans as they become available, which plans will remain subject to change from time to time at the Company's discretion; provided, that you and the Company have agreed that you will maintain your own health insurance for yourself and your dependents and that you will not participate in any Company-provided or sponsored health insurance plan.

(f) In addition to the compensation terms set forth above, the Board, in its sole and absolute discretion, may from time to time grant or establish such other compensation plans or awards as it determines are appropriate under the circumstances.

4. Termination. Subject to the terms and conditions of this letter agreement, you and the Company each acknowledge that your employment relationship with the Company is at-will and that either party has the right to terminate your employment with the Company at any time for any reason whatsoever, with or without cause, upon thirty (30) days advance notice. In the event of such termination, you agree to tender your resignation as a director of the Company. Nothing in this Agreement alters the at-will nature of your employment relationship with the Company. Any contrary representations or agreements, which may have been made to you, are superseded by this Agreement.

5. Other Agreements. Your employment will be further subject to all Company policies, manuals and guidelines in effect from time to time. In addition, you will be required to sign a confidentiality, invention assignment and non-solicitation agreement in the Company's standard form.

6. Miscellaneous. Except as specifically set forth herein, this Agreement constitutes the complete, final and exclusive embodiment of the entire agreement between you and the Company with regard to your employment terms. This Agreement, the agreements evidencing the Stock Options and the confidentiality, invention assignment and non-solicitation agreement are entered into without reliance on any promise or representation, written or oral, or other than those expressly contained herein and therein, and supersede any other such promises, warranties or representations. This Agreement may not be modified or amended except in writing signed by you and a duly authorized officer of the Company. This Agreement will be deemed to have been entered into and will be construed and enforced in accordance with the laws of the State of California as applied to contracts made and to be performed entirely within California.

Please sign below to indicate your understanding and acceptance of this Agreement and return the signed original to me at your earliest convenience.

Very truly yours,

Nile Therapeutics, Inc.

/s/ Joshua A. Kazam

Joshua A. Kazam

Chief Executive Officer

Acknowledged and agreed to

This 16th day of July, 2010:

/s/ Richard Brewer

Richard Brewer

SEVERANCE BENEFITS AGREEMENT

This SEVERANCE BENEFITS AGREEMENT (the "**Agreement**") is made as of July 24, 2010, by and between NILE THERAPEUTICS, INC., a Delaware corporation with principal executive offices at 4 West 4th Ave., Suite 400, San Mateo, CA 94402 (the "**Company**"), and DARON EVANS, residing at [ADDRESS] (the "**Executive**").

WITNESSETH:

WHEREAS, the Executive currently serves as the Company's Chief Financial Officer, and the Company desires to continue to employ the Executive, and has determined that it is in the best interest of the Company to assure that the Company will have the continued dedication of the Executive.

WHEREAS, this Agreement describes certain benefits that will be available to the Executive in the event the Executive's employment is terminated by the Company other than for Cause (as defined below).

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

1. **At-Will Employment.** The Company and the Executive acknowledge that the Executive's employment is at-will. If the Executive's employment terminates for any reason, including the death or disability of the Executive, the Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement, or, to the extent not modified by this agreement, as may otherwise be established under the Company's then existing employee benefit plans or policies at the time of termination.

2. **Confidentiality; Invention Assignment; Non-Solicitation.** Notwithstanding anything to the contrary contained herein, Executive hereby acknowledges that Section 5 and paragraphs (b) through (g) of Section 6 of that certain Employment Agreement dated January 19, 2007, as amended, between Executive and the Company, are hereby incorporated into this Agreement as if the complete text of such provisions were set forth herein, provided, however, that for purposes of this Agreement, "Term" as used in such employment agreement shall mean the period of Executive's employment with the Company.

3. **Severance Benefits.** If the Executive's employment is terminated by the Company other than for Cause (as defined below), the Company shall continue to pay to the Executive his base salary (as in effect immediately prior to such termination) pursuant to the Company's normal payroll practices and procedures for a period of six (6) months thereafter. Executive acknowledges that, upon the termination of his employment, he shall not be entitled to any payments or benefits which are not explicitly provided in this Agreement. Further, notwithstanding anything to the contrary contained herein, the Company shall have no obligation to pay, and Executive shall have no obligation to receive, any compensation, benefits or other consideration provided for in this Agreement following termination of Executive's employment unless Executive executes a separate agreement, in the form attached hereto as **Exhibit A** (the "**Release Agreement**"), releasing the Company from any and all liability in connection with the termination of Executive's employment; *provided, however*, that the failure to execute the Release Agreement shall not relieve the Company of its obligation to pay to Executive, and Executive shall be entitled to receive, the amount of any earned but unpaid Base Salary or other compensation to which the Executive is then entitled through the date of such termination.

4. **Definition of Cause.** As used in this Agreement, any of the following actions by the Executive shall constitute "**Cause**":

(i) Willful failure to perform the duties or obligations as the Company's chief financial officer or willful misconduct by the Executive in respect of such duties or obligations, including, without limitation, willful failure, disregard or refusal by the Executive to abide by lawful specific directions received by the Executive from the Chief Executive Officer or the Board of Directors (including a committee thereof);

(ii) Any willful, intentional or grossly negligent act by the Executive having the effect of injuring, in a material way, whether financial or otherwise, the business or reputation of the Company or its affiliates;

(iii) Any material violation of Executive's obligations under Section 2 of this Agreement or the material provisions of the Company's Personnel Policies and Procedures Manual, Insider Trading Compliance Program, and Code of Business Conduct and Ethics, copies of which has been provided to the Executive, as well as such other Company policies and procedures in effect from time to time;

(iv) The Executive's indictment of any felony or a misdemeanor involving moral turpitude; and

(v) Any misappropriation or embezzlement of the property of the Company (whether or not a misdemeanor or felony).

In any case where the Executive's action or inaction that may constitute Cause is capable of being cured, such action or inaction shall not constitute Cause if such action or inaction is cured by the Executive within 30 days following receipt of written notice from the Company of the action or inaction.

5. Certain Tax Provisions.

(a) Section 409A. Any payment otherwise required under this Agreement or any other plan or arrangement of the Company to be made to the Executive after a termination of the Executive's employment that the Company reasonably determines is subject to Section 409A(a)(2)(B)(i) of the Internal Revenue Code of 1986, as amended (the "Code") shall not be paid or payment commenced until the later of (a) six months after the date of the Executive's "separation from service" (within the meaning of Section 409A of the Code) and (b) the payment date or commencement date specified in this Agreement for such payment(s). On the earliest date on which such payment(s) can be made or commenced without violating the requirements of Section 409A(a)(2)(B)(i) of the Code, the Company shall pay the Executive, in a single lump sum, an amount equal to the aggregate amount of all payments delayed pursuant to the preceding sentence. Such delay will not affect the timing of any installments or other payments otherwise payable after the delay period imposed under Section 409A. In addition, other provisions of this Agreement or any other such plan or arrangement notwithstanding, the Company shall have no right to accelerate or delay any such payment or to make any such payment as the result of any specific event except to the extent permitted under Section 409A.

(b) Section 280G. Notwithstanding anything to the contrary contained in this Agreement, to the extent that any of the payments and benefits provided for under this Agreement or any other agreement or arrangement between the Executive and the Company (collectively, the "Payments") constitute a "parachute payment" within the meaning of Section 280G of the Code and (ii) but for this Section 5(b), would be subject to the excise tax imposed by Section 4999 of the Code, then the Payments shall be payable either (i) in full or (ii) as to such lesser amount which would result in no portion of such Payments being subject to excise tax under Section 4999 of the Code; whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the Executive's receipt on an after-tax basis, of the greatest amount of economic benefits under this Agreement, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. Unless the Executive and the Company otherwise agree in writing, any determination required under this Section 5(b) shall be made in writing by the Company's independent public accountants (the "Accountants"), whose reasonable determination shall be conclusive and binding upon the Executive and the Company for all purposes. For purposes of making the calculations required by this Section 5(b), the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of the Sections 280G and 4999 of the Code. The Executive and the Company shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 5(b). If this Section 5(b) is applied to reduce an amount payable to the Executive, and the Internal Revenue Service successfully asserts that, despite the reduction, the Executive has nonetheless received payments which are in excess of the maximum amount that could have been paid to him without being subjected to any excise tax, then, unless it would be unlawful for the Company make such a loan or similar extension of credit to the Executive, the Executive may repay such excess amount to the Company though such amount constitutes a loan to you made at the date of payment of such excess amount, bearing interest at 120% of the applicable federal rate (as determined under section 1274(d) of the Code in respect of such loan).

6. Miscellaneous.

(a) This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of California, without giving effect to its principles of conflicts of laws. Any dispute arising out of, or relating to, this Agreement or the breach thereof or regarding the interpretation thereof, shall be exclusively decided by binding arbitration conducted in California in accordance with the rules of the American Arbitration Association then in effect before a single arbitrator appointed in accordance with such rules. Judgment upon any award rendered therein may be entered and enforcement obtained thereon in any court having jurisdiction. The arbitrator shall have authority to grant any form of appropriate relief, whether legal or equitable in nature, including specific performance. Each of the parties agrees that service of process in such arbitration proceedings shall be satisfactorily made upon it if sent by registered mail addressed to it at the address referred to in paragraph (c) below. The costs of such arbitration shall be borne proportionate to the finding of fault as determined by the arbitrator. Judgment on the arbitration award may be entered by any court of competent jurisdiction.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective heirs, legal representatives, successors and assigns. This Agreement, and the Executive's rights and obligations hereunder, may not be assigned by the Executive. This Agreement cannot be amended orally, or by any course of conduct or dealing, but only by a written agreement signed by the parties hereto. The failure of either party to insist upon the strict performance of any of the terms, conditions and provisions of this Agreement shall not be construed as a waiver or relinquishment of future compliance therewith, and such terms, conditions and provisions shall remain in full force and effect. No waiver of any term or condition of this Agreement on the part of either party shall be effective for any purpose whatsoever unless such waiver is in writing and signed by such party.

(c) All notices, requests, consents and other communications, required or permitted to be given hereunder, shall be in writing and shall be delivered personally or by an overnight courier service or sent by registered or certified mail, postage prepaid, return receipt requested, to the parties at the addresses set forth on the first page of this Agreement, and shall be deemed given when so delivered personally or by overnight courier, or, if mailed, five (5) days after the date of deposit in the United States mails. Either party may designate another address, for receipt of notices hereunder by giving notice to the other party in accordance with this clause (c).

(d) This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not so set forth. The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument.

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

NILE THERAPEUTICS, INC.

By: /s/ Joshua Kazam
Name: Joshua Kazam
Title: President and CEO

EXECUTIVE

By: /s/ Daron Evans
Name: Daron Evans

**[Form of]
Release Agreement**

THIS RELEASE AGREEMENT (the "Agreement") is entered into as of [DATE] by and between Daron Evans (the "Executive") and Nile Therapeutics, Inc., a Delaware corporation (the "Company").

WHEREAS, Executive and the Company are parties to that certain Severance Benefits Agreement dated July 24, 2010 (the "Severance Benefits Agreement"), which set forth certain compensation and other benefits payable to Executive in certain circumstances upon the termination of his employment with the Company;

WHEREAS, Section 3 of the Severance Benefits Agreement provides that the Company's obligation to pay to Executive the compensation described in such agreement is conditioned upon the Executive's execution of a Release Agreement (as defined therein); and

WHEREAS, the parties intend that this Agreement shall constitute the Release Agreement described in Section 3 of the Severance Benefits Agreement.

NOW, THEREFORE, in consideration of the foregoing, the parties hereby agree as follows:

- 1. Separation of Employment.** Executive's employment with the Company terminated effective as of [DATE] under the circumstances described in Section 3 of the Severance Benefits Agreement. As a result of such termination, Executive is entitled to the payments and benefits described in Section 3, subject to his entry into this Agreement. Executive acknowledges that he has been paid his final salary, any earned but unpaid bonuses, any expense reimbursement amounts and the cash value of any accrued but unused vacation time through his last day of employment.
 - 2. Release of Claims.** In consideration for the payments and other benefits described in Section 3 of the Severance Benefits Agreement, Executive hereby fully and finally releases, waives, and discharges any and all legal claims against the Company that he has through the date on which he signs this Agreement. This full and final release, waiver, and discharge extends to legal and equitable claims of any kind or nature whatsoever including, without limitation, the following:
 - (a) All claims that Executive has now, whether or not he now knows about the claims;
 - (b) All claims for attorney's fees and costs;
 - (c) All claims for alleged discrimination against him under any applicable federal, state, and local law including, without limitation, rights and claims of age discrimination under the federal Age Discrimination in Employment Act ("ADEA") and federal Older Workers Benefits Protection Act ("OWBPA"); and discrimination claims under the California Fair Employment and Housing Act ("CFEHA"), Title VII of the Civil Rights Act of 1964 ("Title VII"), and the Americans With Disabilities Act ("ADA");
 - (d) All claims arising out of his employment and the termination of his employment and service as an officer with the Company, including, but not limited to, any alleged breach of contract, wrongful termination, termination in violation of public policy, defamation, invasion of privacy, fraud, negligence, infliction of emotional distress, breach of implied contract and breach of the covenant of good faith and fair dealing;
 - (e) All claims for any other alleged unlawful employment practices arising out of or relating to his employment or separation from employment and service as an officer with the Company; and
 - (f) All claims for any other form of pay, for example bonus pay, incentive pay, holiday pay, and sick pay.
-

Provided, however, that the foregoing does not constitute a release or waiver of Executive's rights, if any, to (a) indemnification under any applicable directors & officers liability insurance policy, applicable state and federal law, and the Company's certificate of incorporation and bylaws, (b) any vested interest he may have in any 401(k) plan by virtue of his employment with the Company, (c) any rights or claims that may arise after it this Agreement is signed, (d) any rights to any unemployment compensation benefits to which he is entitled taking into consideration all payments he receives, (e) the payments and benefits specifically promised to Executive under this Agreement, or (f) the right to institute legal action for the purpose of enforcing the provisions of this Agreement.

Executive also hereby waives any right to reinstatement to employment with the Company.

For purposes of this Section 2, "Executive" includes anyone who has or obtains any legal rights or claims through Executive, and the term "Company" means Nile Therapeutics Inc., and its past and present parents and subsidiaries, if any, and each of them; and past and present agents, officers, directors, employees, insurers, indemnitors, attorneys, successors or assigns of any or all of the foregoing entities.

3. Rights to Counsel, Consider, and Revoke and Rescind.

(a) Executive acknowledges that he consulted with an attorney prior to signing the Severance Benefits Agreement. The Company hereby advises Executive to consult with an attorney prior to signing this Agreement.

(b) Executive understands that he has the right to take up to 21 days to consider his waiver of age discrimination rights and claims under the ADEA and OWBPA, beginning the date on which he received this Agreement. He further understands that, if he signs this Agreement, he may revoke his waiver of age discrimination rights and claims under the ADEA and OWBPA within seven days thereafter, and his waiver will not be effective or enforceable until this seven-day period has expired.

4. Charges. This Agreement does not prohibit Executive from filing an administrative charge of discrimination with, or cooperating or participating in an investigation or proceeding conducted by, the Equal Employment Opportunity Commission or other federal or state regulatory or law enforcement agency.

5. Notice of Section 1542 Rights The Company and Executive expressly agree that this Agreement extends to all claims of every nature and kind, known or unknown, suspected or unsuspected, vested or contingent, past, present, or future, whether arising from or attributable to Executive, or to the Company's officers, directors, employees, and agents, acting within or beyond the scope of their employment; whether relating to his employment by the Company or performance of services for the Company occurring before the execution of this Agreement. They also expressly agree that any and all rights granted under § 1542 of the California Civil Code or any analogous state law or federal law or regulation are hereby expressly waived. Section 1542 of the California Civil Code reads as follows:

§1542. A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of the executing the release, which if known to him must have materially affected his settlement with the debtor.

6. Notice of Section 1541 Rights This Agreement is in full accord, satisfaction and discharge of doubtful and disputed claims that the Company and Executive have against each other, and they have signed this Agreement with the express intention of releasing and extinguishing all claims they may have against each other, in accordance with Section 1541 of the California Civil Code, which section reads as follows:

§1541. An obligation is extinguished by a release therefrom given to the debtor by the creditor, upon a new consideration, or in writing, with or without new consideration.

7. **Survival of Certain Obligations.** Executive's obligations under Section 2 of the Severance Benefits Agreement shall remain in full force and effect and will survive the termination of Executive's employment with the Company in accordance with the terms provided therein. Nothing in this Agreement shall be construed to supersede or otherwise relieve Executive of such obligations. The Company agrees that no amendment or modification of its certificate of incorporation or bylaws adopted after the date hereof that reduces Executive's rights to seek and obtain indemnification from the Company in his capacity as officer and/or director shall be effective against Executive.

8. **Miscellaneous.** This Agreement states the entire agreement between Executive and the Company with respect to the subject matter hereof and supersedes and merges all prior negotiations, agreements, and understandings, if any. No modification, release, discharge, or waiver, of any provision of this Agreement shall be of any force or effect unless made in writing and signed by Executive and the Company, and specifically identified as a modification, release, or discharge, of this Agreement. If any term, clause, or provision of this Agreement shall for any reason be adjudged invalid, unenforceable, or void, the same shall not impair or invalidate any of the other provisions of the Agreement, all of which shall be performed in accordance with their respective terms. This Agreement shall inure to the benefit of the successors and assigns of the Company.

Executive represents that this Agreement, and the release contained in this Agreement, have been given voluntarily and free from duress or undue influence on the part of any person or entity released by this Agreement, or by any third party. Executive acknowledges and understands that he has no obligation to enter into this Agreement, but that the Company has no obligation to provide to Executive the payments and benefits described under Section 3 of the Severance Benefits Agreement if he does not enter into this Agreement.

Executive has read this Agreement carefully and understands all of its terms. He acknowledges that he has had the opportunity to discuss this Agreement with his own attorneys prior to signing it, and to make certain that he understands the meaning of the terms and conditions contained in this Agreement and fully understands the content and effect of this Agreement. In agreeing to sign this Agreement, Executive acknowledges that he has not relied on any representations or statements, whether oral or written, other than the express statements of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date(s) set forth below.

EXECUTIVE:

NILE THERAPEUTICS, INC.

Daron Evans

By: _____
Its: _____

Dated: _____

Dated: _____

NILE THERAPEUTICS, INC.
DIRECTOR COMPENSATION PLAN SUMMARY

Adopted: July 21, 2009
Amended: July 27, 2010

The following is a summary of the compensation plan for directors of Nile Therapeutics, Inc. (the "Company") who are not compensated employees of the Company. Directors who are compensated employees of the Company do not receive compensation for their service on the Board, but shall receive compensation only in their capacities as employees.

1. Initial Equity Grant. As an inducement to accept service as a director, upon initial appointment to the Board, a director shall receive a stock option to purchase 130,000 shares of the Company's common stock, which option shall vest in three equal annual installments commencing on the first anniversary of the date of grant.
 2. Annual Equity Grant. Following a director's initial appointment, on an annual basis, (i) each non-employee director shall receive a stock option to purchase 80,000 shares of the Company's common stock, and (ii) the Chair of the Board and the Chair of each of the Board's Audit and Compensation Committees (to the extent such persons are non-employee directors) shall receive an additional stock option to purchase 20,000 shares of common stock. All such stock options shall be awarded as of each director's re-election at the Company's annual meeting of stockholders and shall vest in their entirety on the first anniversary of the date of grant.
 3. Other Terms of Equity Grants. The stock options described in Paragraphs 1 and 2, above, shall be issued pursuant to the Company's Amended & Restated 2005 Stock Option Plan (the "2005 Plan") and each shall have a term of 10 years. The per share exercise price applicable to such stock options shall be equal to the fair market value of the Company's common stock on the grant date, as determined in accordance with the Company's then current stock option pricing policies. Without limiting the effect of any other provision of the 2005 Plan, all such stock options shall vest in full and be immediately exercisable upon a "Change of Control" (as defined in the 2005 Plan) or the death of the director.
 4. Expenses. Directors shall also be reimbursed for their reasonable out of pocket expenses incurred in connection with attending meetings of the Board or any committee thereof or otherwise in furtherance of their duties as directors.
-

**PRESS RELEASE****July 22, 2010****Richard B. Brewer Joins Nile Therapeutics as Executive Chairman of the Board of Directors**

SAN MATEO, CA, July 22, 2010— Nile Therapeutics, Inc. (NASDAQ: NLTX), a biopharmaceutical company focused on the development of novel therapeutics for cardiovascular disease, today announced the appointment of Richard B. Brewer as Executive Chairman. With over 35 years of biotech and pharmaceutical industry experience, Mr. Brewer brings a wealth of operational, financial, and business development expertise to Nile.

“We are extremely pleased to welcome Mr. Brewer to our company,” said Joshua Kazam, CEO of Nile. “With his extensive knowledge, broad industry network, and history of strong leadership in development-stage biotech companies, we are confident that Mr. Brewer will play an integral role in defining and implementing our clinical development and partnership strategy for CD-NP.”

An active entrepreneur in the cardiovascular disease space, Mr. Brewer currently serves as Chairman of Arca Biopharma (NASDAQ: ABIO), a VC-backed specialty biopharmaceutical company developing genetically targeted therapies for patients with heart failure and other cardiovascular diseases. Mr. Brewer possesses deep knowledge of the natriuretic peptide space in particular, having served as CEO and President of Scios Inc., where he led the company in achieving FDA approval for Natrecor® (nesiritide), the first new drug for congestive heart failure in more than a decade, and guided Scios through its \$2.4 billion merger with Johnson & Johnson in 2004.

Prior to his work at Scios, Mr. Brewer served as COO of Heartport, a cardiovascular device company developing minimally invasive approaches to major heart surgery. Before Heartport, he spent over a decade at Genentech, ultimately serving as Senior Vice President of U.S. Marketing and Senior Vice President of Genentech Europe and Canada.

“I look forward to working closely with Nile’s management team and the outstanding scientific and medical leaders on their Scientific Advisory Board as we continue to develop CD-NP,” said Mr. Brewer. “With promising results to date and having just completed enrollment in the first Phase II study of CD-NP in the target patient population, this is an exciting time to join the company, and I look forward to contributing to the advancement of the product and the company at this pivotal stage.”

Mr. Brewer also currently serves as Chairman of the Board of Dendreon Corporation (NASDAQ: DNDN), which recently received FDA approval for PROVENGE® (sipuleucel-T), an autologous cellular immunotherapy for the treatment of prostate cancer. Additionally, Mr. Brewer is a member of the Board of Directors of SRI (Stanford Research Institute), as well as a Member of the Board of Advisors for Northwestern University, Kellogg School of Business, Biotechnology Section.

Mr. Brewer holds an M.B.A. from Northwestern University and a B.S. from Virginia Polytechnic Institute & State University.

About Nile Therapeutics

Nile Therapeutics, Inc. is a clinical-stage biopharmaceutical company that develops innovative products for the treatment of cardiovascular disease and other areas of unmet medical needs. Nile is initially focusing its efforts on developing its lead compound, CD-NP, a novel, rationally designed chimeric peptide in clinical studies for the treatment of heart failure, and CU-NP, a second novel, rationally designed natriuretic peptide. More information on Nile can be found at <http://www.nilethera.com>.

Contact:

Daron Evans
Chief Financial Officer
Nile Therapeutics, Inc.
+1-650-458-2670
info@nilethera.com

Safe Harbor Paragraph for Forward-Looking Statements: This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this press release regarding the timing, progress and anticipated results of the clinical development, regulatory processes, clinical trial and data analysis timelines, anticipated benefits of CD-NP, Nile's strategy, future operations, outlook, milestones, the timing and success of Nile's product development, future financial position, future financial results, plans and objectives of management are forward-looking statements. Nile may not actually achieve these plans, intentions or expectations and Nile cautions investors not to place undue reliance on Nile's forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements Nile makes. Various important factors that could cause actual results or events to differ materially from the forward-looking statements that Nile makes include Nile's need to raise additional capital to fund its product development programs to completion, Nile's reliance on third-party researchers to develop its product candidates, and its lack of experience in developing and commercializing pharmaceutical products. Additional risks are described in greater detail in the reports Nile files with Securities and Exchange Commission, including those described under the caption "Risk Factors" in Item 1A of its Annual Report on Form 10-K for the year ended December 31, 2009 filed with the Securities and Exchange Commission on March 3, 2010. Nile is providing this information as of the date of this press release and does not undertake any obligation to update any forward-looking statements as a result of new information, future events or otherwise.
