

**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, 2009

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.)

**115 Sansome Street, Suite 310
San Francisco, California 94104**
(Address of Principal Executive Offices)

(415) 875-7880
(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.

On July 21, 2009, the Compensation Committee of the Board of Directors of Nile Therapeutics, Inc. (the "Company") approved a compensation plan for its non-employee directors. Under the newly adopted plan, the Company will not pay cash compensation to its directors, but are instead entitled to receive annual stock option grants relating to 65,000 shares of the Company's common stock. The chairmen of the Board of Directors and of its Audit and Compensation committees are entitled to annual stock options to purchase an additional 15,000 shares. Newly appointed directors are entitled to an initial stock option to purchase 130,000 shares. A summary of the compensation payable to the Company's non-employee directors is attached hereto as Exhibit 10.1 and incorporated herein by reference.

In accordance with the terms of such plan, on July 21, 2009, each director of the Company was awarded a 10-year stock option to purchase 65,000 shares of the Company's common stock, and the chairs of each of the Board of Directors and its Audit and Compensation Committees received an option to purchase an additional 15,000 shares of common stock (80,000 shares total). All such stock options were granted pursuant to the Company's Amended & Restated 2005 Stock Option Plan, are exercisable at \$1.77 per share (the closing sale price on the date of grant) and vest in full on July 21, 2010.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
10.1	Summary terms of compensation plan for directors of Nile Therapeutics, Inc., as adopted July 21, 2009.

EXHIBIT INDEX

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NILE THERAPEUTICS, INC.

DIRECTOR COMPENSATION PLAN SUMMARY

Adopted: July 21, 2009

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 65,000 shares of the Company's common stock, and (ii) the Chairman of the Board and the Chair of each of the Board's Audit and Compensation Committees shall receive an additional stock option to purchase 15,000 shares of common stock. All such stock options 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.