UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For The Fiscal Year Ended December 31, 2006

OR

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

For the transition period from to .

Commission File No. 0-19700

AMYLIN PHARMACEUTICALS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**33-0266089**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9360 Towne Centre Drive **San Diego, California**	**92121**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(858) 552-2200**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Exchange on Which Registered**
Common Stock, $.001 par value	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act:
NONE
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

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

The aggregate market value of the common stock of the registrant as of June 30, 2006 held by non-affiliates was $2,486,864,850.

The number of shares outstanding of the registrant's common stock was 131,079,130 as of February 13, 2007.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission (the "Commission") pursuant to Regulation 14A in connection with the 2007 Annual Meeting of Stockholders to be held on May 23, 2007 are incorporated herein by reference into Part III of this Report. Such Definitive Proxy Statement will be filed with the Commission not later than 120 days after December 31, 2006.

You should read the following together with the more detailed information regarding our company, our common stock and our financial statements and notes to those statements appearing elsewhere in this document or incorporated by reference. The Securities and Exchange Commission, or SEC, allows us to "incorporate by reference" information that we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this annual report on Form 10-K.

Except for the historical information contained herein, this annual report on Form 10-K and the information incorporated by reference contains forward-looking statements that involve risks and uncertainties. These statements include projections about our accounting and finances, plans and objectives for the future, future operating and economic performance and other statements regarding future performance. These statements are not guarantees of future performance or events. Our actual results may differ materially from those discussed here. Factors that could cause or contribute to such differences are described in Part I, Item 1A, entitled "Risk Factors," as well as those discussed in Part II, Item ,7 entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere throughout this annual report on Form 10-K and in any other documents incorporated by reference into this report. We disclaim any obligation to update any forward-looking statement.

PART I

Item 1. *Business*

We are a biopharmaceutical company committed to improving the lives of people with diabetes, obesity and other diseases through the discovery, development and commercialization of innovative medicines. We have developed and gained approval for two first-in-class medicines to treat diabetes, BYETTA® (exenatide) injection and SYMLIN® (pramlintide acetate) injection, both of which were commercially launched in the United States during the second quarter of 2005. BYETTA has also been approved in the European Union, or EU, and we expect the commercial launch of BYETTA, through our collaboration partner, Eli Lilly and Company, or Lilly, in various EU member states to occur in 2007.

BYETTA is the first and only approved medicine in a new class of compounds called incretin mimetics. We began selling BYETTA in the United States in June 2005. It is approved as an adjunctive therapy to improve glycemic control in patients with type 2 diabetes who have not achieved adequate gylcemic control and who are taking metformin, sulfonylurea and/or a thiazolidinediene (TZD), the three most common oral therapies for type 2 diabetes. Net product sales of BYETTA were $430.2 million in 2006 and $75.2 million in 2005.

We have an agreement with Lilly for the global development and commercialization of exenatide. This agreement includes BYETTA and other formulations of exenatide such as exenatide LAR. Under the terms of the agreement, operating profits from products sold in the United States are shared equally between Lilly and us and Lilly will pay us royalties for product sales outside of the United States. Lilly has primary responsibility for developing and commercializing BYETTA outside of the United States, including any sustained-release formulations of exenatide such as exenatide LAR.

SYMLIN is the first and only approved medicine in a new class of compounds called amylinomimetics. We began selling SYMLIN in the United States in April 2005. It is approved as an adjunctive therapy to improve glycemic control in patients with either type 2 or type 1 diabetes who are treated with mealtime insulin but who have not achieved adequate glycemic control. We own 100% of the global rights to SYMLIN. Net product sales of SYMLIN were $43.8 million in 2006 and $11.5 million in 2005.

We have a field force of approximately 550 people dedicated to marketing BYETTA and SYMLIN in the United States. Lilly co-promotes BYETTA in the United States. Our field force includes our specialty and primary care sales forces, a managed care and government affairs organization, a medical science organization, and diabetes care specialists.

In addition to our marketed products, we have ongoing programs in pharmaceutical discovery and development, including late-stage programs for diabetes and obesity. We are also working with Lilly and Alkermes, Inc., or Alkermes, to develop a sustained-release formulation of exenatide, which we refer to as exenatide LAR, to enable once-weekly administration of exenatide for the treatment of type 2 diabetes. As part of our Integrated Neurohormonal Treatment of Obesity, or INTO, strategy, we have four ongoing clinical trials designed to evaluate novel compounds as new treatments for obesity. We have partnered with PsychoGenics, Inc. to form Psylin Neurosciences, Inc., or Psylin, a company that will focus on the discovery and development of peptide hormones for treatment of psychiatric indications. We also have multiple early stage programs for diabetes, obesity and other therapeutic areas, maintain an active discovery research program focused on novel peptide therapeutics and are actively seeking to in-license additional drug candidates.

In January 2007, we announced that on March 1, 2007 Ginger L. Graham will step down as our chief executive officer and will continue to serve as a member of our board of directors. Daniel M. Bradbury, our current president and chief operating officer, will become our president and chief executive officer effective March 1, 2007.

Our principal executive offices are located at 9360 Towne Centre Drive, San Diego, CA 92121, and our telephone number is (858) 552-2200. We were incorporated in Delaware in September 1987. We maintain a website at *www.amylin.com*. The reference to our worldwide web address does not constitute incorporation by reference into this report of any of the information contained on our website.

Our periodic and current reports that we file with the SEC are available free of charge on our website at *www.amylin.com* as soon as reasonably practicable after we have electronically filed them with, or furnished them to, the SEC.

Diabetes

Diabetes is a major health problem worldwide and is the fifth leading cause of death by disease in the United States. Diabetes is a complex, multihormonal disorder of carbohydrate, fat and protein metabolism, primarily resulting from the failure of pancreatic beta cells to produce sufficient insulin, the hormone needed to convert sugar, starches and other foods into energy. The result is that not enough glucose can enter and fuel the body's cells and it builds up in the bloodstream causing hyperglycemia (high blood sugar), which may result in severe complications such as kidney failure, nerve damage, blindness, amputation and cardiovascular disease. Conversely, too much insulin in the bloodstream can cause hypoglycemia (low blood sugar). Individuals who manage their diabetes with insulin or other oral antidiabetic medication are especially vulnerable to swings of high to low blood sugar level and the risk of very low blood sugar, which if left untreated, can be fatal.

It is estimated that nearly 200 million people worldwide have diabetes. Of that population, it is estimated that approximately 90-95% have type 2 diabetes, also known as adult-onset diabetes, and the remainder have type 1 diabetes, also known as juvenile-onset diabetes. In the United States alone, in 2005 there were approximately 20.8 million people, or 7% of the population, with diabetes and there were approximately 20.6 million over the age of 20, or 9.6% of all people in this age group, with diabetes. However, in 2005 only 14.6 million people in the United States had been diagnosed with diabetes and approximately 1.5 million new cases were diagnosed. From 1997 through 2004, new cases of diagnosed diabetes among Americans aged 18-79 increased by 54%. In addition, there are currently approximately 54 million people in the United States with pre-diabetes, a condition that raises the risk of developing type 2 diabetes, heart disease and stroke. People with pre-diabetes have blood glucose levels higher than normal but not high enough for a diabetes diagnosis.

Glycated hemoglobin (A1C) is the most widely accepted measure of long-term blood glucose control. A1C level is a recognized indicator of an individual's average blood glucose concentrations over the preceeding 3 to 4-month period. Lower A1C levels indicate better average blood glucose control, with values in people without diabetes usually being less than 6%. The American Diabetes Association, or ADA, suggests that people with diabetes should aim for an A1C value that is lower than 7%. It is estimated that nearly two-thirds of Americans being treated for diabetes are failing to achieve recommended blood glucose levels and, according to research studies conducted in the United States and abroad, these patients would significantly benefit from improved glycemic control. In general, for every 1-point reduction in A1C, the risk of developing microvascular diabetic complications (eye, kidney and nerve disease) is reduced by up to 40%. However, only a minority of people diagnosed with diabetes in the United States are able to achieve the ADA's recommended target A1C level, even with available drug therapies. Additionally, aggressive use of insulin and some oral medications to reduce glucose levels can be associated with an increased risk of hypoglycemia and weight gain. Consequently, there has long been a need to develop new treatment strategies that improve the overall health profile of patients with diabetes and reduce the risk of complications without increased pain and suffering.

In people without diabetes, the beta cells of the pancreas produce two hormones, insulin and amylin. Type 1 diabetes, which is most often diagnosed in children and young adults, destroys beta cells, resulting in a deficiency of both hormones. Replacement of beta cells through islet transplant therapy can, in some cases, temporarily render patients insulin-independent; however, life-long daily insulin therapy is usually required to sustain life for people with type 1 diabetes. The addition of SYMLIN therapy to insulin therapy reduces the typical rise in blood sugars after meals thereby contributing to a reduction in A1C levels.

Type 2 diabetes results from the body's inability to produce sufficient insulin, or to properly use available insulin, or both. Secretion of the hormone amylin is also impaired in people with type 2 diabetes. Historically, type 2 diabetes occurs later in life. However, primarily as a result of changes in diet and lifestyle, type 2 diabetes is now occurring much earlier in

life for many people. Diet and exercise therapy, oral medications, BYETTA, insulin, and insulin with SYMLIN are currently used to treat type 2 diabetes.

Type 2 diabetes usually begins with insulin resistance, a disorder in which the cells do not use insulin properly. As the disease progresses, the beta cells in the pancreas gradually lose their ability to produce insulin in a timely manner. Because of the progressive nature of the disease, no single therapy is currently proven to be effective in controlling the disease over time. As the disease progresses, typically one or more oral medications become necessary, and these often become ineffective in regulating blood glucose levels. Historically, insulin therapy is then added; however, over time, the insulin dosage and number of insulin injections usually need to be increased. Even with additional insulin injections, many people are unable to control their blood glucose levels, or do so at the expense of weight gain and increased risk of hypoglycemia.

In 2005, we introduced two new treatment options, BYETTA and SYMLIN, for healthcare professionals to use in the diabetes care continuum. BYETTA offers patients with inadequate glycemic control using oral medications the opportunity to better control their blood glucose levels and lose weight. SYMLIN offers patients with inadequate glycemic control using mealtime insulin the opportunity to better control their blood glucose levels and lose weight. These novel first-in-class medicines provide new options in disease management and glucose control to millions of people suffering from diabetes.

For people suffering from diabetes, poor control of blood glucose levels has been shown to result in severe long-term complications. For instance, the United States Centers for Disease Control, or CDC, has stated that complications due to diabetes include:

- heart disease and stroke;
- high blood pressure;
- blindness due to retinopathy, a condition manifested by damage to the retina;
- nephropathy, or kidney disease;
- neuropathy, a condition where there is damage to the nervous system;
- amputations due to peripheral vascular disease; and
- periodontal disease.

Weight control and obesity are also major problems for patients with diabetes, particularly for those people using insulin and certain oral medications as part of their treatment regimen. In addition, patients with diabetes frequently have wide fluctuations in blood sugar following meals. These fluctuations in blood sugar can significantly affect a patient's quality of life. Collectively, these complications and associated metabolic disorders can lead to increased pain, suffering, reduced quality of life, reduced productivity in the workplace and early death.

Marketed Products

BYETTA® (exenatide) injection

BYETTA is the first and only approved medicine in a new class of compounds called incretin mimetics. We began selling BYETTA in the United States in June 2005 as add-on therapy to improve glycemic control in patients with type 2 diabetes who have not achieved adequate gylcemic control and who are taking metformin and/or sulfonylurea, two common oral therapies for type 2 diabetes. In December 2006, the United States Food and Drug Administration, or FDA, approved BYETTA as an add-on therapy to improve glycemic control in people with type 2 diabetes who have not achieved adequate glycemic control by using a TZD.

BYETTA provides self-regulating glucose control by augmenting the body's natural physiologic processes, allowing the body to respond to blood glucose changes as they occur. BYETTA directly affects the beta cells' responses to elevated glucose by enhancing insulin secretion; this effect dissipates as glucose levels approach the normal range. BYETTA also restores first-phase insulin response, an effect which is evident following the initial dose. BYETTA is administered twice a day by using a fixed dose injection, and requires no dose adjustments due to changes in meal size or composition, exercise or other variables. No additional glucose monitoring is required with BYETTA therapy.

The most common adverse effect of BYETTA is mild to moderate nausea, which tends to dissipate with time. Mild to moderate hypoglycemia has also been observed, primarily when used in conjunction with sulfonylurea, an agent that is known to cause hypoglycemia.

We estimate the number of people in the United States currently using metformin, sulfonylurea and/or a TZD to be approximately 8.2 million. In addition, we estimate that more than 30% of those patients change their oral therapy at least once a year. Approximately two-thirds of all diabetes patients using oral medications are believed to have an A1C higher than the ADA's recommendation of less than 7% and the vast majority of these patients could be candidates for BYETTA.

In 2005, we launched BYETTA utilizing our field force of approximately 400 with the Lilly field organization supporting BYETTA, focusing our sales efforts on an initial target list of approximately 40,000 physicians in the United States. These targeted physicians write more than half of the prescriptions for diabetes medications in the United States. In late 2006, we expanded our field force to approximately 550 and, together with the Lilly field organization, expanded our reach to approximately 65,000 physicians who write approximately 70% of the prescriptions for diabetes medication in the United States. Our goal is to provide education, through both one-on-one interactions and educational programs, to ensure that these physicians understand BYETTA including its mechanisms of action, potential benefits and important use considerations, and that they are prepared to select the appropriate patients to begin BYETTA therapy.

Lilly has primary responsibility for developing and commercializing BYETTA outside the United States, including any sustained-release formulations such as exenatide LAR. In November 2006, we announced that the European Commission granted marketing authorization for BYETTA for the treatment of type 2 diabetes. We currently expect Lilly to commercially launch BYETTA in various EU member states in 2007.

BYETTA Development Activities

In June 2006, we announced the results of a two-year study which showed that BYETTA sustained improvements in blood sugar control and reduced body weight in people with type 2 diabetes who previously did not achieve adequate control of the blood sugar level on common oral medications. After two years of treatment, patients sustained an average A1C reduction of 1.1% from baseline. This A1C reduction is consistent with the A1C reduction of 1.1% at the end of the initial 30-week clinical trial, demonstrating sustained efficacy over the two-year period. Fifty percent of patients in this study reached an A1C of 7% or less, and 31% achieved an A1C of 6.5% or less after two years of treatment. Average weight loss was 10 pounds at two years compared to the average loss of five pounds after 30 weeks.

In June 2006, we also announced results from a 16-week study that showed BYETTA lowered blood glucose levels for people with type 2 diabetes who had not achieved target blood glucose levels despite the use of a TZD with or without metformin. Patients using BYETTA showed improvements in three important measures of blood glucose control: fasting blood glucose; postprandial blood glucose; and A1C. A1C improved by approximately 0.9% compared to the control group. Sixty-two percent of study participants using BYETTA who completed the full study reached a target A1C of 7% or less. Patients using BYETTA lost an average of approximately three pounds of body weight, while those treated with placebo lost an average of approximately one-half pound.

In September 2006, we announced results from a 52-week study indicating that BYETTA improves blood sugar levels as effectively as biphasic insulin aspart 30/70 (NovoMix 30®, NovoNordisk) in people with type 2 diabetes failing to achieve acceptable blood sugar control on both metformin and sulfonylurea. This long-term clinical trial was the second study conducted at European clinical centers demonstrating that BYETTA can control blood sugar as effectively as insulin. During this study, patients using BYETTA showed improvements in three important measures of blood glucose control: fasting blood glucose; postprandial blood glucose; and A1C. BYETTA treatment also resulted in an average reduction in body weight. Thirty-two percent of patients using BYETTA reached a target A1C of 7% or less. When measured against the International Diabetes Federation, or IDF, recommended target of A1C of 6.5% or less, 18% of patients in the BYETTA group achieved this level compared to 9% in the biphasic insulin aspart group. Patients on BYETTA lost an average of 5.5 pounds, while those receiving biphasic insulin aspart gained an average of 6.4 pounds. In addition, BYETTA significantly reduced peak blood sugar levels after meals.

In September 2006, we also announced results from a 32-week study indicating that BYETTA improves blood sugar levels as effectively as insulin glargine (Lantus®, Sanofi Aventis) for people with type 2 diabetes failing to achieve acceptable blood sugar control on metformin or a sulfonylurea. This was the third study demonstrating that BYETTA can control blood sugar level as effectively as insulin. Patients experienced similar reductions in A1C when treated with BYETTA or insulin glargine. In both patient groups, approximately 40% of study participants reached a target A1C of 7% or less. When measured against the IDF recommended target of A1C of 6.5% or less, 24% of patients on BYETTA achieved this target compared with 14% when treated with glargine. After taking BYETTA, patients lost an average of 4.3 pounds, but after taking insulin glargine, patients gained an average of 0.77 pounds. In addition, BYETTA significantly reduced peak blood sugar levels after meals.

In April 2005, concurrently with BYETTA's initial approval, the FDA issued an approvable letter for BYETTA when used as a monotherapy (stand-alone therapy) for patients with type 2 diabetes. In 2006, we commenced a monotherapy study for BYETTA and currently expect to have the results in the second half of 2007. Any additional data submitted in response to the FDA's approvable letter to support a monotherapy indication is expected to receive a six-month review. We are also conducting other clinical trials to further our knowledge of the utility of BYETTA.

In February 2007, we announced that the FDA approved more convenient patient storage instructions for BYETTA. BYETTA pens can now be kept at room temperatures below 77 degrees Fahrenheit after first use. Prior to first use, BYETTA pens must continue to be refrigerated at temperatures between 36 and 46 degrees Fahrenheit.

In June 2006, we entered into an agreement with Nastech Pharmaceutical Company to develop a nasal spray formulation of exenatide. We and Nastech will jointly develop the nasal spray formulation using Nastech's proprietary nasal delivery technology. We have the responsibility for the development program including clinical, non-clinical and regulatory activities, while Nastech will focus on drug delivery and chemistry, and manufacturing and controls activities. We have also submitted an Investigational New Drug Application, or IND, to the FDA for a human feasibility study for nasal exenatide. We expect to complete a nasal exenatide Phase 1 clinical trial later this year.

SYMLIN® (pramlintide acetate) injection

SYMLIN is the first and only approved medicine in a new class of compounds called amylinomimetics. We began selling SYMLIN in the United States in April 2005 as adjunctive therapy to mealtime insulin to treat diabetes. Other than insulin and insulin analogues, SYMLIN is the first FDA-approved medication addressing glucose control for patients with type 1 diabetes since the discovery of insulin over 80 years ago. SYMLIN is intended to improve blood glucose control in people treated with insulin alone or, in the case of patients with type 2 diabetes, treated with insulin plus one or more oral medications.

SYMLIN is indicated for use in adults with type 2 or type 1 diabetes to control blood sugar. SYMLIN works with insulin to smooth out the peaks in blood glucose levels to give patients more stable blood glucose levels after meals and throughout the day. SYMLIN also lowers the A1C levels of most patients beyond what insulin alone can achieve. SYMLIN induces satiety, which leads to eating less and weight loss in most patients. In addition, because SYMLIN works with insulin to control blood sugar, patients often need less insulin to achieve desired blood sugar levels after meals.

SYMLIN is used with insulin and has been associated with an increased risk of insulin-induced severe hypoglycemia. The risk can be reduced by appropriate patient selection, careful patient instruction and insulin dose adjustments. Other adverse effects commonly observed are primarily gastrointestinal, including nausea, which decrease over time in most patients.

Our initial SYMLIN launch was focused on a target physician population of 3,000, with a goal of educating these physicians on SYMLIN including its mechanisms of action, potential benefits, use considerations, and appropriate patient selection for initiating SYMLIN therapy. SYMLIN is now supported by the full Amylin field force of approximately 550 individuals currently targeting approximately 21,000 physicians. These physicians write approximately 40% of all insulin prescriptions in the United States.

SYMLIN Development Activities

In 2006, we conducted a 16-week study designed to evaluate the efficacy and safety of adding SYMLIN at mealtime to an established regimen of once-daily basal insulin. In September 2006, we announced results from this study including that patients receiving SYMLIN on average had better overall A1C, reduced glucose fluctuations, used less insulin and experienced weight loss, compared to those using basal insulin without SYMLIN. In this study, 25% of those patients using basal insulin and mealtime SYMLIN achieved all four components of the composite endpoint compared to 7% of those receiving basal insulin with placebo. These four components included a drop in A1C level of at least 0.5% from baseline or achieving a 7% or lower A1C target, limiting post-meal glucose excursions to 40 mg/dL or less, no weight gain and no severe hypoglycemia. In the fourth quarter of 2006, we submitted an sNDA to the FDA seeking approval for the use of SYMLIN at mealtime in patients with type 2 diabetes treated with once-daily basal insulin.

During 2006, we continued to enroll patients in an open-label observational study of SYMLIN. This study is designed to evaluate SYMLIN use in the marketplace. Patients receive SYMLIN as part of their routine diabetes management and are followed in this real-world setting for a period of six months. In addition, in the second quarter of 2006 we initiated a

small pharmacokinetic study in pediatric patients (ages 12 to 16) with type 1 diabetes that is designed to provide insight into dosing in a pediatric population.

In the second quarter of 2006, we submitted a supplemental New Drug Application, or sNDA, to the FDA seeking approval of a disposable pen for the delivery of SYMLIN in cartridges. We believe the SYMLIN pen will not only enable patients to more easily deliver the proper dose but will also improve the convenience of administering SYMLIN. If approved by the FDA, we plan to make the SYMLIN pen available to patients in the second half of 2007.

Research and Development

Product Pipeline Programs

We have late-stage development programs in the therapeutic areas of diabetes and obesity and multiple early-stage programs in diabetes and obesity. Our years of research in diabetes and deep understanding of peptide hormones — their physiology, functionality and impact on the disease — are being leveraged to develop potential treatments for obesity. The metabolic components of these diseases are linked in numerous ways, which are reflected in the impact each has on the other.

Diabetes

Exenatide LAR

Exenatide LAR is our late stage development program in diabetes. Exenatide is the active ingredient in BYETTA and is combined with proprietary technology developed by us and our partner, Alkermes, for a sustained release delivery of exenatide. The combination of potency and the glucose-dependent mechanism of action inherent in exenatide makes it well suited to development of a sustained-release formulation. We have an agreement with Alkermes for the development, manufacture and commercialization of exenatide LAR and this program is included in our collaboration agreement with Lilly. We are working with Lilly and Alkermes to develop a formulation that enables a once-a-week administration of exenatide for the treatment of type 2 diabetes.

In March 2006, following discussions with the FDA, we initiated a long-term comparator clinical study of exenatide LAR in patients with type 2 diabetes. This 30-week study is designed to generate the type of safety and efficacy data that could form the basis of a new drug application and will assess whether once-weekly exenatide LAR is at least as effective in improving glucose control as twice-daily BYETTA. We expect to have results of this study in the second half of 2007.

In June 2006, we announced detailed results from a safety and efficacy study of the LAR formulation of BYETTA. The study was conducted in 45 patients with type 2 diabetes unable to achieve adequate glucose control with metformin or a diet and exercise regimen. Some of the patients received a once-weekly 2.0 mg dose subcutaneous injection of exenatide LAR or placebo. After 15 weeks of treatment there was a 12-week safety monitoring period during which no medication was administered. At the beginning of the study, the average A1C of study participants was approximately 8.5%. In patients receiving 2.0 mg dose of exenatide LAR, the average reduction in A1C was 1.7% compared to an increase of 0.4% in the placebo group. In patients administered 2.0 mg of exenatide LAR, 86% achieved A1C levels of 7% or less. None of the patients given placebo achieved this target level of glucose control.

In this study, fasting blood glucose levels were reduced at week 15 by an average of 39 mg/dL in patients receiving the 2.0 mg dose of exenatide LAR compared to an average increase of 18 mg/dL in patients receiving placebo. Average fasting blood glucose level at the beginning of the study was 179 mg/dL. Patients who received 2.0 mg of exenatide LAR also experienced average reductions in body weight of 8.4 pounds at week 15 with no evidence of a plateau in weight change at that time. Body weight remained essentially unchanged for placebo group. The most frequent adverse event was mild nausea, experienced by 27% of subjects in the 2.0 mg dose group compared to 15% in the placebo group. No severe hypoglycemia was observed and no subjects receiving exenatide LAR withdrew because of adverse events.

Obesity

Obesity is a chronic condition that affects millions of people and is linked to increased health risk of several medical conditions including type 2 diabetes, high blood pressure, heart disease, stroke, osteoarthritis, sleep disorders and several types of cancers. Obesity is also rapidly becoming a major health problem in all industrialized nations and many developing countries. According to NAASO (The Obesity Society), obesity is the second leading cause of preventable death in the United States. It is estimated that 64% of the adult population in the United States are overweight and nearly 60 million adult Americans are considered obese. It is estimated that the total direct and indirect costs attributed to overweight and obesity

health issues exceeds $100 billion in the United States each year.

Genetic, metabolic, psychological and environmental factors can all contribute to obesity. Obesity is measured by Body Mass Index, or BMI, a mathematical formula using a person's height and weight. BMI is calculated by dividing a person's weight in kilograms by the person's height in meters squared. A person with a BMI between 25 and 29.9 is considered overweight. A person with a BMI of 30 or more is considered obese, and a person with a BMI of 40 or more is considered severely obese. Current treatments for obesity include diet, exercise, drug therapy and surgery.

Treatment of Obesity with Pramlintide

We are developing pramlintide acetate, the active ingredient in SYMLIN, as a potential treatment of obesity. Pramlintide acetate has been studied extensively in people with diabetes and has demonstrated the effect of lowering body weight.

In February 2006, we reported results from a Phase 2 dose-ranging study evaluating the safety and weight effects of pramlintide in obese subjects. After completing 16 weeks of treatment with pramlintide in addition to lifestyle intervention, subjects on average experienced an 8.4 to 13.4 pound weight loss from baseline, compared to a 6.2 pound weight loss with placebo plus lifestyle intervention. Several of the twice-daily and three-times-a-day pramlintide dosage arms achieved the primary study endpoint of significant difference in weight from placebo at week 16.

Weight loss experienced with pramlintide was typically progressive in nature through 16 weeks. At the end of the study, more pramlintide recipients than placebo recipients reported that study medication had helped them to control appetite and portion sizes.

Pramlintide was well tolerated and showed progressive weight loss at doses up to 360 micrograms. No new safety signals were observed in this study, which included higher doses than those previously studied in obese subjects. There was clear evidence of a dose response for the twice-daily regimens. Consistent with previous observations, the most common adverse effect was mild nausea. Weight loss in subjects who did not experience nausea was similar to that seen in the overall study population.

In October 2006, we reported results from a continuation of this study that demonstrated that patients completing 52 weeks of pramlintide therapy experienced a 7-8% mean body weight reduction, depending upon the dose they received, compared to a 1% reduction in patients receiving placebo. We also reported pre-clinical data revealing synergistic weight loss effects when amylin is used in combination with other neurohormones.

Integrated Neurohormonal Therapy for Obesity (INTO)

In 2006, we announced an expansion of our clinical program in obesity which will assess the safety and efficacy of multiple neurohormones used in combination with pramlintide to treat obesity. We refer to this program as Integrated Neurohormonal Therapy for Obesity, or INTO. Integrated neurohormonal therapy is designed to restore the body's metabolism to its pre-disease state by using neurohormones that work together to address the physiologic imbalances that cause complex chronic diseases such as obesity. Our INTO program is based on combination therapies and as part of this program, we will study using combinations of small molecules and combinations of peptide and protein hormones.

Three molecular franchises are the primary focus of our INTO program: amylin, and in particular pramlintide acetate, its synthetic version; leptin, a protein hormone produced from the fat cell that plays a fundamental role in metabolism and also communicates to the brain; and PYY 3-36, a molecule that is secreted in the gut and provides some satiety of hunger control in the post-meal period. We are also studying a second-generation amylinomimetic, which is a compound that has been optimized in preclinical models to reduce body weight.

Pramlintide

Based on preclinical and clinical data, pramlintide may play an important role in our INTO program. We are currently conducting a clinical study using pramlintide in combination with approved oral obesity agents, phentermine and sibutramine. This Phase 2b study is designed to replicate preclinical data showing the additive effects of these combinations. We expect to have the results of this study in the second half of 2007. We are also conducting a clinical study using pramlintide in combination with leptin. This proof of concept study will investigate the synergy of pramlintide and leptin found in preclinical studies. We expect to have data from this study in the second half of 2007. We are also studying pramlintide in combination with PYY 3-36. This safety study would facilitate a triple combination study with pramlintide

acetate, leptin and PYY 3-36, if the combination of pramlintide and leptin shows potential. We are conducting a fourth clinical study to evaluate a second-generation amylinomimetic designed to have enhanced anti-obesity properties. We expect this study will be completed in the first half of 2007. In 2006, we submitted an IND application to the FDA for this Phase 1 drug candidate.

Leptin

Leptin is the second compound we are studying in connection with our INTO program. In early 2006, we acquired the exclusive rights to the leptin molecular franchise and program from Amgen, Inc., or Amgen. Leptin is a naturally occurring protein hormone secreted by fat cells. It plays a key role in metabolism through multiple metabolic actions and appears to act primarily at the hypothalamus to regulate food intake and energy expenditure. Under the terms of the license agreement, we made an up-front payment, may make potential future payments related to technology transfer and development and regulatory milestones and will pay royalties on any product sales. Our license includes exclusive rights to the leptin intellectual property developed by Amgen as well as intellectual property Amgen originally licensed from Rockefeller University.

Leptin's roles in the treatment of obesity and lipodystrophy have been extensively studied, and the lead molecules have a strong safety profile. Humans suffering from lipodystrophy, a disease characterized by loss of body fat and consequent metabolic disorders (insulin resistance, hyperglycemia, and dyslipidemia), are rendered incapable of secreting sufficient amounts of leptin due to the loss of fat cell mass.

In June 2006, we announced pre-clinical study results showing that co-administration of leptin with amylin (a neurohormone produced by beta cells in the pancreas) resulted in sustained, fat-specific weight loss in leptin-resistant diet-induced obese rats. Co-administration of leptin and amylin resulted in a decrease in food intake and body weight greater than that seen with either hormone alone. The amylin plus leptin combination also increased fat oxidation and prevented the fall in energy expenditures that is usually expected with weight loss. Weight loss occurred due to decreased fat mass, while lean tissue was preserved.

We have commenced a 24-week study on 125 randomized obese patients who will be divided into three groups in order to compare the effects of treating obesity with a combination of pramlintide and leptin. We expect this study to provide us with data that will help us determine whether the combination of pramlintide and leptin works in humans as we observed in obese animal models. The primary endpoint of the study will be body weight. We expect results of this study in the second half of 2007.

PYY 3-36

PYY 3-36 is the third compound we are studying in connection with our INTO program. We are developing PYY 3-36 as a drug candidate for the potential treatment of obesity. Independent researchers have reported a reduction in food intake in humans using PYY 3-36.

Research Activities

A key element of our strategy is to develop first-in-class compounds for treating metabolic diseases. To achieve this goal, we are exploring hormones with multiple mechanisms of action that will potentially lead to products that have utility in treatment of more than one disease with the potential for many product forms. To do so, we take an integrated and biological, rather than a target-driven, approach to research. Our research is centered on peptide hormones that play an important metabolic role, and which we consider more likely to have an acceptable safety profile because these hormones exist naturally in the human body. Our development path begins with identifying a particular peptide and then determining if it is a circulating hormone, a substance that travels through the bloodstream to affect bodily functions. We then attempt to understand the hormone's functionality and potential impact on a disease. Rather than starting with a known biology and targeting molecules to modify, enhance, or block it, our scientists are discovering the biology of previously unknown peptides and uncovering utility that could potentially translate into a new human therapy. The conventional development process commonly used in the pharmaceutical industry, emphasizes utilizing isolated cells or molecular targets to advance drug discovery. Our approach to research calls for our scientists to quickly move to *in vivo* testing using highly predictive animal models that allow us to design subsequent information-rich clinical trials in humans.

Based on a premise that every peptide hormone has a utility — and a potential therapeutic benefit — we have developed a proprietary and continually growing peptide hormone library we call PHORMOL™. PHORMOL encompasses an extensive panel of potentially valuable biologics that have been taken from nature, including human peptides not

previously described. All of these have been synthesized to create a rich source of compounds for ongoing research in their functionality, utility, and potential value in treating a range of human diseases. In January 2007, we announced that we have partnered with PsychoGenics, Inc., to form Psylin, a company that will focus on the discovery and development of peptide hormones for treatment of psychiatric indications. Psylin will have access to certain molecules in PHORMOL.

We are developing capabilities in delivery system research and development, focused on product presentations that enhance clinical outcomes and patient convenience. Delivery systems are selected on the basis of technical feasibility, regulatory acceptance and market preference. They include injectable sustained release formulations such as salt complexes, lipids, biodegradable polymer and gel systems, as well as non-injectable systems such as nasal sprays, inhalation, oral and transdermal systems. We are also using our resources to optimize pharmaceutical properties of peptide drugs to develop new peptide hormone analogs that may be more amenable to alternative forms of delivery.

We currently have approximately 600 full-time employees dedicated to our research and development activities. We also have more than 200 employees with Ph.D., Pharm.D. or M.D. degrees. Most of our physicians specialize in diabetes. In the years ended December 31, 2006, 2005 and 2004, we incurred research and development expense of $222.1 million, $132.1 million and $119.6 million, respectively.

In-Licensing Activities

To augment our internal discovery and development capabilities, we also license or acquire rights to compounds, drug candidates and technologies that have been developed outside of Amylin. In addition to acquiring the exclusive rights to the leptin molecular franchise and program from Amgen, in 2006 we in-licensed intellectual property and other rights to glucose-dependent insulinotropic polypeptide (GIP) agonists from Diabetica, Ltd. The transaction included rights to certain pre-clinical GIP agonist molecules. We plan to explore the utility of GIP compounds in diabetes and other metabolic disorders. In late 2005, we acquired the chemical ligation technology and intellectual property from Gryphon Therapeutics, Inc. This acquisition expands our chemistry capabilities and improves our flexibility for the synthesis and precision engineering of larger peptides and proteins for research. We continue to evaluate other in-licensing opportunities.

Sales, Marketing and Distribution

We have built a sales and marketing organization that focuses on healthcare providers, managed healthcare organizations, wholesalers and pharmacies, government purchasers and other third-party payors. In late 2006, we expanded our field force by approximately 150 people. We currently have a field force of approximately 550 people dedicated to marketing BYETTA and SYMLIN in the United States. Lilly also co-promotes BYETTA in the United States. Our field force includes a primary care sales force as well as a specialty sales force of approximately 74 representatives who call on endocrinologists and other physicians who have large diabetes care practices and other healthcare professionals who support their practices. Our field organization also includes a managed care and government affairs organization, a medical science organization, and diabetes care specialists who support broad medical education programs for both BYETTA and SYMLIN. Members of our sales and marketing team have extensive industry experience from a wide range of large and small companies and have substantial experience in the field of diabetes, as well as in launching and marketing pharmaceutical products.

We utilize common pharmaceutical company practices to market our products. We call on individual physicians and other healthcare professionals and other organizations and individuals involved in the prescribing, purchasing and/or distributing of human medicines We also provide professional symposia through our extensive medical education programs. Our medical education events are conducted live, via satellite or telephone and through web-based, interactive programs. We will continue to focus on medical education efforts for both BYETTA and SYMLIN through thousands of programs across the United States organized by our medical affairs and professional education organizations. We train physicians and other healthcare professionals as speakers, so that they can in turn teach their peers about how best to incorporate BYETTA or SYMLIN into their patients' diabetes treatment regimens.

We provide customer service and other related programs for our products, such as disease and product-specific websites, insurance research services, a customer service call center and order, delivery and fulfillment services. We have programs in the United States that provide qualified uninsured and underinsured patients with our products at no charge.

We sell BYETTA and SYMLIN to wholesale distributors who in turn sell to retail pharmacies and government entities. Decisions made by these wholesalers and their customers regarding the levels of inventory they hold, and thus the amount of BYETTA and SYMLIN they purchase, may affect the level of our product sales in any particular period.

Manufacturing

We have selected manufacturers that we believe comply with current Good Manufacturing Practices, or cGMP, and other regulatory standards. We have established a quality control and quality assurance program, including a set of standard operating procedures, analytical methods and specifications, designed to ensure that our products and product candidates are manufactured in accordance with applicable regulations. We require that our contract manufacturers adhere to cGMP, except for products and product candidates for toxicology and animal studies, which we require to be manufactured in accordance with current Good Laboratory Practices, or cGLP.

Although some materials for our drug products are currently available from a single-source or a limited number of qualified sources, we will attempt to acquire a substantial inventory of such materials, establish alternative sources and/or negotiate long-term supply arrangements. We believe we will not have any significant issues obtaining suppliers; however, we cannot be certain that we will be able to obtain long-term supplies of our manufacturing materials.

BYETTA Manufacturing

We obtain exenatide, the active ingredient contained in BYETTA, from Bachem California, or Bachem, and Mallinckrodt, Inc., or Mallinckrodt, pursuant to long-term agreements with each company. We have long-term agreements with Wockhardt UK (Holdings) Ltd., or Wockhardt, and Baxter Pharmaceutical Solutions LLC, a subsidiary of Baxter, Inc., or Baxter, to supply us the dosage form of exenatide in cartridges. We have a long-term agreement with Lilly to supply pens for delivery of BYETTA in cartridges.

SYMLIN Manufacturing

We obtain pramlintide acetate, the active ingredient contained in SYMLIN, from Bachem and Lonza Ltd., or Lonza, pursuant to long-term agreements with each company. We have a long-term contract with Baxter for the dosage form of SYMLIN in vials. We also have an agreement with Wockhardt for the dosage form of SYMLIN in cartridges. We have a long-term agreement with Ypsomed AG to supply pen components for the delivery of SYMLIN in cartridges. We also have a long-term agreement with Hollister-Stier for the assembly of the SYMLIN pen components and cartridges.

Exenatide LAR Manufacturing

Under the terms of our development and license agreement with Alkermes, we are responsible for manufacturing the once-weekly dosing formulation of exenatide LAR for commercial sale and will pay Alkermes milestone payments upon achievement of development milestones and royalties on sales of exenatide LAR. Alkermes will transfer to us its technology for manufacturing the once-weekly formulation of exenatide LAR and will supply us with the polymer materials required for the commercial manufacture of exenatide LAR.

We are currently building a facility in West Chester, Ohio to manufacture exenatide LAR. We are working with Alkermes and Parsons Commercial Technology Group, Inc., or Parsons, a group with significant experience in the design and construction of pharmaceutical manufacturing facilities, to complete the design, construction and validation of this facility. We expect to complete the commercial-scale manufacturing process for exenatide LAR and the commissioning of the facility in the second half of 2008. We are also evaluating the potential to expand this project based on the progress of exenatide LAR through the development process.

Lilly Collaboration

We entered into a collaboration agreement with Lilly in 2002 for the global development and commercialization of exenatide, including both the twice-daily version, BYETTA, and sustained-release formulations, such as exenatide LAR. Under the terms of the agreement, Lilly made initial payments to us, and purchased approximately 1.6 million shares of our common stock. In addition, Lilly has made milestone payments to us upon the achievement of development and commercial milestones for BYETTA. The agreement also provides for the payment by Lilly of future milestone payments to us upon the achievement of additional development milestones, which primarily relate to sustained-release formulations of exenatide. A portion of future development milestone payments relating to sustained-release formulations of exenatide may be converted into our common stock, at Lilly's option, if the filing of the New Drug Application, or NDA, with the FDA for the sustained-release formulation of exenatide does not occur on or before December 31, 2007. We currently do not expect the NDA to be filed by this date. In addition, Lilly is obligated to make additional future milestone payments to us of up to $100 million contingent upon the commercial launch of exenatide in selected territories throughout the world, including BYETTA and sustained-release formulations of exenatide. Our collaboration agreement may be terminated by Lilly at any time on 60 days

notice.

We share exenatide United States development and commercialization costs with Lilly equally and we pay Lilly 50% of the operating profits from the sale of products in the United States.

In October 2006, we amended the collaboration agreement such that effective January 1, 2007, Lilly will pay us tiered royalties based upon the annual gross margin for all exenatide product sales, including any sustained-release formulations, outside of the United States. Royalty payments for exenatide product sales outside the United States will commence after a one-time cumulative gross margin threshold has been met. In addition, effective January 1, 2007, Lilly will be responsible for 100% of the costs related to development of twice-daily BYETTA for sale outside of the United States. Development costs related to all other exenatide products for sale outside of the United States will continue to be allocated 80% to Lilly and 20% to us. Lilly will continue to be responsible for 100% of the costs related to commercialization of all exenatide products for sale outside the United States. We record all United States BYETTA product revenues and Lilly will record all BYETTA product revenues from outside the United States.

Under our co-promotion arrangement with Lilly, the parties use approximately equal efforts to co-promote BYETTA within the United States and have agreed to use approximately equal efforts to co-promote sustained-release formulations of exenatide within the United States. Lilly will be responsible for commercialization efforts outside the United States. In November 2006, we announced the European Commission granted marketing authorization for BYETTA for the treatment of type 2 diabetes. We currently expect Lilly to commercially launch BYETTA in various EU member states in 2007.

Competition

The biotechnology and pharmaceutical industry is highly competitive. There are many pharmaceutical companies, biotechnology companies, public and private universities and research organizations actively engaged in the research and development of products that may be similar to our products. A number of our largest competitors, including AstraZeneca, Bristol-Myers Squibb Company, GlaxoSmithKline, Lilly, Merck & Co., Novartis AG, Novo Nordisk, Pfizer, Sanofi-Aventis and Takeda Pharmaceuticals, are pursuing the development of or are marketing pharmaceuticals that target the same diseases that we are targeting, and it is probable that the number of companies seeking to develop products and therapies for the treatment of diabetes, obesity and other metabolic disorders will increase. Many of these and other existing or potential competitors have substantially greater financial, technical and human resources than we do and may be better equipped to develop, manufacture and market products. These companies may develop and introduce products and processes competitive with or superior to ours. In addition, other technologies or products may be developed that have an entirely different approach or means of accomplishing the intended purposes of our products, which might render our technology and products noncompetitive or obsolete. For example, all of our current drug products are injectable, and may have to compete with therapies that do not require injection. We cannot be certain that we will be able to compete successfully.

SYMLIN is the only non-insulin-based drug product approved for improving blood glucose control in people with type 1 diabetes. Further, insulin and oral medications are often insufficient for many people with type 2 diabetes to achieve satisfactory glucose and weight control. BYETTA or SYMLIN may be complementary to, or competitive with, these other medications.

BYETTA and SYMLIN must compete with established therapies for market share. In addition, many companies are pursuing the development of novel pharmaceuticals that target diabetes. These companies may develop and introduce products competitive with or superior to BYETTA or SYMLIN. Such competitive products and potential products include:

- sulfonylureas;
- metformin;
- insulins (injectable and inhaled versions);
- thiazolidinediones (TZDs);
- glinides;
- dipeptidyl peptidase type IV (DPP-IV) inhibitors;
- incretin/GLP-1 agonists;
- CB-1 antagonists;
- PPARs; and
- alpha-glucosidase inhibitors.

There is substantial competition in the discovery and development of treatments for obesity, as well as emerging prescription and over-the-counter treatments for this condition. Current treatments for obesity include dietary therapy, physical activity, drug therapy and surgery. Hoffmann-LaRoche and Abbott Laboratories already market oral medicines for the treatment of obesity. Sanofi-Aventis has a product candidate that has received an approvable letter from the FDA, and a number of other pharmaceutical companies are developing new potential therapeutics.

Patents, Proprietary Rights, and Licenses

We believe that patents and other proprietary rights are important to our business. Our policy is to file patent applications to protect technology, inventions and improvements that may be important to the development of our business. We also rely upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop and maintain our competitive position. We plan to enforce our issued patents and our rights to proprietary information and technology. We review third-party patents and patent applications, both to shape our own patent strategy and to identify useful licensing opportunities.

We have a number of patents, patent applications and rights to patents related to our compounds, products and technology, but we cannot be certain that issued patents will be enforceable or provide adequate protection or that pending patent applications will result in issued patents. We have also filed foreign counterparts to many of these issued patents and applications.

We may obtain patents for our compounds many years before we obtain marketing approval for them. Because patents have a limited life, which may begin to run prior to the commercial sale of the related product, the commercial value of the patent may be limited. However, we may be able to apply for patent term extensions. For example, applications for patent term extensions for patents on BYETTA and SYMLIN have been filed in the United States, to compensate in part for delays in obtaining marketing approval. Similar patent term extensions may be available for other products that we are developing, but we cannot be certain we will obtain them.

Included within our exenatide patent portfolio are issued patents for:

- pharmaceutical compositions containing exenatide;
- modulating gastric emptying;
- inhibiting glucagon secretion;
- stimulating insulin release; and
- reducing food intake.

These patents expire between 2013 and 2020. We do not have a composition of matter patent for the exenatide molecule.

Included within our pramlintide patent portfolio are issued patents for:

- pramlintide and other amylin agonist analogues invented by our researchers;
- amylin agonist pharmaceutical compositions, including compositions containing pramlintide; and
- methods for treating diabetes and related conditions using amylin agonists.

These patents expire between 2009 and 2018.

With respect to our drug candidates, we have patents and patent applications pending, or have licensed patents and patent applications, relevant to the development and commercialization of such drug candidates.

Generally, our policy is to file foreign counterpart applications in countries with significant pharmaceutical markets.

It is also very important that we do not infringe patents or proprietary rights of others and that we do not violate the agreements that grant proprietary rights to us. If we do infringe patents or violate these agreements, we could be prevented from developing or selling products or from using the processes covered by those patents or agreements, or we could be required to obtain a license from the third party allowing us to use their technology. We cannot be certain that, if required, we could obtain a license to any third-party technology or that we could obtain one at a reasonable cost. If we were not able to

obtain a required license, we could be adversely affected. Because patent applications are confidential for at least some period of time, there may be pending patent applications from which patents will eventually issue and prevent us from developing or selling certain products unless we can obtain a license to use the patented technology.

Patents relating to pharmaceutical, biopharmaceutical and biotechnology products, compounds and processes such as those that cover our existing products, compounds and processes and those that we will likely file in the future do not always provide complete or adequate protection. Future litigation or proceedings initiated by the United States Patent and Trademark Office regarding the enforcement or validity of our existing patents or any future patents could invalidate our patents or substantially reduce their protection. In addition, our pending patent applications and patent applications filed by our collaborative partners may not result in the issuance of any patents or may result in patents that do not provide adequate protection. As a result, we may not be able to prevent third parties from developing the same compounds and products that we have developed or are developing. In addition, we do not have patent protection or we may not be able to enforce our patents in certain countries. As a result, manufacturers may be able to sell generic versions of our products in those countries.

We also rely on unpatented trade secrets and improvements, unpatented internal know-how and technological innovation. We protect these rights mainly through confidentiality agreements with our corporate partners, employees, consultants and vendors. These agreements provide that all confidential information developed or made known to an individual during the course of their relationship with us will be kept confidential and will not be used or disclosed to third parties except in specified circumstances. In the case of employees, the agreements provide that all inventions made by the individual while employed by us will be our exclusive property. We cannot be certain that these parties will comply with these confidentiality agreements, that we have adequate remedies for any breach, or that our trade secrets will not otherwise become known or be independently discovered by our competitors. Under some of our research and development agreements, inventions discovered in certain cases become jointly owned by us and our corporate partner and in other cases become the exclusive property of one of us. It can be difficult to determine who owns a particular invention and disputes could arise regarding those inventions.

Government Regulation

Regulation by governmental authorities in the United States and foreign countries is a significant factor in the development, manufacture and marketing of pharmaceutical products. All of our potential products will require regulatory approval by governmental agencies prior to commercialization. In particular, human therapeutic products are subject to rigorous preclinical testing and clinical trials and other pre-market approval requirements by the FDA and regulatory authorities in foreign countries. Various federal, state and foreign statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record keeping and marketing of such products.

The activities required before a pharmaceutical agent may be marketed in the United States begin with preclinical testing. Preclinical tests include laboratory evaluation of product chemistry and animal studies to assess the potential safety and activity of the product candidate and its formulations. The results of these studies must be submitted to the FDA as part of an IND which must be reviewed by the FDA before a proposed clinical trial can begin. Typically, clinical trials involve a three-phase process. In Phase 1, clinical trials are conducted with a small number of healthy volunteers to determine the early safety and tolerability profile and the pattern of drug distribution and metabolism. In Phase 2, clinical trials are conducted with groups of patients afflicted with a specified disease in order to determine preliminary efficacy, dosing regimens and expanded evidence of safety. In Phase 3, large-scale, multi-center, adequate and well-controlled comparative clinical trials are conducted with patients afflicted with a target disease in order to provide enough data for the statistical proof of efficacy and safety required by the FDA and others. The results of the preclinical testing and clinical trials for a pharmaceutical product are then submitted to the FDA in the form of an NDA for approval to commence commercial sales. In responding to an NDA, the FDA may grant marketing approval, request additional information, or deny the application if it determines that the application does not satisfy its regulatory approval criteria.

Among the conditions for NDA approval is the requirement that the prospective manufacturer’s quality control and manufacturing procedures conform to cGMP. In complying with cGMP, manufacturers must continue to expend time, money and effort in the area of production, quality control, and quality assurance to ensure full technical compliance. Manufacturing facilities are subject to periodic inspections by the FDA to ensure compliance.

We are also subject to various federal, state, and local laws, regulations and recommendations relating to safe working conditions; laboratory and manufacturing practices; the experimental use of animals; and the use and disposal of hazardous or potentially hazardous substances, including radioactive compounds and infectious disease agents, used in connection with our research.

The activities required before a pharmaceutical agent may be marketed in the EU are dictated by the International Conference on Harmonization and are generally similar to those established in the United States. Approval of new drugs across the EU relies on either the mutual recognition process or the centralized approval process of the Eurpoean Medicines Evaluation Agency. Under the centralized procedure, the marketing application is referred for review to two review teams, each representing one of the member countries. Each reviewer then forwards an early assessment to the Committee for Proprietary Medicinal Products, or CPMP, for discussion and preparation of an initial consolidated assessment report, including a list of questions requesting clarification as well as additional information. This step initiates a series of dialogues, meetings and other communications among the CPMP, the two review teams and the applicant, leading in turn to clarification, education and refinement of the original assessment reports. Ultimately, a decision is reached to either grant marketing approval or deny the application if it is determined that the application does not satisfy the regulatory approval criteria. An alternative regulatory procedure in Europe to the centralized procedure for some drugs is the mutual recognition process. Under the mutual recognition process, an application is filed in one country for review. If the drug is approved in that country, it may only be marketed initially in that country. However, under the mutual recognition process, other European countries may individually recognize the approval and allow the drug to then be marketed in such countries.

The clinical testing, manufacture and sale of pharmaceutical products outside of the United States and the EU are subject to regulatory approvals by other jurisdictions which may be more or less rigorous than those required by the United States or the EU.

Employees

As of December 31, 2006, we had approximately 1,550 full-time employees. A significant number of our management and professional employees have had experience with pharmaceutical, biotechnology or medical product companies. We believe that we have been highly successful in attracting skilled and experienced personnel. None of our employees is covered by collective bargaining agreements and we consider relations with our employees to be good.

Directors and Executive Officers

The names of our directors and executive officers and certain information about them as of February 15, 2007 are set forth below:

Name	Age	Position
Ginger L. Graham (4)	51	Chief Executive Officer and Director
Daniel M. Bradbury	45	President, Chief Operating Officer and Director
Joseph C. Cook, Jr. (4)	65	Chairman of the Board
Steven R. Altman (1)	45	Director
Vaughn D. Bryson (1) (3)	68	Director
Karin Eastham (2)	57	Director
James R. Gavin III, M.D., Ph.D. (3)	61	Director
Howard E. Greene, Jr. (4)	64	Director
Jay S. Skyler, M.D., MACP(3)	60	Director
Joseph P. Sullivan (2) (4)	64	Director
Thomas R. Testman (2)	70	Director
James N. Wilson (1) (3)	63	Director
Alain D. Baron, M.D.	53	Senior Vice President, Research
Craig A. Eberhard	47	Vice President, Sales
Mark G. Foletta	46	Senior Vice President, Finance and Chief Financial Officer
Mark J. Gergen	44	Senior Vice President, Corporate Development
Orville G. Kolterman, M.D.	59	Senior Vice President, Clinical and Regulatory Affairs
Marcea Bland Lloyd	58	Senior Vice President, Legal and Corporate Affairs, and General Counsel
Roger Marchetti	48	Senior Vice President, Human Resources and Corporate Services
Paul G. Marshall	47	Vice President, Manufacturing and Supply Operations
Lloyd A. Rowland	50	Vice President, Governance and Compliance, and Corporate Secretary
Joe A. Young	39	Senior Vice President, Marketing

(1) Member of the Compensation and Human Resources Committee.
(2) Member of the Audit Committee.
(3) Member of the Corporate Governance Committee.
(4) Member of the Finance Committee.

Ms. Graham has served as our Chief Executive Officer since June 2006 and she served as our President and Chief Executive Officer from September 2003 to June 2006. Ms. Graham has served as a director since November 1995 and currently serves on the Finance Committee. She previously served on the Audit Committee and the Nominating and Governance Committee. Prior to joining Amylin, Ms. Graham held various positions with Guidant Corporation, including Group Chairman, Office of the President; and President of the Vascular Intervention Group and Vice President. Ms. Graham held various positions with Eli Lilly and Company from 1979 to 1992 including sales, marketing, finance and strategic planning positions. She serves on the board of directors of the Pharmaceutical Research and Manufacturers of America, the California Healthcare Institute, the California Council on Science and Technology, the Harvard Business School Health Industry Advisory Board, the Harvard Business School Dean's Advisory Board, the Advisory Board for the Kellogg Center for Executive Women, and the University of California, San Diego Health Sciences Advisory Board. Ms. Graham received an M.B.A. from Harvard University.

Mr. Bradbury has served as our President and Chief Operating Officer since June 2006, serving as our Chief Operating Officer since June 2003. He has served as a director since June 2006. He previously served as Executive Vice President from June 2000 until his promotion to Chief Operating Officer in June 2003. He joined us in 1994 and has held officer-level positions in Corporate Development and Marketing during that time. Prior to joining Amylin, Mr. Bradbury spent ten years at SmithKline Beecham Pharmaceuticals, where he held a number of sales and marketing positions. He is a member of the board of directors of Illumina, Inc. and Novacea, Inc. He also serves as a board member for BIOCOM and the Keck Graduate Institute's Board of Trustees. Mr. Bradbury is a member of the Royal Pharmaceutical Society of Great Britain and serves on the UCSD Rady School of Management's Advisory Council. He received a Bachelor of Pharmacy from Nottingham University and a Diploma in Management Studies from Harrow and Ealing Colleges of Higher Education.

Mr. Cook has been our Chairman of the Board since March 1998. He currently serves as chair of the Finance Committee. He served as Chief Executive Officer from March 1998 until September 2003. From 1994 to 1998, Mr. Cook served as a member of our Board and a consultant to us. Mr. Cook is a founder and serves as Chairman of the Board of Microbia, Inc., a privately held biotechnology company. He also serves as a director of Corcept Therapeutics Incorporated. Mr. Cook is also a founder of Mountain Group Capital, LLC, Clinical Products, Inc., and Mountain Ventures, Inc. Mr. Cook also serves on the Board of Mercy Ministries, Inc. and as Chair of the Advisory Board of the College of Engineering, University of Tennessee, on the Board of Trustees for Louisville Presbyterian Theological Seminary and the Board of Mercy Ministries, Inc. Mr. Cook retired as a Group Vice President of Eli Lilly and Company in 1993 after more than 28 years of service. Mr. Cook received a B.S. in Engineering from the University of Tennessee.

Mr. Altman has served as a director since March 2006 and serves on the Compensation and Human Resources Committee. He currently serves as President of QUALCOMM Incorporated. He joined QUALCOMM in 1989 as Corporate Counsel responsible for licensing and acquisitions and was appointed Vice President and General Counsel in 1992. He became General Manager of QUALCOMM Technology Licensing (QTL) at the formation of the group in 1995 and was named Senior Vice President in 1996. In 1998, Mr. Altman was named Executive Vice President of QTL and in 2002 he was named President, a position he held until his appointment as President of QUALCOMM in 2005. Mr. Altman serves on the Board of Trustees of The Salk Institute. He received his J.D. from the University of San Diego.

Mr. Bryson has served as a director since July 1999 and serves as the chair of the Corporate Governance Committee and on the Compensation and Human Resources Committee. Mr. Bryson was a thirty-two year employee of Eli Lilly and Company and retired as its President and Chief Executive Officer in 1993. He was Executive Vice President from 1986 until 1991, and served as a member of Eli Lilly's board of directors from 1984 until his retirement in 1993. Mr. Bryson was Vice Chairman of Vector Securities International from April 1994 to 1996. Mr. Bryson is President of Clinical Products, Inc., which develops and markets medical foods for people with diabetes and obesity. He serves on the board of directors of AtheroGenics, Inc. Mr. Bryson received a B.S. in Pharmacy from the University of North Carolina and completed the Sloan Program at the Stanford University Graduate School of Business.

Ms. Eastham has served as a director since September 2005 and serves as the chair of the Audit Committee. She has over 25 years experience in financial and operations management, primarily in life sciences companies. She currently serves as Executive Vice President and Chief Operating Officer, and as a member of the Board of Trustees of the Burnham Institute for Medical Research, a non-profit corporation engaged in basic biomedical research and the home to three research centers — a Cancer Center, the Del E. Webb Center for Neuroscience and Aging and a Center for Research on Infectious and Inflammatory Diseases. From April 1999 to May 2004, Ms. Eastham served as Senior Vice President, Finance, Chief

Financial Officer, and Secretary of Diversa Corporation. She previously held similar positions with CombiChem, Inc., a computational chemistry company, and Cytel Corporation, a biopharmaceutical company. Ms. Eastham also held several positions, including Vice President, Finance, at Boehringer Mannheim Corporation, from 1976 to 1988. Ms. Eastham also serves as a director for Tercica, Inc., Illumina, Inc., and SGX Pharmaceuticals, Inc. Ms. Eastham received a B.S. and an M.B.A. from Indiana University and is both a Certified Public Accountant and Certified Director.

Dr. Gavin has served as a director since December 2005 and serves on the Corporate Governance Committee. Dr. Gavin is currently President and Chief Executive Officer of MicoIslet, Inc. and is Clinical Professor of Medicine, Emory University School of Medicine. He also serves as Executive Vice President for Clinical Affairs, Healing Our Village, Inc. He was President of the Morehouse School of Medicine from 2002 to 2004. Dr. Gavin is a member of the board of directors of Baxter International Inc., Anastasia Marie Laboratories, Inc., Nuvelo, Inc. and MicroIslet, Inc. Dr. Gavin was Chairman of the board of directors of Equidyne Corporation from August 2001 to 2003. He was also a member of the board of directors of Taste for Living, Inc. from 1999 to 2002. From 1991 to 2002, Dr. Gavin was the Senior Scientific Officer of the Howard Hughes Medical Institute. From 2002 until 2005, he served as National Chairman of the National Diabetes Education Program. He received a B.S. in Chemistry at Livingstone College, a Ph.D. in Biochemistry at Emory University and an M.D. at Duke University Medical School. Dr. Gavin has received numerous civic and academic awards and honors.

Mr. Greene is our co-founder and has served as a director since our inception in 1987. Mr. Greene serves on the Finance Committee. Mr. Greene is an entrepreneur who has participated in the founding and/or management of eleven medical technology companies over two decades, including three companies for which he served as chief executive officer. From 1987 to 1996, Mr. Greene served as our Chief Executive Officer. From 1986 until 1993, Mr. Greene was a founding general partner of Biovest Partners, a seed venture capital firm. He was Chief Executive Officer of Hybritech from 1979 until its acquisition by Eli Lilly and Company in 1986, and he was co-inventor of Hybritech's patented monoclonal antibody assay technology. Prior to joining Hybritech, he was an executive with the medical diagnostics division of Baxter Healthcare Corporation from 1974 to 1979 and a consultant with McKinsey & Company from 1967 to 1974. He is a director of Biosite Incorporated. Mr. Greene received an M.B.A. from Harvard University.

Dr. Skyler has served as a director since August 1999 and serves on the Corporate Goverance Committee. He is Professor of Medicine, Pediatrics and Psychology, in the Division of Endocrinology Diabetes and Metabolism; and Associate Director for Academic Programs at the Diabetes Research Institute; all at the University of Miami Miller School of Medicine in Florida, where he has been employed since 1976. He is also Study Chairman for the National Institute of Diabetes & Digestive & Kidney Diseases of the Type 1 Diabetes TrialNet clinical trial network, and serves on the board of directors of DexCom, Inc. Dr. Skyler has served as President of the American Diabetes Association and as Vice President of the International Diabetes Federation. Dr. Skyler serves on the editorial board of several diabetes and general medicine journals. He received a B.S. from Pennsylvania State University, an M.D. from Jefferson Medical College, and completed postdoctoral studies at Duke University Medical Center.

Mr. Sullivan has served as a director since September 2003 and serves on the Audit Committee and the Finance Committee. Mr. Sullivan is currently Chairman of the Board of Advisors of RAND Health and Vice Chairman of the Board of the UCLA Medical Center. From 2000 to 2003, Mr. Sullivan served as Chairman, Chief Executive Officer and a director of Protocare, Inc. From 1993 to 1999, he served as Chairman, Chief Executive Officer and a director of American Health Properties, Inc. For the previous twenty years, Mr. Sullivan was an investment banker with Goldman Sachs. Mr. Sullivan also currently serves on the board of directors of Cymetrix, Health Care Property Investors, Inc. (a real estate investment trust) and AutoGenomics, Inc. Mr. Sullivan received an M.B.A. from Harvard University and a J.D. from the University of Minnesota Law School.

Mr. Testman has served as a director since December 2002 and serves on the Audit Committee. Mr. Testman is a former managing partner of Ernst & Young, LLP where, during his tenure from 1962 to 1992, he served as managing partner of both Health Care Services and Management Consulting Services for the West Coast and national practices. He also served as an area managing partner for the audit and tax practice. Mr. Testman currently serves on the board of directors of Endocare, Inc. He formerly served as Chairman of the Board of Specialty Laboratories, Inc. and on the board of directors of three other publicly held companies. He also serves on the board of four privately held health-care companies. He received an M.B.A. from Trinity University and is a Certified Public Accountant (retired).

Mr. Wilson has served as a director since March 2002 and serves as the chair of our Compensation and Human Resources Committee and on the Corporate Governance Committee. He is a director and Chairman of the Board of both Corcept Therapeutics Inc. and NuGEN, Inc. From 1996 to 2001, Mr. Wilson was Chairman of the Board of Amira Medical, Inc. From 1990 to 1994, Mr. Wilson served as President and Chief Operating Officer of Syntex Corporation. Prior to 1990, he served in various senior management positions, including Chief Executive Officer for Neurex Corporation and LifeScan,

Inc. Mr. Wilson serves on the board of directors of the Palo Alto Medical Foundation, A Stepping Stone Foundation (pre-school education). Mr. Wilson received a B.A. and an M.B.A. from the University of Arizona.

Dr. Baron has served as our Senior Vice President, Research since September 2004, and previously served as Senior Vice President, Clinical Research since June 2002. He previously served as Vice President, Clinical Research since December 1999. Dr. Baron has been clinical Professor of Medicine at the University of California, San Diego, and Clinical VA Staff Physician at the VA Medical Center, San Diego, since 2001. From 1989 to 2000, Dr. Baron worked for the Indiana University School of Medicine, where he served as Professor of Medicine and Director, Division of Endocrinology and Metabolism. Earlier, Dr. Baron held academic and clinical positions in the Division of Endocrinology and Metabolism at the University of California, San Diego, and the Veterans Administration Medical Center in San Diego. He is the recipient of several prestigious awards for his research in diabetes and vascular disease, including the 1996 Outstanding Clinical Investigator Award from the American Federation for Medical Research, several awards from the American Diabetes Association, and is a current National Institutes of Health MERIT award recipient. He received an M.D. from the Medical College of Georgia, Augusta, and completed postdoctoral studies at the University of California, San Diego.

Mr. Eberhard has served as Vice President, Sales since May 2003. Prior to joining us, Mr. Eberhard was Regional Vice President, Sales, at Pharmacia Corporation, for which he had worked for 21 years. During his career with Pharmacia Corporation and its related pre-merger companies, he held positions in sales, sales management, corporate training, sales operations, and managed care before assuming the Vice President, Sales position. Mr. Eberhard received a B.S. in Biology from California Lutheran University.

Mr. Foletta has served as Senior Vice President, Finance and Chief Financial Officer since March 2006 and he previously served as Vice President, Finance and Chief Financial Officer from March 2000 to March 2006. Mr. Foletta previously served as a Principal of Triton Group Management, Inc. from 1997 to 2000. From 1986 to 1997, Mr. Foletta held a number of management positions with Intermark, Inc. and Triton Group Ltd., the most recent of which was Senior Vice President, Chief Financial Officer and Corporate Secretary. From 1982 to 1986, Mr. Foletta was with Ernst & Young, most recently serving as an Audit Manager. He is a director of Anadys Pharmaceuticals, Inc. Mr. Foletta received a B.A. in Business Economics from the University of California, Santa Barbara. He is a Certified Public Accountant and a member of the Financial Executives Institute.

Mr. Gergen has served as Senior Vice President, Corporate Development since August 2006 and previously served as Vice President of Business Development from May 2005 to August 2006. Prior to joining us, Mr. Gergen was an independent consultant to biotech and medical technology companies for strategy, financing and corporate development. From 2003 to 2005, Mr. Gergen was Executive Vice President at CardioNet, Inc. He held various positions at Advanced Tissue Sciences, Inc. from 2000 to 2003 most recently as Chief Restructuring Officer and Acting CEO. He also served as Senior Vice President, Chief Financial and Development Officer and Vice President, Development, General Counsel and Secretary. From 1999 to 2000, Mr. Gergen was employed at Premier, Inc. and from 1994 to 1999 he held various positions with Medtronic, Inc. From 1990 to 1994 he held various corporate development positions at Jostens, Inc. and from 1986 to 1990, he practiced law at various law firms. Mr. Gergen serves on the Board of Directors of a privately held company. Mr. Gergen received a B.A. in Administration from Minot State University and a J.D. from the University of Minnesota Law School.

Dr. Kolterman has served as Senior Vice President, Clinical and Regulatory Affairs since August 2005. He previously served as Senior Vice President, Clinical Affairs from February 1997 to August 2005, Vice President, Medical Affairs from 1993 to 1997, and Director, Medical Affairs from 1992 to 1993. From 1983 to 1992, he was Program Director of the General Clinical Research Center and Medical Director of the Diabetes Center, at the University of California, San Diego Medical Center. Since 1989, he has been Adjunct Professor of Medicine at the University of California, San Diego. From 1978 to 1983, he was Assistant Professor of Medicine in the Endocrinology and Metabolism Division at the University of Colorado School of Medicine, Denver. He was a member of the Diabetes Control and Complications Trial Study Group and presently serves as a member of the Epidemiology of Diabetes Intervention and Complications Study. He is also a past-president of the California Affiliate of the American Diabetes Association. Dr. Kolterman received his M.D. from Stanford University School of Medicine.

Ms. Lloyd has served as our Senior Vice President, Legal and Corporate Affairs, and General Counsel since February 2007. Prior to joining us, Ms. Lloyd served as Group Senior Vice President, Chief Administrative Officer, General Counsel and Secretary of VHA Inc. from November 2004 to February 2007. Previously, she served as VHA's General Counsel and Secretary from May 1999 to November 2004. From 1993 to April 1999, Ms. Lloyd was Vice President and Assistant General Counsel of Medtronic, Inc. and served as Medtronic's Assistant General Counsel from 1991 to 1993. From 1978 to 1991, Ms. Lloyd held various legal positions with Medtronic. Prior to joining Medtronic, Ms. Lloyd served as

counsel to Pillsbury Company and Montgomery Ward & Co. and she taught Business Law at the University of Minnesota Business School. Ms. Lloyd is Chairperson of the Executive Leadership Foundation and an associate of the Women Business Leaders of the United States Health Care Industry Foundation. She received a B.S./B.A. from Knox College and a J.D. from Northwestern University.

Mr. Marchetti has served as our Senior Vice President, Human Resources and Corporate Services since November 2005. Prior to joining us, he served as Vice President, Human Resources for Guidant Corporation from July 2002 to October 2005. Prior to this role, he served as Vice President, Finance and Information Systems, Guidant Europe, Middle East, Africa, and Canada, since the beginning of 2001. From 1999 through 2000, he served as Vice President, Human Resources for Guidant's Vascular Intervention group, and served as Guidant's Corporate Controller and Chief Accounting Officer from 1994 to 1999. He joined Eli Lilly and Company's Medical Devices and Diagnostics division in 1988. In 1992, he became Financial Manager of Lilly's pharmaceutical manufacturing operations in Indianapolis. From 1980 to 1986, he was with the audit staff of Touche Ross & Co. (currently Deloitte). He received a B.A. from LaSalle University in Philadelphia and an MBA from the Ross School of Business at the University of Michigan. He is a Certified Public Accountant.

Mr. Marshall has served as Vice President, Manufacturing and Supply Operations since December 2006. Prior to joining us, he was Vice President of Corporate Manufacturing at Amgen, Inc. From 2002 to 2005, Mr. Marshall served as President of Manufacturing at Recombinant Proteins at the Bioscience Division of Baxter International. From 1999 to 2002, he was Site Head of the Baxter International Thousand Oaks facility. He joined Creative BioMolecules in 1992, first as Head of Process Development and Clinical Manufacturing and then as Head of Operations. From 1988 to 1992, Mr. Marshall held various management positions with Welgen Manufacturing Partnership (now Amgen, Rhode Island), Repligen Corporation and Damon Biotech. He serves on the board of directors of Medicago, Inc. and is a member of ISPE and ASCB. Mr. Marshall received a B.S. and an M.S. in Biology from the University of Massachusetts at Dartmouth and completed three years of post-graduate work concentrating in hematology and coagulation research at Brown University.

Mr. Rowland has served as our Vice President, Governance and Compliance, and Corporate Secretary since February 2007. He previously served as our Vice President, Legal, Secretary and General Counsel from September 2001 to February 2007. Prior to joining us, Mr. Rowland served in various positions at Alliance Pharmaceutical Corp., including as Vice President beginning in 1999, Secretary beginning in 1998 and General Counsel and Assistant Secretary beginning in 1993. Earlier, Mr. Rowland served as Vice President and Senior Counsel, Finance and Securities, at Imperial Savings Association for four years. For the previous eight years, he was engaged in the private practice of corporate law with the San Diego, California law firm of Gray, Cary, Ames & Fry, and the Houston, Texas law firm of Bracewell & Patterson. He received a J.D. from Emory University.

Mr. Young has served as Senior Vice President, Marketing since October 2006. Prior to joining us, Mr. Young served as Vice President, Diabetes Brand Marketing at Novo Nordisk where he managed the marketing activities of Novo Nordisk's injectable insulin business. From 2000 to 2004, Mr. Young held global and U.S. commercial leadership roles at Aventis for a variety of metabolic/diabetes compounds. Prior to working at Aventis, Mr. Young held product and sales management positions at Parke-Davis. Mr. Young received a B.S. from Texas A&M University with a concentration in pre-medicine and business.

Item 1A. ***Risk Factors***

CAUTIONARY FACTORS THAT MAY AFFECT FUTURE RESULTS

Except for the historical information contained herein or incorporated by reference, this annual report on Form 10-K and the information incorporated by reference contains forward-looking statements that involve risks and uncertainties. These statements include projections about our accounting and finances, plans and objectives for the future, future operating and economic performance and other statements regarding future performance. These statements are not guarantees of future performance or events. Our actual results may differ materially from those discussed here. Factors that could cause or contribute to differences in our actual results include those discussed in the following section, as well as those discussed in Part II, Item 7 entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere throughout this annual report on Form 10-K and in any other documents incorporated by reference into this report. You should consider carefully the following risk factors, together with all of the other information included or incorporated in this annual report on Form 10-K. Each of these risk factors, either alone or taken together, could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our common stock. There may be additional risks that we do not presently know of or that we currently believe are immaterial which could also impair our business and financial position.

We have a history of operating losses, anticipate future losses and may never become profitable.

We have experienced significant operating losses since our inception in 1987, including losses of $218.9 million in 2006, $206.8 million in 2005 and $157.2 million in 2004. As of December 31, 2006, we had an accumulated deficit of approximately $1.2 billion. The extent of our future losses and the timing of potential profitability are uncertain, and we may never achieve profitable operations. We have been engaged in discovering and developing drugs since inception, which has required, and will continue to require, significant research and development expenditures. We derived substantially all of our revenues prior to 2005 from development funding, fees and milestone payments under collaborative agreements and from interest income. BYETTA and SYMLIN may not be as commercially successful as we expect and we may not succeed in commercializing any of our other drug candidates. We may incur substantial operating losses for at least the next few years as we continue to expand our commercial function for BYETTA and SYMLIN and our research and development activities for the other drug candidates in our development pipeline. These losses, among other things, have had and will have an adverse effect on our stockholders' equity and working capital. Even if we become profitable, we may not remain profitable.

We began selling, marketing and distributing our first products, BYETTA and SYMLIN, in 2005 and we will depend heavily on the success of those products in the marketplace.

Prior to the launch of BYETTA and SYMLIN in 2005, we had never sold or marketed our own products. Our ability to generate product revenue for the next few years will depend solely on the success of these products. The ability of BYETTA and SYMLIN to generate revenue at the levels we expect will depend on many factors, including the following:

- acceptance of these first-in-class medicines by the medical community, patients receiving therapy and third party payors;
- a satisfactory efficacy and safety profile as demonstrated in a broad patient population;
- successfully expanding and sustaining manufacturing capacity to meet demand;
- the competitive landscape for approved and developing therapies that will compete with the products; and
- our ability to expand the indications for which we can market the products.

If we encounter safety issues with BYETTA or SYMLIN or any other drugs we market or fail to comply with extensive continuing regulations enforced by domestic and foreign regulatory authorities, it could cause us to discontinue marketing those drugs, reduce our revenues and harm our ability to generate future revenues, which would negatively impact our financial position.

BYETTA and SYMLIN, in addition to any other of our drug candidates that may be approved by the FDA, will be subject to continual review by the FDA, and we cannot assure you that newly discovered or developed safety issues will not arise. With the use of any of our marketed drugs by a wide patient population, serious adverse events may occur from time to time that initially do not appear to relate to the drug itself, and only if the specific event occurs with some regularity over a period of time does the drug become suspect as having a causal relationship to the adverse event. Any safety issues could cause us to suspend or cease marketing of our approved products, subject us to substantial liabilities, and adversely affect our revenues and financial condition.

Moreover, the marketing of our approved products will be subject to extensive regulatory requirements administered by the FDA and other regulatory bodies, including adverse event reporting requirements and the FDA's general prohibition against promoting products for unapproved uses. The manufacturing facilities for our approved products are also subject to continual review and periodic inspection and approval of manufacturing modifications. Manufacturing facilities that manufacture drug products for the United States market, whether they are located inside or outside the United States, are subject to biennial inspections by the FDA and must comply with the FDA's cGMP regulations. The FDA stringently applies regulatory standards for manufacturing. Failure to comply with any of these post-approval requirements can, among other things, result in warning letters, product seizures, recalls, fines, injunctions, suspensions or revocations of marketing licenses, operating restrictions and criminal prosecutions. Any of these enforcement actions, any unanticipated changes in existing regulatory requirements or the adoption of new requirements, or any safety issues that arise with any approved products, could adversely affect our ability to market products and generate revenues and thus adversely affect our ability to continue our business.

The manufacturers of our products and drug candidates also are subject to numerous federal, state, local and foreign laws relating to such matters as safe working conditions, manufacturing practices, environmental protection, fire hazard control and hazardous substance disposal. In the future, our manufacturers may incur significant costs to comply with those laws and regulations, which could increase our manufacturing costs and reduce our ability to operate profitably.

We currently do not manufacture our own drug products or drug candidates and may not be able to obtain adequate supplies, which could cause delays, subject us to product shortages, or reduce product sales.

The manufacturing of sufficient quantities of newly-approved drug products and drug candidates is a time-consuming and complex process. We currently have no manufacturing capabilities. In order to successfully commercialize our products, including BYETTA and SYMLIN, and continue to develop our drug candidates, including exenatide LAR, we rely on various third parties to provide the necessary manufacturing.

There are a limited number of manufacturers that operate under the FDA's cGMP regulations capable of manufacturing for us. In addition, there are a limited number of each of peptide suppliers, cartridge manufacturers and disposable pen manufacturers. If we are not able to arrange for and maintain third-party manufacturing on commercially reasonable terms, or we lose one of our sole source suppliers used for our existing products or for some components of our manufacturing processes for our products or drug candidates, we may not be able to market our products or complete development of our drug candidates on a timely basis, if at all.

Reliance on third-party manufacturers limits our ability to control certain aspects of the manufacturing process and therefore exposes us to a variety of significant risks, including, but not limited to, risks to our ability to commercialize our products or conduct clinical trials, risks of reliance on the third-party for regulatory compliance and quality assurance, third-party refusal to supply on a long-term basis, the possibility of breach of the manufacturing agreement by the third-party and the possibility of termination or non-renewal of the agreement by the third-party, based on its business priorities, at a time that is costly or inconvenient for us. If any of these risks occur, our product supply will be interrupted resulting in lost or delayed revenues and delayed clinical trials. Our reliance on third-party manufacturers for the production of our two commercial products is described in more detail below.

We rely on Bachem and Mallinckrodt to manufacture our long-term commercial supply of bulk exenatide, the active ingredient in BYETTA. In addition, we rely on single-source manufacturers for some of our raw materials used by Bachem and Mallinckrodt to produce bulk exenatide. We also rely on Wockhardt and Baxter to manufacture the dosage form of BYETTA in cartridges. We are further dependent upon Lilly to supply pens for delivery of BYETTA in cartridges.

We rely on Bachem and Lonza to manufacture our commercial supply of bulk pramlintide acetate, the active ingredient contained in SYMLIN. In addition, we rely on Baxter to manufacture the dosage form of SYMLIN in vials. We have submitted an sNDA to the FDA seeking approval of a disposable pen for the delivery of SYMLIN in cartridges and, if approved, plan to make the SYMLIN pen available to patients in 2007. If approved, we would rely on Wockhardt for the dosage form of SYMLIN in cartridges and Ypsomed AG to manufacture the components for the SYMLIN disposable pen. We would also rely on Hollister-Stier for the assembly of the SYMLIN Pen.

If any of our existing or future manufacturers cease to manufacture or are otherwise unable to timely deliver sufficient quantities of BYETTA or SYMLIN, in either bulk or dosage form, or other product components, including pens for the delivery of these products, it could disrupt our ability to market our products, subject us to product shortages, reduce product sales, and/or reduce our profit margins. Any delay or disruption in the manufacturing of bulk product, the dosage form of our products or other product components, including pens for delivery of our products, could also harm our reputation in the medical and patient communities. In addition, we may need to engage additional manufacturers, so that we will be able to continue our commercialization and development efforts for these products or drug candidates. The cost and time to establish these new manufacturing facilities would be substantial.

Our manufacturers have not produced BYETTA or SYMLIN for commercial use for a sustained period of time. As such, additional unforeseeable risks may be encountered as we, together with our manufacturers, continue to develop familiarity and experience with regard to manufacturing our products. Furthermore, we and the other manufacturers used for our drug candidates may not be able to produce supplies in commercial quantities if our drug candidates are approved. While we believe that business relations between us and our manufacturers are generally good, we cannot predict whether any of the manufacturers that we may use will meet our requirements for quality, quantity or timeliness for the manufacture of bulk exenatide or pramlintide acetate, dosage form of BYETTA or SYMLIN, or pens. Therefore, we may not be able to obtain necessary supplies of products with acceptable quality, on acceptable terms or in sufficient quantities, if at all. Our dependence on third parties for the manufacture of products may also reduce our gross profit margins and our ability to develop and deliver products in a timely manner.

In order to manufacture on a commercial scale the once-weekly formulation of exenatide LAR, if it is approved by the FDA, we must design, construct, commission and validate a new facility. We depend upon Alkermes and Parsons to assist us in the design, construction and validation of the manufacturing facility. We have never established or operated a manufacturing facility and cannot assure you that we will be able to successfully establish or operate such a facility in a timely or economical manner, or at all. In addition, we depend upon Alkermes to successfully develop and transfer to us its technology for manufacturing the once-weekly formulation of exenatide LAR. Although we have completed manufacturing scale-up to intermediate batch size, and together with Alkermes we have completed engineering batches of commercial scale at a third party facility, we cannot assure you that a commercial scale manufacturing process for exenatide LAR will be successfully developed and/or transferred to us in a timely or economical manner, or at all. In addition, we are dependent upon Alkermes to supply us with commercial quantities of the polymer required to manufacture exenatide LAR. We also will need to obtain sufficient supplies of diluent, solvents, devices, packaging and other components necessary for commercial manufacture of exenatide LAR. If we, together with Alkermes, are unable to successfully develop a commercial scale manufacturing process and increase our manufacturing scale to a commercially viable level, we may not be able to commercially launch exenatide LAR.

Our ability to generate revenues will be diminished if we fail to obtain acceptable prices or an adequate level of reimbursement for our products from third-party payors.

The continuing efforts of government, private health insurers, and other third-party payors to contain or reduce the costs of health care through various means, including efforts to increase the amount of patient co-pay obligations, may limit our commercial opportunity. In the United States, we expect that there will continue to be a number of federal and state proposals to implement government control over the pricing of prescription pharmaceuticals. In addition, increasing emphasis on managed care in the United States will continue to put pressure on the rate of adoption and pricing of pharmaceutical products.

Significant uncertainty exists as to the reimbursement status of health care products. Third-party payors, including Medicare, are challenging the prices charged for medical products and services. Government and other third-party payors increasingly are attempting to contain health care costs by limiting both coverage and the level of reimbursement for new drugs and by refusing to provide coverage for uses of approved products for disease indications for which the FDA has not granted labeling approval. Third-party insurance coverage may not be available to patients for BYETTA and/or SYMLIN or any other products we discover and develop. If government and other third-party payors do not provide adequate coverage and reimbursement levels for our products, the market acceptance of these products may be reduced.

Competition in the biotechnology and pharmaceutical industries may result in competing products, superior marketing of other products and lower revenues or profits for us.

There are many companies that are seeking to develop products and therapies for the treatment of diabetes and other metabolic disorders. Our competitors include multinational pharmaceutical and chemical companies, specialized biotechnology firms and universities and other research institutions. A number of our largest competitors, including AstraZeneca, Bristol-Myers Squibb, GlaxoSmithKline, Lilly, Merck & Co., Novartis, Novo Nordisk, Pfizer, Sanofi-Aventis and Takeda Pharmaceuticals, are pursuing the development or marketing of pharmaceuticals that target the same diseases that we are targeting, and it is possible that the number of companies seeking to develop products and therapies for the treatment of diabetes, obesity and other metabolic disorders will increase. Many of our competitors have substantially greater financial, technical, human and other resources than we do and may be better equipped to develop, manufacture and market technologically superior products. In addition, many of these competitors have significantly greater experience than we do in undertaking preclinical testing and human clinical studies of new pharmaceutical products and in obtaining regulatory approvals of human therapeutic products. Accordingly, our competitors may succeed in obtaining FDA approval for superior products. Furthermore, now that we have received FDA approval for BYETTA and SYMLIN, we may also be competing against other companies with respect to our manufacturing and product distribution efficiency and sales and marketing capabilities, areas in which we have limited or no experience as an organization.

Our target patient population for BYETTA includes people with diabetes who have not achieved adequate glycemic control using metformin, sulfonylurea and/or a TZD, the three most common oral therapies for type 2 diabetes. Our target population for SYMLIN is people with either type 2 or type 1 diabetes whose therapy includes multiple mealtime insulin injections daily. Other products are currently in development or exist in the market that may compete directly with the products that we are developing or marketing. Various other products are available or in development to treat type 2 diabetes, including:

- sulfonylureas;
- metformin;
- insulins, including injectable and inhaled versions;
- TZDs;
- glinides;
- DPP-IV inhibitors;
- incretin/GLP-1 agonists;
- CB-1 antagonists;
- PPARs; and
- alpha-glucosidase inhibitors.

In addition, several companies are developing various approaches to improve treatments for type 1 and type 2 diabetes. We cannot predict whether our products will have sufficient advantages to cause health care professionals to adopt them over other products or that our products will offer an economically feasible alternative to other products. Our products could become obsolete before we recover expenses incurred in developing these products.

Delays in the conduct or completion of our clinical trials, the analysis of the data from our clinical trials or our manufacturing scale-up activities may result in delays in our planned filings for regulatory approvals, and may adversely affect our ability to enter into new collaborative arrangements.

We cannot predict whether we will encounter problems with any of our completed, ongoing or planned clinical studies that will cause us to delay or suspend our ongoing and planned clinical studies, delay the analysis of data from our completed or ongoing clinical studies or perform additional clinical studies prior to receiving necessary regulatory approvals. We also cannot predict whether we will encounter delays or an inability to create manufacturing processes for drug candidates that allow us to produce drug product in sufficient quantities to be economical, otherwise known as manufacturing scale-up. If the results of our ongoing or planned clinical studies for our drug candidates are not available when we expect or if we encounter any delay in the analysis of data from our clinical studies or if we encounter delays in our ability to scale-up our manufacturing processes:

- we may be unable to complete our development programs for exenatide LAR or our obesity clinical trials;
- we may have to delay or terminate our planned filings for regulatory approval;
- we may not have the financial resources to continue research and development of any of our drug candidates; and
- we may not be able to enter into, if we chose to do so, any additional collaborative arrangements.

In addition, Lilly can terminate our collaboration for the development and commercialization of BYETTA and sustained-release formulations of exenatide at any time on 60 days notice. Moreover, if the FDA does not accept for filing an NDA for a sustained-release formulation of exenatide by December 31, 2007, Lilly will have the right to convert a portion of future milestone payments that we may receive under our collaboration into shares of our common stock at a conversion price equal to the fair market value of our common stock at the time of any such conversion. We currently do not expect the NDA to be filed by this date.

Any of the following could delay the completion of our ongoing and planned clinical studies:

- ongoing discussions with the FDA or comparable foreign authorities regarding the scope or design of our clinical trials;

- delays in enrolling volunteers;
- lower than anticipated retention rate of volunteers in a clinical trial;
- negative results of clinical studies;
- insufficient supply or deficient quality of drug candidate materials or other materials necessary for the performance of clinical trials;
- our inability to reach agreement with Lilly regarding the scope, design, conduct or costs of clinical trials with respect to BYETTA, exenatide LAR or nasal exenatide; or
- serious side effects experienced by study participants relating to a drug candidate.

We are substantially dependent on our collaboration with Lilly for the development and commercialization of BYETTA and dependent on Lilly and Alkermes for the development of exenatide LAR.

We have entered into a collaborative arrangement with Lilly, who currently markets diabetes therapies and is developing additional diabetes drug candidates, to commercialize BYETTA and further develop sustained-release formulations of BYETTA, including exenatide LAR. We entered into this collaboration in order to:

- fund some of our research and development activities;
- assist us in seeking and obtaining regulatory approvals; and
- assist us in the successful commercialization of BYETTA and exenatide LAR.

In general, we cannot control the amount and timing of resources that Lilly may devote to our collaboration. If Lilly fails to assist in the further development of exenatide LAR or the commercialization of BYETTA, or if Lilly's efforts are not effective, our business may be negatively affected. We are relying on Lilly to obtain regulatory approvals outside the United States for BYETTA and exenatide LAR. Our collaboration with Lilly may not continue or result in additional successfully commercialized drugs. Lilly can terminate our collaboration at any time upon 60 days notice. If Lilly ceased funding and/or developing and commercializing BYETTA or exenatide LAR, we would have to seek additional sources for funding and may have to delay, reduce or eliminate one or more of our commercialization and development programs for these compounds. We are also dependent on Alkermes for the development of exenatide LAR. If Alkermes' technology is not successfully developed to effectively deliver exenatide in a sustained release formulation, or Alkermes does not devote sufficient resources to the collaboration, our efforts to develop sustained release formulations of exenatide could be delayed or curtailed.

If our patents are determined to be unenforceable or if we are unable to obtain new patents based on current patent applications or for future inventions, we may not be able to prevent others from using our intellectual property. If we are unable to obtain licenses to third party patent rights for required technologies, we could be adversely affected.

We own or hold exclusive rights to many issued United States patents and pending United States patent applications related to the development and commercialization of exenatide, including BYETTA and exenatide LAR, SYMLIN and our other drug candidates. These patents and applications cover composition-of-matter, medical indications, methods of use, formulations and other inventive results. We have issued and pending applications for formulations of BYETTA and exenatide LAR, but we do not have a composition-of-matter patent covering exenatide. We also own or hold exclusive rights to various foreign patent applications that correspond to issued United States patents or pending United States patent applications.

Our success will depend in part on our ability to obtain patent protection for our products and drug candidates and technologies both in the United States and other countries. We cannot guarantee that any patents will issue from any pending or future patent applications owned by or licensed to us. Alternatively, a third party may successfully circumvent our patents. Our rights under any issued patents may not provide us with sufficient protection against competitive products or otherwise cover commercially valuable products or processes. In addition, because patent applications in the United States are maintained in secrecy for eighteen months after the filing of the applications, and publication of discoveries in the scientific or patent literature often lag behind actual discoveries, we cannot be sure that the inventors of subject matter covered by our

patents and patent applications were the first to invent or the first to file patent applications for these inventions. In the event that a third party has also filed a patent on a similar invention, we may have to participate in interference proceedings declared by the United States Patent and Trademark Office to determine priority of invention, which could result in a loss of our patent position. Furthermore, we may not have identified all United States and foreign patents that pose a risk of infringement.

We also rely upon licensing opportunities for some of our technologies. We cannot be certain that we will not lose our rights to certain patented technologies under existing licenses or that we will be able to obtain a license to any required third-party technology. If we lose our licensed technology rights or if we are not able to obtain a required license, we could be adversely affected.

We may be unable to obtain regulatory clearance to market our drug candidates in the United States or foreign countries on a timely basis, or at all.

Our drug candidates are subject to extensive government regulations related to development, clinical trials, manufacturing and commercialization. The process of obtaining FDA and other regulatory approvals is costly, time-consuming, uncertain and subject to unanticipated delays. Regulatory authorities may refuse to approve an application for approval of a drug candidate if they believe that applicable regulatory criteria are not satisfied. Regulatory authorities may also require additional testing for safety and efficacy. Moreover, if the FDA grants regulatory approval of a product, the approval may be limited to specific indications or limited with respect to its distribution, and expanded or additional indications for approved drugs may not be approved, which could limit our revenues. Foreign regulatory authorities may apply similar limitations or may refuse to grant any approval. Unexpected changes to the FDA or foreign regulatory approval process could also delay or prevent the approval of our drug candidates.

The data collected from our clinical trials may not be sufficient to support approval of our drug candidates or additional or expanded indications by the FDA or any foreign regulatory authorities. Biotechnology stock prices have declined significantly in certain instances where companies have failed to meet expectations with respect to FDA approval or the timing for FDA approval. If the FDA's or any foreign regulatory authority's response is delayed or not favorable for any of our drug candidates, our stock price could decline significantly.

Moreover, manufacturing facilities operated by the third-party manufacturers with whom we may contract to manufacture our unapproved drug candidates may not pass an FDA or other regulatory authority preapproval inspection. Any failure or delay in obtaining these approvals could prohibit or delay us or any of our business partners from marketing these drug candidates.

Consequently, even if we believe that preclinical and clinical data are sufficient to support regulatory approval for our drug candidates, the FDA and foreign regulatory authorities may not ultimately approve our drug candidates for commercial sale in any jurisdiction. If our drug candidates are not approved, our ability to generate revenues may be limited and our business will be adversely affected.

Litigation regarding patents and other proprietary rights may be expensive, cause delays in bringing products to market and harm our ability to operate.

Our success will depend in part on our ability to operate without infringing the proprietary rights of third parties and preventing others from infringing our patents. Challenges by pharmaceutical companies against the patents of competitors are common. Legal standards relating to the validity of patents covering pharmaceutical and biotechnological inventions and the scope of claims made under these patents are still developing. As a result, our ability to obtain and enforce patents is uncertain and involves complex legal and factual questions. Third parties may challenge, in courts or through patent office proceedings, or infringe upon, existing or future patents. In the event that a third party challenges a patent, a court or patent office may invalidate the patent or determine that the patent is not enforceable. Proceedings involving our patents or patent applications or those of others could result in adverse decisions about:

- the patentability of our inventions, products and drug candidates; and/or
- the enforceability, validity or scope of protection offered by our patents.

The manufacture, use or sale of any of our products or drug candidates may infringe on the patent rights of others. If we are unable to avoid infringement of the patent rights of others, we may be required to seek a license, defend an infringement action

or challenge the validity of the patents in court. Patent litigation is costly and time consuming. We may not have sufficient resources to bring these actions to a successful conclusion. In addition, if we do not obtain a license, develop or obtain non-infringing technology, fail to successfully defend an infringement action or have infringing patents declared invalid, we may:

- incur substantial monetary damages;
- encounter significant delays in bringing our drug candidates to market; and/or
- be precluded from participating in the manufacture, use or sale of our products or drug candidates or methods of treatment requiring licenses.

We are subject to "fraud and abuse" and similar laws and regulations, and a failure to comply with such regulations or prevail in any litigation related to noncompliance could harm our business.

Upon approval of BYETTA and SYMLIN by the FDA, we became subject to various health care "fraud and abuse" laws, such as the Federal False Claims Act, the federal anti-kickback statute and other state and federal laws and regulations. Pharmaceutical companies have faced lawsuits and investigations pertaining to violations of these laws and regulations. We cannot guarantee that measures that we have taken to prevent such violations, including our corporate compliance program, will protect us from future violations, lawsuits or investigations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

Our financial results will fluctuate, and these fluctuations may cause our stock price to fall.

Forecasting future revenues is difficult, especially since we launched our first products in 2005 and when the level of market acceptance of these products is changing rapidly. In addition, our customer base is highly concentrated with four customers accounting for a majority of our net product sales. Fluctuations in the buying patterns of these customers, which may result from seasonality, wholesaler buying decisions or other factors outside of our control, could significantly affect the level of our net sales on a period to period basis. As a result, it is reasonably likely that our financial results will fluctuate to an extent, that may not meet with market expectations and that also may adversely affect our stock price. There are a number of other factors that could cause our financial results to fluctuate unexpectedly, including:

- product sales;
- cost of product sales;
- achievement and timing of research and development milestones;
- collaboration revenues;
- cost and timing of clinical trials, regulatory approvals and product launches;
- marketing and other expenses;
- manufacturing or supply issues; and
- potential acquisitions of businesses and technologies and our ability to successfully integrate any such acquisitions into our existing business.

We may require additional financing in the future, which may not be available to us on favorable terms, or at all.

We intend to use our available cash for:

- Commercialization of BYETTA and SYMLIN;
- Development of exenatide LAR and other pipeline candidates;

- Executing our INTO strategy;
- Establishment of additional manufacturing sources, including our Ohio manufacturing facility;
- Our research and development activities;
- Other operating expenses;
- Potential acquisitions of complementary technologies or businesses; and
- Other general corporate purposes.

We may also be required to use our cash to pay principal and interest on outstanding debt, including our $200 million of outstanding convertible senior notes, due in 2011.

Our business has a substantial risk of product liability claims, and insurance may not be adequate to cover these claims.

Our business exposes us to potential product liability risks that are inherent in the testing, manufacturing and marketing of human therapeutic products. Product liability claims could result in the imposition of substantial liability on us, a recall of products, or a change in the indications for which they may be used. We currently have limited product liability insurance coverage. We cannot assure you that our insurance will provide adequate coverage against potential liabilities.

Our ability to enter into and maintain third-party relationships is important to our successful development and commercialization of BYETTA, SYMLIN and our other drug candidates and to our potential profitability.

With respect to sales, marketing and distribution outside the United States, we will be substantially dependent on Lilly for activities relating to BYETTA and sustained-release formulations of BYETTA, including exenatide LAR. We believe that we will likely need to enter into marketing and distribution arrangements with third parties for, or find a corporate partner who can provide support for, the development and commercialization of SYMLIN or our other drug candidates outside the United States. We may also enter into arrangements with third parties for the commercialization of SYMLIN or any of our other drug candidates within the United States.

With respect to BYETTA and, if approved, exenatide LAR, Lilly is co-promoting within the United States. If Lilly ceased commercializing BYETTA or, if approved, exenatide LAR, for any reason, we would likely need to either enter into a marketing and distribution arrangement with a third party for those products or significantly increase our internal sales and commercialization infrastructure.

We may not be able to enter into marketing and distribution arrangements or find a corporate partner for SYMLIN or our other drug candidates as we deem necessary. If we are not able to enter into a marketing or distribution arrangement or find a corporate partner who can provide support for commercialization of our drug candidates as we deem necessary, we may not be able to successfully perform these marketing or distribution activities. Moreover, any new marketer or distributor or corporate partner for our drug candidates, including Lilly, with whom we choose to contract may not establish adequate sales and distribution capabilities or gain market acceptance for our products, if any.

We have a significant amount of indebtedness. We may not be able to make payments on our indebtedness, and we may incur additional indebtedness in the future, which could adversely affect our operations.

In April 2004, we issued $200 million of 2.5% convertible senior notes due 2011. Our ability to make payments on our debt, including the notes, will depend on our future operating performance and ability to generate cash and may also depend on our ability to obtain additional debt or equity financing. During each of the last five years, our operating cash flows were negative and insufficient to cover our fixed charges. We may need to use our cash to pay principal and interest on our debt, thereby reducing the funds available to fund our research and development programs, strategic initiatives and working capital requirements. Our ability to generate sufficient operating cash flow to service our indebtedness, including the notes, and fund our operating requirements will depend on our ability, alone or with others, to successfully develop, manufacture, obtain required regulatory approvals for and market our drug candidates, as well as other factors, including general economic, financial, competitive, legislative and regulatory conditions, some of which are beyond our control. Our debt service obligations increase our vulnerabilities to competitive pressures, because many of our competitors are less leveraged than we

are. If we are unable to generate sufficient operating cash flow to service our indebtedness and fund our operating requirements, we may be forced to reduce our development programs, sell assets or seek additional debt or equity financing, which may not be available to us on satisfactory terms or at all. Our level of indebtedness may make us more vulnerable to economic or industry downturns. If we incur new indebtedness, the risks relating to our business and our ability to service our indebtedness will intensify.

We may be required to redeem our 2.5% convertible senior notes due 2011 upon a designated event.

Holders of our 2.5% convertible senior notes due 2011 may require us to redeem all or any portion of their notes upon the occurrence of certain designated events which generally involve a change in control of our company. We may not have sufficient cash funds to redeem the notes upon a designated event. We may elect, subject to certain conditions, to pay the redemption price in our common stock or a combination of cash and our common stock. We may be unable to satisfy the requisite conditions to enable us to pay some or all of the redemption price in our common stock. In addition, although there are currently no restrictions on our ability to pay the redemption price under our existing debt agreements, future debt agreements may prohibit us from repaying the redemption price in either cash or common stock. If we are prohibited from redeeming the notes, we could seek consent from our lenders to redeem the notes. If we are unable to obtain their consent, we could attempt to refinance the notes. If we were unable to obtain a consent or refinance, we would be prohibited from redeeming the notes. If we were unable to redeem the notes upon a designated event, it would result in an event of default under the indentures governing the notes. An event of default under the indentures could result in a further event of default under our other then-existing debt. In addition, the occurrence of a designated event may be an event of default under our other debt.

If our research and development programs fail to result in additional drug candidates, the growth of our business could be impaired.

Certain of our research and development programs for drug candidates are at an early stage and will require significant research, development, preclinical and clinical testing, manufacturing scale-up activities, regulatory approval and/or commitments of resources before commercialization. We cannot predict whether our research will lead to the discovery of any additional drug candidates that could generate additional revenues for us.

Our future success depends on our chief executive officer, and other key executives and our ability to attract, retain and motivate qualified personnel.

We are highly dependent on our chief executive officer, and the other principal members of our executive and scientific teams. The unexpected loss of the services of any of these persons might impede the achievement of our research, development and commercialization objectives. Recruiting and retaining qualified sales, marketing, regulatory, scientific and other personnel and consultants will also be critical to our success. We may not be able to attract and retain these personnel and consultants on acceptable terms given the competition between numerous pharmaceutical and biotechnology companies. We do not maintain “key person” insurance on any of our employees.

We may be unable to adequately prevent disclosure of trade secrets and other proprietary information.

In order to protect our proprietary technology and processes, we rely in part on confidentiality agreements with our corporate partners, employees, consultants, manufacturers, outside scientific collaborators and sponsored researchers and other advisors. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information.

Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

Our research and development activities and planned manufacturing activities involve the use of hazardous materials, which subject us to regulation, related costs and delays and potential liabilities.

Our research and development and our planned manufacturing activities involve the controlled use of hazardous materials, chemicals and various radioactive compounds. Although we believe that our research and development safety procedures for handling and disposing of these materials comply with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be eliminated. In addition, as part of the development of our planned manufacturing activities, we will need to development additional safety procedures for the

handling and disposing of hazardous materials. If an accident occurs, we could be held liable for resulting damages, which could be substantial. We are also subject to numerous environmental, health and workplace safety laws and regulations, including those governing laboratory procedures, exposure to blood-borne pathogens and the handling of biohazardous materials. Additional federal, state and local laws and regulations affecting our operations may be adopted in the future. We may incur substantial costs to comply with, and substantial fines or penalties if we violate, any of these laws or regulations.

We are exposed to potential risks from recent legislation requiring companies to evaluate internal control over financial reporting.

The Sarbanes-Oxley Act requires that we report annually on the effectiveness of our internal control over financial reporting. Among other things, we must perform systems and processes evaluation and testing. We must also conduct an assessment of our internal control to allow management to report on, and our independent registered public accounting firm to attest to, our assessment of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. In connection with our Section 404 compliance efforts, we have incurred or expended, and expect to continue to incur or expend, substantial accounting and other expenses and significant management time and resources. We have implemented certain remediation activities resulting from our ongoing assessment of internal control over financial reporting. Our future assessment, or the future assessments by our independent registered public accounting firm, may reveal material weaknesses in our internal control. If material weaknesses are identified in the future we would be required to conclude that our internal control over financial reporting are ineffective and we could be subject to sanctions or investigations by the SEC, the NASDAQ Global Market or other regulatory authorities, which would require additional financial and management resources and could adversely affect the market price of our common stock.

We have implemented anti-takeover provisions that could discourage or prevent an acquisition of our company, even if the acquisition would be beneficial to our stockholders, and as a result our management may become entrenched and hard to replace.

Provisions in our certificate of incorporation and bylaws could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders. These provisions include:

- allowing our board of directors to elect a director to fill a vacancy created by the expansion of the board of directors;

- allowing our board of directors to issue, without stockholder approval, up to 5.5 million shares of preferred stock with terms set by the board of directors;

- limiting the ability of holders of our outstanding common stock to call a special meeting of our stockholders; and

- preventing stockholders from taking actions by written consent and requiring all stockholder actions to be taken at a meeting of our stockholders.

Each of these provisions, as well as selected provisions of Delaware law, could discourage potential takeover attempts, could adversely affect the trading price of our securities and could cause our management to become entrenched and hard to replace. In addition to provisions in our charter documents and under Delaware law, an acquisition of our company could be made more difficult by our employee benefits plans and our employee change in control plan, under which, in connection with a change in control, stock options held by our employees may become vested and our executive officers may receive severance benefits. We also have implemented a stockholder rights plan, also called a poison pill, which could make it uneconomical for a third party to acquire us on a hostile basis.

Our executive officers, directors and major stockholders control approximately 70% of our common stock.

As of December 31, 2006, executive officers, directors and holders of 5% or more of our outstanding common stock, in the aggregate, owned or controlled approximately 70% of our outstanding common stock. As a result, these stockholders are able to influence all matters requiring approval by our stockholders, including the election of directors and the approval of corporate transactions. This concentration of ownership may also delay, deter or prevent a change in control of our company and may make some transactions more difficult or impossible to complete without the support of these stockholders.

Substantial future sales of our common stock by us or our existing stockholders or the conversion of our convertible senior notes to common stock could cause the trading price of our common stock to fall.

Sales by existing stockholders of a large number of shares of our common stock in the public market or the perception that additional sales could occur could cause the trading price of our common stock to drop. Likewise, the issuance of shares of common stock upon conversion of our convertible notes or redemption of our convertible notes upon a designated event, or upon additional convertible debt or equity financings or other share issuances by us, including shares issued in connection with potential future strategic alliances and the uncertain number of additional shares that we may be required to issue under our agreements with Lilly, could adversely affect the trading price of our common stock. Our convertible notes are currently convertible into a total of up to approximately 5.8 million shares. In addition, the existence of these notes may encourage short selling of our common stock by market participants.

Significant volatility in the market price for our common stock could expose us to litigation risk.

The market prices for securities of biopharmaceutical and biotechnology companies, including our common stock, have historically been highly volatile, and the market from time to time has experienced significant price and volume fluctuations that are unrelated to the operating performance of these biopharmaceutical and biotechnology companies. Since January 1, 2005, the high and low sales price of our common stock varied significantly, as shown in the following table:

	High	Low
Year ending December 31, 2007		
First Quarter (through February 13, 2007)	$42.45	$35.55
Year ending December 31, 2006		
Fourth Quarter	$48.48	$35.74
Third Quarter	51.54	40.76
Second Quarter	49.37	38.16
First Quarter	49.08	35.58
Year ended December 31, 2005		
Fourth Quarter	$42.36	$32.63
Third Quarter	35.47	18.50
Second Quarter	21.73	14.50
First Quarter	24.95	17.15

Given the uncertainty of our future funding, whether BYETTA and SYMLIN will meet our expectations, and the regulatory approval of our other drug candidates, we may continue to experience volatility in our stock price for the foreseeable future. In addition, the following factors may significantly affect the market price of our common stock:

- our financial results and/or fluctuations in our financial results;
- safety issues with BYETTA, SYMLIN or our product candidates;
- clinical study results;
- determinations by regulatory authorities with respect to our drug candidates;
- our ability to complete our Ohio manufacturing facility;
- developments in our relationships with current or future collaborative partners;
- our ability to successfully execute our commercialization strategies;
- developments in our relationships with third-party manufacturers of our products and other parties who provide services to us;
- technological innovations or new commercial therapeutic products by us or our competitors;
- developments in patent or other proprietary rights; and

- governmental policy or regulation, including with respect to pricing and reimbursement.

Broad market and industry factors also may materially adversely affect the market price of our common stock, regardless of our actual operating performance. Periods of volatility in the market price of our common stock expose us to securities class-action litigation, and we may be the target of such litigation as a result of market price volatility in the future.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Our primary administrative offices and research laboratories are located in San Diego, California. As of December 31, 2006, we occupied approximately 360,000 square feet of office and laboratory space. Our leases on a majority of these properties expire in 2015. We have also entered into short-term leases and other agreements for small offices in Boulder, Colorado, Brentwood, Tennessee, Doylestown, Pennsylvania, Mandeville, Louisianna, Beachwood, Ohio, Washington, D.C. and Germany.

Our wholly-owned subsidiary, Amylin Ohio LLC, owns a building and 43 acres of land in West Chester, Ohio. The building, once built out for the manufacture of exenatide LAR, will have approximately 150,000 square feet of manufacturing and office space.

Item 3. ***Legal Proceedings***

None.

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

None.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Our common stock is traded on The NASDAQ Global Market under the symbol "AMLN." The following table sets forth, for the periods indicated, the reported high and low sales price per share of our common stock on The NASDAQ Global Market:

	High	Low
Year Ended December 31, 2006		
Fourth Quarter	$ 48.48	$ 35.74
Third Quarter	51.54	40.76
Second Quarter	49.37	38.16
First Quarter	49.08	35.58
Year Ended December 31, 2005		
Fourth Quarter	$ 42.36	$ 32.63
Third Quarter	35.47	18.50
Second Quarter	21.73	14.50
First Quarter	24.95	17.15

The last reported sale price of our common stock on The NASDAQ Global Market on February 13, 2007 was $40.34. As of February 13, 2007, there were approximately 685 shareholders of record of our common stock.

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings for funding growth and, therefore, do not anticipate paying any cash dividends in the foreseeable future.

For information concerning prior stockholder approval of and other matters relating to our equity incentive plans, see "Equity Compensation Plan Information" under Item 12 in this annual report on Form 10-K.

Item 6. ***Selected Financial Data***

Please read the following selected financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and related notes included elsewhere in this annual report on Form 10-K.

	Years Ended December 31				
	2006	2005	2004	2003	2002
	(in thousands, except for per share amounts)				
Consolidated Statements of Operations Data:					
Net product sales	$ 474,038	$ 86,713	$ —	$ —	$ —
Revenues under collaborative agreements	36,837	53,761	34,268	85,652	13,395
Total revenues	510,875	140,474	34,268	85,652	13,395
Costs and expenses:					
Cost of goods sold	50,073	14,784	—	—	—
Selling, general and administrative	281,950(1)	171,520	66,958	56,761	25,334
Research and development	222,053(2)	132,128	119,558	149,431	94,456
Collaborative profit-sharing	194,191	31,359	—	—	—
Acquired in-process research and development	—	—	—	3,300	—
Total costs and expenses	748,267	349,791	186,516	209,492	119,790
Make-whole payment on debt redemption	(7,875)	—	—	—	—
Net interest and other income (expense)	26,411	2,485	(4,909)	1,032	(3,392)
Net loss	(218,856)	(206,832)	(157,157)	(122,808)	(109,787)
Net loss per share — basic and diluted	$ (1.78)	$ (1.96)	$ (1.67)	$ (1.33)	$ (1.39)
Shares used in calculating net loss per share — basic and diluted	122,647	105,532	94,054	92,396	79,106
Consolidated Balance Sheets Data:					
Cash, cash equivalents and short-term investments	$ 767,331	$ 443,423	$ 293,756	$ 269,776	$ 147,358
Working capital	702,930	415,134	282,421	243,144	92,368
Total assets	1,060,386	566,962	357,800	311,045	168,545
Long-term obligations, excluding current portion	221,208	399,112	403,233	202,425	88,234
Accumulated deficit	(1,223,184)	(1,004,328)	(797,496)	(640,339)	(517,531)
Total stockholders' equity (deficit)	635,291	69,264	(87,370)	63,216	12,298

(1) Selling, general and administrative expenses for the year ended December 31, 2006 include approximately $29.0 million of employee stock-based compensation expense pursuant to the provisions of Statement of Financial Accounting Standards No. 123R *"Share-Based Payment"* which the Company adopted on January 1, 2006.

(2) Research and development expenses for the year ended December 31, 2006 include approximately $22.9 million of employee stock-based compensation expense pursuant to the provisions of Statement of Financial Accounting Standards No. 123R *"Share-Based Payment"* which the Company adopted on January 1, 2006.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Executive Summary

Amylin Pharmaceuticals, Inc. is a biopharmaceutical company committed to improving the lives of people with diabetes, obesity and other diseases through the discovery, development and commercialization of innovative medicines. We have developed and gained approval for two first-in-class medicines to treat diabetes, BYETTA® (exenatide) injection and SYMLIN® (pramlintide acetate) injection, both of which were commercially launched in the United States during the second quarter of 2005. BYETTA has also been approved in the European Union, or EU, and we expect the commercial launch of BYETTA in various EU member states to occur in 2007, through our collaboration partner, Eli Lilly and Company, or Lilly. We also have two late-stage programs in development and multiple early-stage programs.

BYETTA is the first and only approved medicine in a new class of compounds called incretin mimetics. We began selling BYETTA in the United States in June 2005. BYETTA is approved in the United States for the treatment of patients with type 2 diabetes who have not achieved adequate glycemic control and are taking metformin, sulfonylurea and/or a thiazolidinedones, or TZD, the three most common oral therapies for type 2 diabetes. Net product sales of BYETTA were $430.2 million and $75.2 million for the years ended December 31, 2006 and 2005, respectively.

We have an agreement with Lilly for the global development and commercialization of exenatide. This agreement includes BYETTA and any long-acting release formulations of exenatide such as exenatide LAR. Under the terms of the agreement, operating profits from products sold in the United States are shared equally between Lilly and us. On October 31, 2006 we and Lilly amended the agreement, which became effective January 1, 2007. Prior to amending the agreement, operating profits for exenatide, including any long-acting release formulations, outside of the United States were shared 80% to Lilly and 20% to us. The amended agreement provides for tiered royalties payable to us by Lilly based upon the annual gross margin for all exenatide product sales, including any long-acting release formulations, outside of the United States. Royalty payments for exenatide product sales outside of the United States will commence after a one-time cumulative gross margin threshold amount has been met. We expect royalty payments to commence in 2009. In addition, effective January 1, 2007, Lilly will be responsible for 100% of the costs related to development of twice-daily BYETTA for sale outside of the United States. Development costs related to all other exenatide products for sale outside of the United States will continue to be allocated 80% to Lilly and 20% to us. Lilly will continue to be responsible for 100% of the costs related to commercialization of all exenatide products for sale outside of the United States.

SYMLIN is the first and only approved medicine in a new class of compounds called amylinomimetics. We began selling SYMLIN in the United States in April 2005 for the treatment of patients with either type 1 or type 2 diabetes who are treated with mealtime insulin but who have not achieved adequate glycemic control. Net product sales of SYMLIN were $43.8 million and $11.5 million for the years ended December 31, 2006 and 2005, respectively.

We have a field force of approximately 550 people dedicated to marketing BYETTA and SYMLIN in the United States. Our field force includes our specialty and primary care sales forces, a managed care and government affairs organization, a medical science organization and diabetes care specialists. Lilly co-promotes BYETTA in the United States and has primary responsibility for developing and commercializing BYETTA outside of the United States, including any long-acting release formulations.

In addition to our marketed products, we have several programs in development, including late-stage programs for diabetes and obesity.

In diabetes, we are working with Lilly and Alkermes, Inc. to develop exenatide LAR, to enable once-weekly administration of exenatide for the treatment of type 2 diabetes. We are currently conducting a clinical study evaluating the exenatide LAR in patients with type 2 diabetes designed to generate the type of safety and efficacy data that could form the basis of a New Drug Application, or an NDA, submission to the United States Food and Drug Administration, or FDA. In addition, we and Lilly are working with Alkermes and Parsons, Inc. on the construction of a manufacturing facility for exenatide LAR in Ohio. We expect to complete the commercial scale manufacturing process in this facility in the second half of 2008.

We have multiple early stage programs for diabetes and obesity. We have a number of compounds in development for the potential treatment of obesity which are part of a broader program which we refer to as INTO: Integrated Neurohormonal Therapies for Obesity. As part of this program, we are currently conducting four clinical trials of our drug candidates, or combinations of our drug candidates. We also maintain an active discovery research program focused on novel peptide therapeutics. We are actively seeking to in-license additional drug candidates. We have partnered with PyschoGenics, Inc.,

to form Psylin Neurosciences, Inc., a company that will focus on the discovery and development of peptide hormones for treatment of psychiatric indications.

Recent Developments

BYETTA

- Received FDA approval in December 2006 for use of BYETTA as an add-on therapy to improve blood sugar control in patients with type 2 diabetes who have not achieved adequate control on a TZD alone or with metformin.

- Received marketing authorization for BYETTA from the European Commission in November 2006 for the treatment of type 2 diabetes in the EU as adjunctive therapy to improve blood sugar control in patients with type 2 diabetes who have not achieved adequate glycemic control on metformin and/or a sulfonylurea, two common oral diabetes medications.

- Received FDA approval in February 2007 for storage of BYETTA at room temperature not to exceed 77 degrees Fahrenheit after first use.

- Continued efforts to expand the market potential for BYETTA in the United States including the initiation of a clinical study evaluating BYETTA as a stand alone therapy for patients with type 2 diabetes.

SYMLIN

- Submitted two supplemental New Drug Applications, or sNDA's, to the FDA for the approval of a disposable pen delivery system for SYMLIN and for the approval of the use of SYMLIN at mealtime in patients with type 2 diabetes treated with once-daily basal insulin.

Late-Stage Development Programs

- Initiated a clinical study of exenatide LAR in patients with type 2 diabetes in March 2006 to assess whether once-weekly exenatide LAR is at least as effective in improving glucose control as twice-daily BYETTA. This study is designed to generate the type of safety and efficacy data that could form the basis of an NDA.

- Made continued progress in the construction of our manufacturing facility for exenatide LAR in Ohio, and remain on schedule to complete the commercial-scale manufacturing process at this facility in the second half of 2008. In addition, we successfully manufactured commercial-scale engineering batches of exenatide LAR at a third-party manufacturer.

- Reported results from a 16-week Phase 2 dose-ranging study evaluating the safety and weight effects of pramlintide, the active pharmaceutical ingredient in SYMLIN, in obese subjects.

- Reported results from a Phase 2 extension study demonstrating that patients completing 52 weeks of pramlintide therapy experienced a 7-8% mean body weight reduction (depending upon dose) compared to a 1% reduction in patients receiving placebo.

Early-Stage Programs and Research

- Commenced an extensive program of clinical trials which will assess the safety and efficacy of multiple neurohormones used in combination with pramlintide to treat obesity, which is referred to as our INTO clinical research program.

Financial and Operational

- Expanded our field force by approximately 150 people to a total of approximately 550, and together with the Lilly field organization, expanded our capacity to reach approximately 65,000 physicians, representing a 50% increase in physicians reached.

- Completed a public offering of 11.5 million shares of common stock in April 2006, generating net proceeds of approximately $508 million.

- Converted $175 million of 2.25% convertible notes issued in 2003 and due 2008, referred to as the 2003 Notes, into approximately 5.6 million shares of our common stock.

Since our inception in September 1987, we have devoted substantially all of our resources to our research and development programs and, more recently, to the commercialization of our products. All of our revenues prior to the second quarter of 2005 were derived from fees and expense reimbursements under our BYETTA collaboration agreement with Lilly, previous SYMLIN collaborative agreements, and previous co-promotion agreements. During the second quarter of 2005, we began to derive revenues from product sales of BYETTA and SYMLIN. We have been unprofitable since inception and may incur additional operating losses for at least the next few years. At December 31, 2006, our accumulated deficit was approximately $1.2 billion.

At December 31, 2006, we had $767.3 million in cash, cash equivalents and short-term investments. We may not generate positive operating cash flows for at least the next few years and accordingly, we may need to raise additional funds from outside sources. Refer to the discussions under the headings "*Liquidity and Capital Resources*" below and "*Cautionary Factors That May Affect Future Results*" in Part I, Item 1A for further discussion regarding our anticipated future capital requirements.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, stock-based compensation, inventory costs, research and development expenses and income taxes. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect the significant judgments and estimates used in the preparation of our consolidated financial statements (see Note 1 to our consolidated financial statements on page F-7).

Revenue Recognition

We recognize revenue from the sale of our products, license fees and milestones earned and for reimbursement of development costs based on contractual arrangements.

Net Product Sales

We sell our products primarily to wholesale distributors, who in turn, sell to retail pharmacies, pharmacy benefit managers and government entities. Decisions made by these wholesalers and their customers regarding the level of inventories they hold, and thus the amount of product they purchase, can materially affect the level of our product sales in any particular period.

We recognize revenue from the sale of our products when delivery has occurred and title has transferred to our wholesale customers, net of allowances for product returns, rebates and wholesaler chargebacks, wholesaler discounts and prescription vouchers. We are required to make significant judgments and estimates in determining some of these allowances. If actual results differ from our estimates, we will be required to make adjustments to these allowances in the future.

Product Returns

We do not offer our wholesale customers a general right of return. However, we will accept returns of products that are damaged or defective when received by the wholesale customer or for any unopened product during the period beginning six months prior to and up to 12 months subsequent to its expiration date. We estimate product returns based on the experience of our collaborative partner, industry trends for other products with similar characteristics and our historical returns experience. Additionally, we consider several other factors in our estimation process including our internal sales forecasts,

the expiration dates of product shipped and third party data to assist us in monitoring estimated channel inventory levels and prescription trends. Actual returns could exceed our historical experience and our estimates of expected future returns due to factors such as wholesaler and retailer stocking patterns and inventory levels and/or competitive changes. To date actual returns have not differed materially from our estimates.

Rebates and Wholesaler Chargebacks

Allowances for rebates include mandated discounts under the Medicaid Drug Rebate Program and contracted discounts with commercial payors. Rebates are amounts owed after the final dispensing of the product by a pharmacy to a benefit plan participant and are based upon contractual agreements or legal requirements with private sector and public sector (e.g. Medicaid) benefit providers. The allowance for rebates is based on contractual discount rates, expected utilization under each contract and our estimate of the amount of inventory in the distribution channel that will become subject to such rebates. Our estimates for expected utilization for rebates are based on historical rebate claims and to a lesser extent third party market research data. Rebates are generally invoiced and paid quarterly in arrears so that our accrual consists of an estimate of the amount expected to be incurred for the current quarter's activity, plus an accrual for prior quarters' unpaid rebates and an accrual for inventory in the distribution channel. Wholesaler chargebacks are discounts that occur when contracted customers purchase directly from an intermediary wholesale purchaser. Contracted customers, which currently consist primarily of Federal government entities purchasing off the Federal Supply Schedule, generally purchase the product at its contracted price, plus a mark-up from the wholesaler. The wholesaler, in-turn, charges back to the Company the difference between the price initially paid by the wholesaler and the contracted price paid to the wholesaler by the customer. The allowance for wholesaler chargebacks is based on expected utilization of these programs and reported wholesaler inventory levels. Actual rebates and wholesaler chargebacks could exceed historical experience and our estimates of future participation in these programs. To date, actual rebate claims and wholesaler chargebacks have not differed materially from our estimates.

Wholesaler Discounts

Wholesaler discounts consist of prompt payment discounts and distribution service fees. We offer all of our wholesale customers a 2% prompt-pay discount within the first 30 days after the date of the invoice. Distribution service fees arise from contractual agreements with certain of our wholesale customers for distribution services they provide to us and are generally a fixed percentage of their purchases of our products in a given period. Prompt payment discounts and distribution service fees are recorded as a reduction to gross sales in the period the sales occur. The allowance for wholesaler discounts is based upon actual data of product sales to wholesale customers and not on estimates.

Prescription Vouchers

Prescription vouchers result in amounts owed to pharmacies that have redeemed vouchers for a free prescription. We provide prescription vouchers to physicians, who in turn distribute them to patients. Patients may redeem a voucher at a pharmacy for a free prescription. We reimburse the pharmacy for the price it paid the wholesaler for the medicine and record this reimbursement as a reduction to gross sales. The allowance for prescription vouchers is based on the number of unredeemed vouchers in circulation, and the estimated utilization rate. The estimated utilization rate is based on our historical utilization rates experience with prescription vouchers. Generally, prescription vouchers are issued and expire in the same fiscal quarter. Accordingly, our allowance for prescription vouchers is based upon actual utilization in the period in which the prescription vouchers were issued.

Revenues under collaborative agreements

Amounts received for upfront product and technology license fees under multiple-element arrangements are deferred and recognized over the period of such services or performance if such arrangements require on-going services or performance. Amounts received for milestones are recognized upon achievement of the milestone and the expiration of stock conversion rights, if any, associated with such payments. Amounts received for equalization of development expenses are recognized in the period in which the related expenses are incurred. Any amounts received prior to satisfying our revenue recognition criteria are recorded as deferred revenue in the accompanying consolidated balance sheets.

Valuation of Stock-Based Compensation

We adopted Financial Accounting Standards Board, or FASB, Statement of Financial Accounting Standards No. 123R, or SFAS 123R, "*Share-Based Payment,*" on January 1, 2006. SFAS 123R requires us to expense the estimated fair value of non-cash, stock-based payments to employees over the requisite service period, which is generally the vesting period. We adopted SFAS 123R using the modified prospective method. Under the modified prospective method, prior

periods are not revised for comparative purposes. Pursuant to the provisions of SFAS 123R, we recorded $51.8 million, or $0.42 per share, of stock-based compensation during year ended December 31, 2006. At December 31, 2006, unamortized non-cash, stock-based compensation expense was $108.8 million and is expected to be amortized over a weighted-average period of approximately 2.6 years.

We estimate the fair value of stock-based payments to employees using the Black-Scholes model. This estimate is affected by our stock price as well as assumptions regarding a number of inputs that require us to make significant estimates and judgments. These inputs include the expected volatility of our stock price, the expected term of employee stock options, the risk-free interest rate and expected dividends.

We estimate volatility based upon the historical volatility of our common stock for a period corresponding to the expected term of our employee stock options and the implied volatility of market-traded options on our common stock with various maturities between six months and two years, consistent with the guidance in SFAS 123R and the SEC's Staff Accounting Bulletin, or SAB, No. 107. Prior to the adoption of SFAS 123R, we estimated volatility based on the historical volatility of our common stock for a period corresponding to the expected term of our employee stock options. The determination to use implied volatility in addition to historical volatility was based upon the availability of data related to actively traded options on our common stock and our assessment that the addition of implied volatility is more representative of future stock price trends than historical volatility alone.

The expected life of our employee stock options represents the weighted-average period of time that options granted are expected to be outstanding in consideration of historical exercise patterns and the assumption that all outstanding options will be exercised at the mid-point of the then current date and their maximum contractual term.

The risk-free interest rates are based on the yield curve of United States Treasury strip securities in effect at the time of grant for periods corresponding with the expected life of our employee stock options. We have never paid dividends and do not anticipate doing so for the foreseeable future. Accordingly, we have assumed no dividend yield for purposes of estimating the fair value of our stock-based payments to employees.

If factors underlying the above assumptions change in future periods, the associated estimated non-cash, stock-based compensation expense that we record may differ significantly from what we have recorded in the current period.

Inventories and Related Reserves

Inventories consist of raw materials, work-in-process and finished goods for SYMLIN and BYETTA. We maintain inventory reserves primarily for production failures and potential product expiration. The manufacturing processes for our products are complex. Deviations in the manufacturing process may result in production failures and additional inventory reserves. Obsolete inventory due to expiration may also result in additional inventory reserves. In estimating inventory obsolescence reserves, we analyze the shelf life, expiration dates and internal sales forecasts, each on a product-by-product basis.

Research and Development Expenses

Research and development costs are expensed as incurred and include: salaries and benefits; costs paid to third-party contractors to perform research, conduct clinical trials and develop and manufacture drug materials and delivery devices; and associated overhead expenses and facilities costs. Clinical trial costs are a significant component of research and development expenses and include costs associated with third-party contractors. Invoicing from third-party contractors for services performed can lag several months. We accrue the costs of services rendered in connection with third-party contractor activities based on our estimate of management fees, site management and monitoring costs and data management costs. Differences between actual clinical trial costs from estimated clinical trial costs have historically not been material and are adjusted for in the period in which they become known.

Income Taxes

We have net deferred tax assets relating primarily to net operating loss carry forwards and research and development tax credits. Subject to certain limitations, these deferred tax assets may be used to offset taxable income in future periods. Since we have been unprofitable since inception and the likelihood of future profitability is not assured, we have fully reserved for these deferred tax assets in our consolidated balance sheets at December 31, 2006 and 2005, respectively. If we determine that we are able to realize a portion or all of these deferred tax assets in the future, we will record an adjustment to increase their recorded value and a corresponding adjustment to increase income in that same period.

Recently Issued Accounting Pronouncements

In July 2006, the FASB issued FASB Interpretation No. 48, or FIN 48, *"Accounting for Uncertainty in Income Taxes,"* which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on the derecognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. The provisions of FIN 48 will be effective for us beginning January 1, 2007. We are in the process of determining the effect, if any, the adoption of FIN 48 will have on our financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, or SFAS 157, *"Fair Value Measurements."* SFAS 157 establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of SFAS 157 will be effective for us beginning January 1, 2007. The Company is in the process of determining the effect, if any, the adoption of SFAS 157 will have on our financial statements.

In September 2006, the SEC issued SAB No. 108, *"Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements."* SAB No. 108 addresses quantifying the financial statement effects of misstatements, specifically, how the effects of prior year uncorrected errors must be considered in quantifying misstatements in the current year financial statements. The provisions of SAB No. 108 are effective in fiscal year 2006 for us. The adoption of SAB No. 108 did not have a material impact on our financial statements.

Results of Operations

Net Product Sales

Net Product Sales

Net product sales for the years ended December 31, 2006 and 2005 were $474.0 million and $86.7 million, respectively, and consisted of sales of BYETTA and SYMLIN, less allowances for product returns, rebates and wholesaler chargebacks, wholesaler discounts, and prescription vouchers. There were no net product sales in 2004 as these products were not approved for sale until 2005.

The following table provides information regarding net product sales (in millions):

	Year ended December 31,	
	2006	2005
BYETTA	$ 430.2	$ 75.2
SYMLIN	43.8	11.5
	$ 474.0	$ 86.7

The increases in net product sales for BYETTA and SYMLIN for the year ended December 31, 2006 as compared to the same period in 2005, primarily reflect continued growth in patient use.

Revenues under Collaborative Agreements

The following table summarizes the components of revenues under collaborative agreements for the years ended December 31, 2006, 2005 and 2004 (in millions):

	Year ended December 31,		
	2006	2005	2004
Amortization of up-front payments	$ 4.3	$ 4.3	$ 4.4
Recognition of milestone payments	—	35.0	5.0
Cost-sharing payments	32.5	14.5	24.9
	$ 36.8	$ 53.8	$ 34.3

Substantially all of the revenue recorded in these periods consists of amounts earned pursuant to our collaboration agreement with Lilly for exenatide, and consists primarily of the amortization of up-front payments, milestone payments and cost-sharing payments.

The amortization of up-front payments for the years ended December 31, 2006, 2005 and 2004 consists of the continued amortization of $30 million of the $80 million non-refundable initial payment made to us by Lilly upon the signing of our collaboration agreement for exenatide in September 2002. We are amortizing this $30 million portion of the initial payment to revenue ratably over a seven-year period, representing our estimate of the period of our performance of significant development activities under the agreement. The remaining $50 million portion of the initial payment was amortized to revenue prior to 2004.

Milestone payments relate to certain development and commercialization events defined in the exenatide collaboration agreement. We recognize milestone payments as revenue upon the achievement of performance requirements underlying such milestone payments and, for certain development milestones, the expiration of stock conversion rights associated with such payments.

Cost sharing payments consist of amounts payable by Lilly to us to equalize development expenses under our collaboration agreement. While we continue to lead exenatide and exenatide LAR development efforts in the United States, Lilly also incurs exenatide development expenses and makes cost-sharing payments to us to equalize development costs, which are recorded as revenues under collaborative agreements in the period in which the related development expenses are incurred.

The $17.0 million decrease in revenues under collaborative agreements in 2006, as compared to 2005, primarily reflects a reduction in milestone payments, partially offset by an increase in cost-sharing payments. Milestone payments in 2005 consisted of the recognition of $35 million of milestones earned in connection with the regulatory approval and commercial launch of BYETTA in the United States. The increase in cost-sharing payments in 2006, as compared to 2005 primarily reflects increased development expenses for exenatide LAR in 2006 as compared to 2005.

The $19.5 million increase in revenues under collaborative agreements in 2005, as compared to 2004, primarily reflects an increase in milestone revenue due to the recognition of $35 million of milestones discussed above, partially offset by a reduction in cost-sharing payments due to lower development expenses for BYETTA in 2005 as compared to 2004.

In future periods, revenues under collaborative agreements will consist of ongoing cost-sharing payments from Lilly to equalize United States development costs, possible future milestone payments and the continued amortization of the $30 million portion of the up-front payment.

Cost of Goods Sold

Cost of goods sold was $50.1 million, representing a gross margin of 89%, and $14.8 million, representing a gross margin of 83%, for the years ended December 31, 2006 and 2005, respectively. There was no cost of goods sold for 2004 as we did not begin selling BYETTA and SYMLIN until the second quarter of 2005. Costs of goods sold is comprised primarily of manufacturing costs associated with BYETTA and SYMLIN sales during the period. The improvement in gross margin in 2006 as compared to 2005 primarily reflects lower unit costs for BYETTA due to higher production volumes. Quarterly fluctuations in gross margins may be influenced by product mix and the level of sales allowances.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $282.0 million, $171.5 million and $67.0 million in the years ended December 31, 2006, 2005 and 2004, respectively.

The $110.5 million increase in 2006 as compared to 2005 primarily reflects the full annual effect of the 2005 expansion of our commercial capabilities to support the launches of BYETTA and SYMLIN, the continued expansion in 2006 of these capabilities, including the addition of approximately 150 individuals to our field force, increased marketing activities, including medical education, market research and product sampling for BYETTA, growth in our business infrastructure and $29.0 million of stock-based compensation. We, along with Lilly, are jointly responsible for the co-promotion of BYETTA within the United States, and share equally in sales force costs and external marketing expenses. Accordingly, our selling, general and administrative expenses include our 50% share of these costs in the United States.

The $104.5 million increase in 2005 as compared to 2004 reflects the expansion of our commercial capabilities and additions to our business infrastructure to support the commercial launches of BYETTA and SYMLIN in 2005. This includes the hiring and training of our field force, expanded marketing and medical education activities, the establishment of customer service capabilities and related administrative support.

Selling general and administrative expenses are expected to continue to increase in 2007 due to the full annual cost of our field force of 550 people, of which approximately 150 were added during the fourth quarter of 2006, increases in marketing costs for BYETTA and increases in business infrastructure to support our growth.

Research and Development Expenses

Currently, our research and development efforts are focused on programs for the treatment of diabetes and obesity in various stages of development. From inception through 1998, we devoted substantially all of our research and development efforts to SYMLIN. Beginning in 1999, our research and development costs started to include costs for our other drug candidates, primarily BYETTA and exenatide LAR. In 2004 we initiated our program for the treatment of obesity with pramlintide and in 2006 we commenced our INTO clinical research program for obesity.

The drug development process in the United States includes a series of steps defined by the FDA. The process begins with discovery and preclinical evaluation leading up to the submission of an IND to the FDA, which allows for the initiation of the clinical evaluation of a potential drug candidate in humans. Clinical evaluation is typically comprised of three phases of study: Phase 1, Phase 2 and Phase 3. Generally, the majority of a drug candidate's total development costs are incurred during Phase 3, which consists of trials that are typically both the longest and largest conducted during the drug development process. Successful completion of Phase 3 clinical testing is followed by the submission of an NDA to the FDA for marketing approval. It is not uncommon for the FDA to request additional data following its review of an NDA, which can significantly increase the drug development timeline and expenses. Following initial regulatory approval for a drug candidate, companies generally initiate additional clinical trials aimed at expanding product labeling and market potential.

The timing and costs to complete the successful development of any of our drug candidates are highly uncertain, and therefore difficult to estimate.

Our research and development expenses are comprised of salaries and benefits; costs paid to third-party contractors to perform research, conduct clinical trials, develop and manufacture drug materials and delivery devices; and a portion of our facilities costs. We charge direct internal and external program costs to the respective development programs. We also incur indirect costs that are not allocated to specific programs because such costs benefit multiple development programs and allow us to increase our overall pharmaceutical development capabilities. These consist primarily of facilities costs and other internally-shared resources related to the development and maintenance of systems and processes applicable to all of our programs.

The following table sets forth information regarding our research and development expenses for our major projects (in millions):

	Year ended December 31,		
	2006	2005	Increase
BYETTA	$ 35.7	$ 27.7	$ 8.0
SYMLIN	24.8	21.1	3.7
Late-stage programs	61.4	33.7	27.7
Early-stage programs and research	67.3	25.5	41.8
Unallocated	32.9	24.1	8.8
	$ 222.1	$ 132.1	$ 90.0

Research and development expenses increased to $222.1 million for the year ended December 31, 2006 from $132.1 million for the year ended December 31, 2005.

The $90.0 million increase in 2006 primarily reflects increased expenses associated with both our early-stage and late-stage programs, increased expenses associated with BYETTA and increased expenses for our unallocated research and development expenses. The increase in expenses for our early-stage programs and research primarily reflects costs associated with our acquisition of the rights to leptin from Amgen in early 2006, costs associated with our obesity programs and growth in our preclinical research. The increase in expenses for our late-stage programs primarily reflects costs associated with the development of exenatide LAR including costs associated with manufacturing scale-up and the ongoing clinical study discussed above. The increase in expenses for BYETTA primarily reflects costs associated with label

expansion activities. The increase in our unallocated research and development expenses primarily reflects increased facilities costs to support growth in our research and development activities.

The following table sets forth information regarding our research and development expenses for our major projects (in millions):

	Year ended December 31,		
	2005	2004	Increase/decrease
BYETTA	$ 27.7	$ 40.0	$ (12.3)
SYMLIN	21.1	15.8	5.3
Late-stage programs	33.7	22.1	11.6
Early-stage programs and research	25.5	12.2	13.3
Unallocated	24.1	29.5	(5.4)
	$ 132.1	$ 119.6	$ 12.5

The $12.5 million increase in 2005 as compared to 2004 reflects increased expenses associated with our early-stage programs and research, our late-stage programs, and SYMLIN development expenses, partially offset by reduced expenses for our BYETTA and unallocated research and development expenses.

The increased expenses in our early-stage programs and research is due to further investments in our discovery research activities, increased costs associated with preclinical development of potential drug candidates and costs associated with an increased number of employees to support these activities. The increase in expenses for our late-stage programs in 2005 as compared to 2004 primarily reflects costs associated with the clinical development of exenatide LAR and our obesity program for pramlintide as well as increased costs associated with manufacturing scale-up for exenatide LAR. The increase in SYMLIN development expenses in 2005 as compared to 2004 primarily reflects increased clinical development costs associated with an open-label study evaluating SYMLIN use in clinical practice. The decrease in BYETTA development expenses in 2005 as compared to 2004 primarily reflects reduced clinical development costs following the completion of activities required to support regulatory approval of BYETTA in 2004, which included open-label extensions of the pivotal Phase 3 clinical studies for BYETTA and costs associated with manufacturing scale-up. The decrease in unallocated research and development expenses in 2005 as compared to 2004 primarily reflects additional emphasis on development activities in our late-stage and early-stage programs.

Collaborative Profit-Sharing

Collaborative profit-sharing was $194.2 million and $31.4 million for the years ended December 31, 2006 and 2005, respectively, and consists of Lilly's 50% share of the gross margin for BYETTA sales in the United States. There was no collaborative profit sharing in 2004, as BYETTA was not approved for sale until 2005.

Make-whole Payment on Debt Redemption

In July 2006, we called for the redemption on August 24, 2006 of all our outstanding 2003 Notes under a provisional redemption based upon the market price of our common stock exceeding certain thresholds. All holders elected to convert their 2003 Notes into shares of our common stock. In connection with the conversion, we issued approximately 5.6 million shares, including 180,005 shares as a make-whole payment, representing $112.94 per $1,000 principal amount of the 2003 Notes converted less interest actually paid. In connection with this make-whole payment, we recorded a non-cash, non-operating charge of $7.9 million during the third quarter of 2006.

Interest and Other Income and Expense

Interest and other income consists primarily of interest income from investment of cash and investments. Interest and other income was $34.9 million in 2006, $13.2 million in 2005 and $4.7 million in 2004. The increase in both 2006 and 2005 primarily reflects higher average cash balances available for investment and higher interest rates in 2006 as compared to 2005. The increase in 2005 primarily reflects higher average cash balances available for investment and higher interest rates in 2005 as compared to 2004.

Interest and other expense consists primarily of interest expense resulting from long-term debt obligations and includes interest payments and the amortization of debt issuance costs. Interest and other expense was $8.5 million in 2006, $10.7

million in 2005 and $9.6 million in 2004. The decrease in 2006 compared to 2005 reflects lower interest expense following the August 2006 redemption of our 2003 Notes. The increase in 2005 compared to 2004 reflects a full year of interest expense for the $200 million of 2.5% convertible senior notes issued in April 2004, referred to as our 2004 Notes.

Net Loss

Our net loss for the year ended December 31, 2006 was $218.9 million compared to $206.8 million in 2005 and $157.2 million in 2004. Our net loss for the year ended December 31, 2006 includes $51.8 million of stock-based compensation expense pursuant to the adoption of SFAS 123R on January 1, 2006. The increase in our net loss in 2006, compared to 2005 primarily reflects the increased costs and expenses and decreased revenues under collaborative agreements, partially offset by the increases in net product sales and interest and other income discussed above. The increase in our net loss in 2005 compared to 2004 reflects the increased costs and expenses, partially offset by the increases in net product sales and revenue, under collaborative agreements discussed above.

We may incur operating losses for the next few years. Our ability to reach profitability in the future will be heavily dependent upon the amount of product sales that we achieve for BYETTA and SYMLIN. In addition, ongoing and potential increased expenses associated with the commercialization of BYETTA and SYMLIN, and expenses associated with the continuation and potential expansion of our research and development programs, including our ongoing late-stage programs and our early-stage development programs, and related support infrastructure may impact our ability to reach profitability in the future. Our operating results may fluctuate from quarter to quarter as a result of differences in the timing of expenses incurred and revenues recognized.

Liquidity and Capital Resources

Since our inception, we have financed our operations primarily through public sales and private placements of our common and preferred stock, debt financings, payments received pursuant to our BYETTA collaboration with Lilly, reimbursement of SYMLIN development expenses through earlier collaboration agreements, and since the second quarter of 2005, through product sales of BYETTA and SYMLIN.

At December 31, 2006, we had $767.3 million in cash, cash equivalents and short-term investments, compared to $443.4 million at December 31, 2005. In April 2006 we completed a public offering of 11.5 million shares of our common stock, generating net proceeds of approximately $508 million.

We used cash of $126.0 million, $182.0 million and $162.9 million for our operating activities in the years ended December 31, 2006, 2005 and 2004, respectively. Our cash used for operating activities in 2006 included uses of cash due to increases in accounts receivable and inventories of $32.4 million and $32.5 million, respectively. The increase in accounts receivable reflects growth in our net product sales and the increase in inventories reflects increased inventory purchases to support this growth. Our cash used for operating activities in 2006 included sources of cash for increases in our current liabilities, including an increase of $15.8 million in accounts payable, an increase of $10.1 million in accrued compensation, an increase of $35.7 million in payable to collaborative partner and an increase of $22.5 million in other current liabilities. The increase in accounts payable primarily reflects growth in our expenses generally and accounts payable timing differences. The increase in accrued compensation primarily reflects growth in our number of employees. The increase in payable to collaborative partner, which represents Lilly's 50% share of BYETTA gross margins in the United States, reflects increased net product sales for BYETTA and an improvement in gross margins. The increase in other current liabilities primarily reflects growth in sales allowances due to increased net product sales and an increase in accrued capital additions related to the ongoing construction of our manufacturing facility for exenatide LAR.

Our investing activities used cash of $425.9 million, $169.0 million and $53.8 million in the years ended December 31, 2006, 2005 and 2004, respectively. Investing activities in all three years consisted primarily of purchases and sales of short-term investments and purchases of property and equipment. Purchases of property and equipment increased to $97.9 million in 2006 from $29.6 million in 2005 and $12.9 million in 2004. The increase in 2006 primarily reflects costs associated with our manufacturing facility for exenatide LAR and, to a lesser extent, purchases of tenant improvements, office equipment and scientific equipment to support our growth. We expect that our capital expenditures will continue to significantly increase in future periods due primarily to costs associated with ongoing construction of our manufacturing facility for exenatide LAR. We expect to complete the commercial-scale manufacturing process in the second half of 2008 at an estimated cost of up to approximately $180 million. We are also evaluating the potential to expand this project based on the progress of exenatide LAR through the development process which could increase our capital expenditures significantly. In addition, we anticipate continued investments in tenant improvements, office equipment and scientific equipment. We are evaluating various forms of secured debt financing to fund a portion of the cost of our manufacturing facility. In addition, we are evaluating the

potential utility of other financing mechanisms, including revolving credit lines or similar facilities, which may be secured by our inventories, accounts receivable or other assets.

Financing activities provided cash of $546.5 million, $362.5 million, and $200.6 million in the years ended December 31, 2006, 2005 and 2004, respectively. Financing activities in 2006 included approximately $508 million in net proceeds from a public offering of our common stock in April 2006, proceeds from the exercise of stock options and proceeds from our employee stock purchase plan. Financing activities consist primarily of proceeds from sales of common stock and the issuance of convertible senior notes, partially offset by principal payments on notes payable and capital lease obligations.

In August 2006, we completed the redemption of all of the 2003 Notes. In connection with the redemption we issued approximately 5.4 million shares of common stock to note holders upon the conversion of all of the outstanding 2003 Notes. In connection with the conversion, we also issued 180,005 shares as a make-whole payment, representing $112.94 per $1,000 principal value of the converted 2003 Notes less interest actually paid.

At December 31, 2006, we had $200 million in aggregate principal amount of the 2004 Notes outstanding. The 2004 Notes are currently convertible into a total of up to 5.8 million shares of our common stock at approximately $34.35 per share. The 2004 Notes are not redeemable at our option.

The following table summarizes our contractual obligations and maturity dates as of December 31, 2006 (in thousands).

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Long-term debt	$ 200,000	$ —	$ —	$ 200,000	$ —
Interest on long-term debt	22,500	5,000	10,000	7,500	—
Inventory purchase obligations (1)	140,215	100,910	26,835	12,470	—
Operating leases	67,505	11,435	20,007	13,377	22,686
Total (2)	$ 430,220	$ 117,345	$ 56,842	$ 233,347	$ 22,686

(1) Includes $92.3 million of outstanding purchase orders, cancelable by us upon 30 days' written notice, subject to reimbursement of costs incurred through the date of cancellation.
(2) Excludes long-term obligation of $6.1 million related to deferred compensation, the payment of which is subject to elections made by participants that are subject to change.

In addition, under certain license and collaboration agreements with other companies we are required to pay royalties and/or milestone payments upon the successful development and commercialization of related products. We do not expect to make any significant milestone payments under these agreements within 12 months from the date of this annual report.

Our future capital requirements will depend on many factors, including: the amount of product sales we achieve for BYETTA and SYMLIN; costs associated with the commercialization of BYETTA and SYMLIN; costs associated with the establishment of our exenatide LAR manufacturing facility; costs of potential licenses or acquisitions; the potential need to repay existing indebtedness; costs associated with an increase in our infrastructure; our ability to receive or need to make milestone payments; our ability, and the extent, to which we establish collaborative arrangements for SYMLIN or any of our product candidates; progress in our research and development programs and the magnitude of these programs; costs involved in preparing, filing, prosecuting, maintaining, enforcing or defending our patents; competing technological and market developments; and costs of manufacturing, including costs associated with establishing our own manufacturing capabilities or obtaining and validating additional manufacturers of our products; and scale-up costs for our drug candidates.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

We invest our excess cash primarily in United States Government securities, asset-backed securities and debt instruments of financial institutions and corporations with strong credit ratings. These instruments have various short-term maturities, and therefore the risk of loss due to interest rate risk is considered to be low. We do not utilize derivative financial instruments, derivative commodity instruments or other market risk sensitive instruments, positions or transactions in any

material fashion. Accordingly, we believe that, while the instruments held are subject to changes in the financial standing of the issuer of such securities, we are not subject to any material risks arising from changes in interest rates, foreign currency exchange rates, commodity prices, equity prices or other market changes that affect market risk sensitive investments. Our debt is not subject to significant swings in valuation as interest rates on our debt are fixed. At December 31, 2006, the fair value of our 2004 Notes was $252 million. A hypothetical 1% adverse move in interest rates along the entire interest rate yield curve would not materially affect the fair value of our financial instruments that are exposed to changes in interest rates.

Item 8. ***Financial Statements and Supplementary Data***

The financial statements and supplemental data required by this item are set forth at the pages indicated in Part IV, Item 15(a)(1) of this annual report.

Item 9. ***Changes In and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2006.

Our management does not expect that our disclosure controls and procedures or our internal controls over financial reporting will prevent all potential error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, or misstatements due to error, if any, within the Company have been detected. While we believe that our disclosure controls and procedures and internal control over financial reporting are and have been effective, we intend to continue to examine and refine our disclosure controls and procedures and internal control over financial reporting and to monitor ongoing developments in these areas.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2006.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is set forth below.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting in our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

To The Board of Directors and Stockholders of Amylin Pharmaceuticals, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over

Financial Reporting, that Amylin Pharmaceuticals, Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Amylin Pharmaceuticals, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Amylin Pharmaceuticals, Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Amylin Pharmaceuticals, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria**.**

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2006 of Amylin Pharmaceuticals, Inc. and our report dated February 23, 2007 expressed an unqualified opinion thereon.

San Diego, California
February 23, 2007

/s/ ERNST & YOUNG LLP

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required by this item with respect to executive officers and directors is incorporated by reference from the information under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" contained in the proxy statement to be filed with the SEC pursuant to Regulation 14A in connection with our 2007 annual meeting of stockholders.

Item 11. ***Executive Compensation***

The information required by this item is incorporated by reference to the information under the captions "Executive Compensation," "Compensation Committee Report" and "Compensation Committee Interlocks and Insider Participation" contained in the proxy statement to be filed with the SEC pursuant to Regulation 14A in connection with our 2007 annual meeting of stockholders.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters***

The information required by this item is incorporated by reference to the information under the caption "Security Ownership of Certain Beneficial Owners and Management" contained in the proxy statement to be filed with the SEC pursuant to Regulation 14A in connection with our 2007 annual meeting of stockholders.

Equity Compensation Plan Information

The following table sets forth information regarding all of our equity compensation plans as of December 31, 2006 (in thousands, except per share amounts):

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for issuance under equity compensation plans, (excluding securities reflected in first column)
Equity compensation plans approved by securityholders	16,213	$ 23.10	7,588
Equity compensation plans not approved by securityholders	9	$ 6.58	—
Total	16,222	$ 23.09	7,588

The following equity compensation plans were in effect as of December 31, 2006 and were each adopted with the approval of our stockholders: the 1991 Option Plan, the 2001 Equity Incentive Plan, the 2001 Employee Stock Purchase Plan, the 1994 Non-Employee Directors' Stock Option Plan, the 2003 Non-Employee Directors' Stock Option Plan and the Non-Employee Directors' Deferred Compensation Plan.

Our stockholders were not asked to, and therefore did not, approve the individual compensation arrangement entered into in January 1995 with Joseph C. Cook, Jr., who served as our Chairman and Chief Executive Officer from 1998 to 2003, and continues to serve as an employee and as our Chairman. From 1994 to 1998, Mr. Cook served as a consultant to us under various consulting agreements pursuant to which he received cash compensation and was granted non-qualified stock options. In connection with one of his consulting agreements with us entered into in January 1995, we also entered into a phantom stock unit agreement with Farview Management Co., L.P., a consulting firm of which Mr. Cook is a general partner. Pursuant to the phantom stock agreement, Farview received 9,000 phantom stock units, each representing the right to receive cash or shares of our common stock. The phantom stock agreement provides that on the date Mr. Cook ceases to be a consultant to or director of our Company, we will pay Farview the fair market value of the phantom stock units in cash or shares of our common stock, at our election. The fair market value of each phantom stock unit is to be determined based on the closing price per share of our common stock on The NASDAQ National Market on the last trading day prior to the date that Mr. Cook ceases to be a consultant to or director of our company.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information required by this item is incorporated by reference to the information under the captions "Election of Directors" and "Certain Transactions" contained in the proxy statement to be filed with the SEC pursuant to Regulation 14A in connection with our 2007 annual meeting of stockholders.

Item 14. ***Principal Accountant Fees and Services***

The information required by this item is incorporated by reference to the information under the caption contained in "Ratification of Selection of Independent Auditors" contained in the proxy statement to be filed with the SEC pursuant to Regulation 14A in connection with our 2007 annual meeting of stockholders.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a)(1) **Index to Consolidated Financial Statements**

The financial statements required by this item are submitted in a separate section beginning on page 53 of this annual report.

(a)(2) **Financial Statement Schedules:** The following Schedule is filed as part of this Form 10-K Annual Report:

	Page Number
II. Valuation Accounts	F-22

All other schedules have been omitted because they are not applicable or required, or the information required to be set forth therein is included in the Consolidated Financial Statements or notes thereto.

(a)(3) **Index to Exhibits** — See Item 15(b) below.

(b) **Exhibits**

Exhibit Footnote	Exhibit Number	
(1)	3.1	Amended and Restated Certificate of Incorporation of the Registrant.
(6)	3.2	Amended and Restated Bylaws of the Registrant.
(13)	3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Registrant.
	4.1	Reference is made to Exhibits 3.1 - 3.3.
(17)(2)	4.2	Registration Rights Agreement dated September 19, 2002, between the Registrant and Eli Lilly and Company.
(16)	4.3	Rights Agreement dated June 17, 2002, between the Registrant and American Stock Transfer & Trust Company.
(16)	4.4	Certificate of Designation of Series A Junior Participating Preferred Stock.
(24)	4.5	First Amendment to Rights Agreement dated December 13, 2002, between the Registrant and American Stock Transfer & Trust Company.
(10)	4.6	Indenture, dated as of April 6, 2004, between Registrant and J.P. Morgan Trust Company, National Association (as Trustee).
(10)	4.7	Form of 2.50% Convertible Senior Note due 2011.
(10)	4.8	Registration Rights Agreement, dated as of April 6, 2004, between Registrant and Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co.
(1)	10.1	Form of Indemnity Agreement entered into between the Registrant and its directors and officers.†
(14)	10.2	Registrant's 1991 Stock Option Plan, as amended.†
(5)	10.3	Form of Incentive Stock Option Agreement under the 1991 Stock Option Plan.†
(1)	10.4	Form of Supplemental Stock Option Agreement under the 1991 Stock Option Plan.†
(1)	10.5	Form of Supplemental Stock Option Agreement not granted under the 1991 Stock Option Plan with related schedule.†
(32)	10.6	Registrant's Employee Stock Purchase Plan, as amended.†
(18)	10.7	Registrant's Non-Employee Directors' Stock Option Plan (the "Directors' Plan").†
(4)	10.8	Phantom Stock Unit Agreement, dated January 4, 1995, between the Registrant and Farview Management Co., L.P.†
(7)(2)	10.9	Patent and Technology License Agreement, Consulting Agreement and Nonstatutory Stock Option Agreement dated October 1, 1996, between the Registrant and Dr. John Eng.
(9)	10.10	Registrant's Directors' Deferred Compensation Plan.†
(21)	10.11	Registrant's Directors' Plan Stock Option Agreement, as amended. †
(11)	10.12	Special Form of Incentive Stock Option Agreement the 1991 Stock Option Plan of the Registrant.†
(12)	10.13	Stock Option Agreement dated March 25, 1998, between the Registrant and Joseph C. Cook, Jr.†
(15)(2)	10.14	Development and License Agreement dated May 15, 2000, between the Registrant and Alkermes Controlled Therapeutics II, Inc.
(8)	10.15	Registrant's Change in Control Employee Severance Benefits Plan.†

(32)	10.16	Registrant's 2001 Equity Incentive Plan, as amended.†
(17)(2)	10.17	Collaboration Agreement dated September 19, 2002, between the Registrant and Eli Lilly and Company.
(17)(2)	10.18	U.S. Co-Promotion Agreement dated September 19, 2002, between the Registrant and Eli Lilly and Company.
(17)	10.19	Milestone Conversion Agreement dated September 19, 2002, between the Registrant and Eli Lilly and Company.
(17)	10.20	Stock Purchase Agreement dated September 19, 2002, between the Registrant and Eli Lilly and Company.
(20)	10.21	Security Agreement dated June 30, 2003, between the Registrant and Eli Lilly and Company.
(22)(2)	10.22	Device Development and Manufacturing Agreement dated July 1, 2003, between Registrant and Eli Lilly and Company.
(21)	10.23	Form of Registrant's 2001 Equity Incentive Plan Officer Stock Option Agreement, as amended. †
(21)	10.24	Form of Registrant's 2001 Equity Incentive Plan Stock Option Agreement, as amended. †
(21)	10.25	Employment Agreement dated June 9, 2003, between Registrant and Ginger L. Graham. †
(23)(2)	10.26	Manufacturing Agreement dated May 12, 2003, between Registrant and UCB S.A.
(25)(2)	10.27	Exenatide Manufacturing Agreement dated October 21, 2003, between Registrant and Mallinckrodt Inc.
(25)(2)	10.28	Commercial Supply Agreement for Exenatide dated December 23, 2003, between Registrant and Bachem, Inc.
(26)	10.29	Sublease Agreement dated November 24, 2003, between Registrant and Bristol-Myers Squibb Company.
(26)	10.30	Lease Agreement dated November 14, 2003, between Registrant and ARE-9363/9373/9393 Towne Centre, LLC.
(27)(2)	10.31	Commercial Supply Agreement dated February 14, 2005 between Registrant and Baxter Pharmaceutical Solutions LLC.
(27)(2)	10.32	Commercial Supply Agreement dated October 7, 2004 between Registrant and CP Pharmaceuticals Ltd.
(27)(2)	10.33	Commercial Supply Agreement dated March 2, 2005 between Registrant and Baxter Pharmaceutical Solutions LLC.
	10.34	Summary Description of Registrant's Named Executive Officer Oral At-Will Employment Agreements.
(28)	10.35	Description of Registrant's Executive Cash Bonus Plan.
(31)	10.36	Amendment to Development and License Agreement dated October 24, 2005, between Registrant and Alkermes Controlled Therapeutics II.*
(29)	10.37	Underwriting Agreement dated March 29, 2006, by and between Registrant, Morgan Stanley & Co. Incorporated, Goldman, Sachs & Co., Bear Stearns & Co. and Lehman Brothers Inc.
(30)(2)	10.38	Commercial Supply Agreement dated June 28, 2005, between Registrant and Bachem, Inc.
(33)	10.39	Employment Succession Agreement dated June 1, 2006 between Registrant and Daniel M. Bradbury. †
	10.40	Commercial Supply Agreement dated October 12, 2006 between Registrant and Wockhardt UK (Holdings) Ltd.*
	10.41	Amendment to Collaboration Agreement dated October 31, 2006 between Registrant and Eli Lilly and Company.*
	10.42	Registrant's Deferred Compensation Plan. †
	21.1	Subsidiaries of Registrant.
	23.1	Consent of Independent Registered Public Accounting Firm.
	24.1	Power of Attorney. Reference is made to page 52.
	31.1	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
	31.2	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended.
	32.1	Certifications Pursuant to U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Public Company Accounting Reform and Investor Protection Act of 2002.

† Indicates management or compensatory plan or arrangement required to be identified pursuant to Item 15(c).

* Confidential treatment has been requested with respect to certain portions of this exhibit. Omitted portions have been filed separately with the Securities and Exchange Commission.

(1) Filed as an exhibit to the Registrant's Registration Statement on Form S-1 (No. 33-44195) or amendments thereto and incorporated herein by reference.

(2) Confidential Treatment has been granted by the Securities and Exchange Commission with respect to portions of this agreement.

(3) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.

(4) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.

(5) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.

(6) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001.

(7) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.

(8) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.

(9) Filed as an exhibit to the Registrant's Registration Statement on Form S-8 (No. 333-61660) or amendments thereto and incorporated herein by reference.

(10) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.

(11) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 1, 1998, and incorporated herein by reference.

(12) Filed as an exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.

(13) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001.

(14) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999.

(15) Filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.

(16) Filed as an exhibit on Form 8-K dated June 17, 2002, and incorporated herein by reference.

(17) Filed as an exhibit on Form 8-K dated October 3, 2002, and incorporated herein by reference.

(18) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

(19) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, and incorporated herein by reference.

(20) Filed as an exhibit to Registrant's Quarterly Report on form 10-Q for the quarter ended June 30, 2003, and incorporated herein by reference.

(21) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, and incorporated herein by reference .

(22) Filed as an exhibit to Amendment 1 to Registrant's Quarterly Report on Form 10-Q/A for the quarter ended June 30, 2003, and incorporated herein by reference .

(23) Filed as an exhibit to Amendment 1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, and incorporated herein by reference.

(24) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, and incorporated herein by reference.

(25) Filed as an exhibit to Amendment 1 to Registrant's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2003, and incorporated herein by reference.

(26) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, and incorporated herein by reference.

(27) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, and incorporated herein by reference.

(28) Filed on Form 8-K dated December 1, 2006, and incorporated herein by reference.

(29) Filed as an exhibit on Form 8-K dated March 30, 2006, and incorporated herein by reference.

(30) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, and incorporated herein by reference.

(31) Filed as an exhibit to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, and incorporated herein by reference.

(32) Filed as an exhibit on Form 8-K dated May 22, 2006 and incorporated herein by reference.

(33) Filed as an exhibit to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMYLIN PHARMACEUTICALS, INC.

Date: February 26, 2007

By: */s/Ginger L. Graham*
Ginger L. Graham
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Ginger L. Graham and Mark G. Foletta, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place, and stead, in any and all capacities, to sign any and all amendments to this Report, and any other documents in connection therewith, and to file the same, with all exhibits thereto, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their or his substitute or substituted, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ GINGER L. GRAHAM Ginger L. Graham	Chief Executive Officer and Director *(Principal Executive Officer)*	February 26, 2007
/s/ DANIEL M. BRADBURY Daniel M. Bradbury	President, Chief Operating Officer and Director	February 26, 2007
/s/ MARK G. FOLETTA Mark G. Foletta	Senior Vice President, Finance and Chief Financial Officer *(Principal Financial and Accounting Officer)*	February 26, 2007
/s/ JOSEPH C. COOK, JR. Joseph C. Cook, Jr.	Chairman of the Board	February 26, 2007
/s/ STEVEN R. ALTMAN Steven R. Altman	Director	February 26, 2007
/s/ VAUGHN D. BRYSON Vaughn D. Bryson	Director	February 26, 2007
/s/ KARIN EASTHAM Karin Eastham	Director	February 26, 2007
/s/ JAMES R. GAVIN III, M.D., PHD. James R. Gavin III, M.D., Ph.D.	Director	February 26, 2007
/s/ HOWARD E. GREENE, JR. Howard E. Greene, Jr.	Director	February 26, 2007

/s/ JAY S. SKYLER, M.D. Jay S. Skyler, M.D., MACP	Director	February 26, 2007
/s/ JOSEPH P. SULLIVAN Joseph P. Sullivan	Director	February 26, 2007
/s/ THOMAS R. TESTMAN Thomas R. Testman	Director	February 26, 2007
/s/ JAMES N. WILSON James N. Wilson	Director	February 26, 2007

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Amylin Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheets of Amylin Pharmaceuticals, Inc. as of December 31, 2006 and 2005, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Amylin Pharmaceuticals, Inc., at December 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2006, Amylin Pharmaceuticals, Inc., changed its method of accounting for share-based payments in accordance with Statement of Financial Accounting Standards No. 123R, *Share-Based Payment*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Amylin Pharmaceuticals, Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2007 expressed an unqualified opinion thereon.

/S/ ERNST & YOUNG LLP

San Diego, California
February 23, 2007

AMYLIN PHARMACEUTICALS, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	December 31, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 66,640	$ 72,026
Short-term investments	700,691	371,397
Accounts receivable, net	58,089	25,700
Inventories, net	59,299	26,750
Other current assets	22,098	17,847
Total current assets	906,817	513,720
Property and equipment, net	146,779	42,050
Patents and other assets, net	2,870	3,687
Debt issuance costs, net	3,920	7,505
	$ 1,060,386	$ 566,962
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 36,834	$ 21,046
Accrued compensation	39,251	29,122
Payable to collaborative partner	52,338	16,678
Other current liabilities	71,178	27,454
Current portion of deferred revenue	4,286	4,286
Total current liabilities	203,887	98,586
Deferred revenue, net of current portion	7,372	11,658
Other long-term obligations, net of current portion	13,836	12,454
Convertible senior notes	200,000	375,000
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.001 par value, 7,500 shares authorized, none issued and outstanding at December 31, 2006 and 2005	—	—
Common stock, $.001 par value, 200,000 shares authorized, 130,458 and 110,531 issued and outstanding at December 31, 2006 and 2005	130	111
Additional paid-in capital	1,857,194	1,073,948
Accumulated deficit	(1,223,184)	(1,004,328)
Accumulated other comprehensive income (loss)	1,151	(467)
Total stockholders' equity	635,291	69,264
	$ 1,060,386	$ 566,962

See accompanying notes to consolidated financial statements.

AMYLIN PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year ended December 31,		
	2006	2005	2004
Revenues:			
Net product sales	$ 474,038	$ 86,713	$ —
Revenues under collaborative agreements	36,837	53,761	34,268
Total revenues	510,875	140,474	34,268
Costs and expenses:			
Cost of goods sold	50,073	14,784	—
Selling, general and administrative	281,950	171,520	66,958
Research and development	222,053	132,128	119,558
Collaborative profit-sharing	194,191	31,359	—
Total costs and expenses	748,267	349,791	186,516
Operating loss	(237,392)	(209,317)	(152,248)
Make-whole payment on debt redemption	(7,875)	—	—
Interest and other income	34,903	13,214	4,696
Interest and other expense	(8,492)	(10,729)	(9,605)
Net loss	$ (218,856)	$ (206,832)	$ (157,157)
Net loss per share — basic and diluted	$ (1.78)	$ (1.96)	$ (1.67)
Shares used in computing net loss per share, basic and diluted	122,647	105,532	94,054

See accompanying notes to consolidated financial statements.

AMYLIN PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
For the years ended December 31, 2006, 2005 and 2004
(in thousands)

	Common stock		Additional paid-in capital	Accumulated deficit	Deferred compensation	Accumulated other comprehensive income (loss)	Total stockholders' equity (deficit)
	Shares	Amount					
Balance at December 31, 2003	93,625	$ 94	$ 703,479	$ (640,339)	$ (310)	$ 292	$ 63,216
Comprehensive loss:							
Net loss	—	—	—	(157,157)	—	—	(157,157)
Unrealized gain on available-for-sale securities	—	—	—	—	—	(555)	(555)
Comprehensive loss	—	—	—	—	—	—	(157,712)
Issuance of common stock upon exercise of options, net	667	—	4,554	—	—	—	4,554
Issuance of common stock for other employee benefit plans	197	—	2,462	—	—	—	2,462
Deferred compensation related to stock options	—	—	(38)	—	38	—	—
Amortization of deferred compensation	—	—	—	—	110	—	110
Balance at December 31, 2004	94,489	94	710,457	(797,496)	(162)	(263)	(87,370)
Comprehensive loss:							
Net loss	—	—	—	(206,832)	—	—	(206,832)
Unrealized loss on available-for-sale securities	—	—	—	—	—	(204)	(204)
Comprehensive loss	—	—	—	—	—	—	(207,036)
Issuance of common stock upon exercise of options, net	1,548	2	15,977	—	—	—	15,979
Issuance of common stock for other employee benefit plans	226	—	4,135	—	—	—	4,135
Stock-based compensation	—	—	433	—	—	—	433
Issuance of common stock in public offering, net	14,268	15	342,357	—	—	—	342,372
Deferred compensation related to stock options	—	—	589	—	162	—	751
Balance at December 31, 2005	110,531	111	1,073,948	(1,004,328)	—	(467)	69,264
Comprehensive loss:							
Net loss	—	—	—	(218,856)	—	—	(218,856)
Unrealized gain on available-for-sale securities	—	—	—	—	—	1,618	1,618
Comprehensive loss							(217,238)
Issuance of common stock upon exercise of options, net	2,405	2	31,635	—	—	—	31,637
Issuance of common stock for other employee benefit plans.	457	—	10,296	—	—	—	10,296
Employee stock-based compensation	—	—	51,485	—	—	—	51,485
Issuance of common stock for restricted stock awards	8	—	353	—	—	—	353
Conversion of convertible senior notes, net of debt issuance costs	5,377	5	172,972	—	—	—	172,977
Issuance of common stock for make-whole payment	180	—	7,875	—	—	—	7,875
Issuance of common stock in public offering, net	11,500	12	507,518	—	—	—	507,530
Non-employee stock-based compensation	—	—	1,112	—	—	—	1,112
Balance at December 31, 2006	130,458	$ 130	$ 1,857,194	$ (1,223,184)	$ —	$ 1,151	$ 635,291

See accompanying notes to consolidated financial statements.

AMYLIN PHARMACEUTICALS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years ended December 31,		
	2006	2005	2004
Operating activities:			
Net loss	$ (218,856)	$ (206,832)	$ (157,157)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	16,228	10,487	7,307
Employee stock-based compensation	51,838	—	—
Make-whole payment on debt redemption	7,875	—	—
Other non-cash expenses	4,058	1,535	1,320
Changes in operating assets and liabilities:			
Accounts receivable, net	(32,389)	(25,700)	—
Inventories, net	(32,549)	(11,074)	(3,835)
Receivable from collaborative partners	—	5,770	(4,979)
Other current assets	(3,995)	(8,607)	(2,904)
Accounts payable	15,788	15,524	1,144
Accrued compensation	10,129	15,616	4,024
Payable to collaborative partner	35,660	13,887	936
Other current liabilities	22,505	11,622	(9,571)
Deferred revenue	(4,286)	(9,285)	(4,286)
Other assets and liabilities, net	1,987	5,075	5,148
Net cash used in operating activities	(126,007)	(181,982)	(162,853)
Investing activities:			
Purchases of short-term investments	(714,772)	(491,927)	(237,735)
Sales and maturities of short-term investments	386,840	353,415	197,056
Purchases of property and equipment, net	(97,925)	(29,639)	(12,904)
Increase in patents	(33)	(897)	(211)
Net cash used in investing activities	(425,890)	(169,048)	(53,794)
Financing activities:			
Proceeds from issuance of common stock, net	546,511	362,486	7,016
Proceeds from issuance of convertible debt, net	—	—	193,613
Principal payments on capital leases	—	(13)	(14)
Net cash provided by financing activities	546,511	362,473	200,615
Increase (decrease) in cash and cash equivalents	(5,386)	11,443	(16,032)
Cash and cash equivalents at beginning of year	72,026	60,583	76,615
Cash and cash equivalents at end of year	$ 66,640	$ 72,026	$ 60,583
Supplemental disclosures of cash flow information:			
Interest paid, net of interest capitalized	$ 6,409	$ 8,398	$ 6,563
Interest capitalized	$ 560	$ —	$ —
Property and equipment additions in other current liabilities at year end	$ 21,219	$ —	$ —
Common stock issued upon conversion of senior convertible notes	$ 175,000	$ —	$ —
Reclassification of debt issuance costs to additional paid-in capital upon conversion of convertible senior notes	$ 1,980	$ —	$ —

See accompanying notes to consolidated financial statements.

AMYLIN PHARMACEUTICALS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

Amylin Pharmaceuticals, Inc., referred to as the Company or Amylin, was incorporated in Delaware on September 29, 1987. Amylin is a biopharmaceutical company engaged in the discovery, development and commercialization of drug candidates for the treatment of diabetes, obesity and other diseases.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Amylin Europe Limited, Amylin Puerto Rico, LLC and Amylin Ohio, LLC. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Net Product Sales

The Company sells BYETTA® (exenatide) injection and SYMLIN® (pramlintide acetate) injection primarily to wholesale distributors in the United States, who, in turn, sell primarily to retail pharmacies, pharmacy benefit managers, and government entities. Product sales are recognized when delivery of the products has occurred, title has passed to the customer, the selling price is fixed or determinable, collectibility is reasonably assured and the Company has no further obligations. The Company records allowances for product returns, rebates and wholesaler chargebacks, wholesaler discounts, and prescription vouchers at the time of sale and reports product sales net of such allowances. The Company must make significant judgments in determining some of these allowances. If actual results differ from the Company's estimates, the Company will be required to make adjustments to these allowances in the future.

The Company reports all BYETTA and SYMLIN product sales made in the United States. With respect to BYETTA, the Company has determined that it is qualified as a principal under the criteria set forth in Emerging Issues Task Force (EITF), Issue 99-19, *"Reporting Gross Revenue as a Principal vs. Net as an Agent,"* based on the Company's responsibilities under its contracts with Eli Lilly and Company, or Lilly, which include manufacture of product for sale in the United States, responsibility for establishing pricing in the United States, distribution, ownership of product inventory and credit risk from customers, and accordingly, the Company reports all United States products sales of BYETTA.

Revenues Under Collaborative Agreements

Amounts received for upfront product and technology license fees under multiple-element arrangements are deferred and recognized over the period of such services or performance if such arrangements require on-going services or performance. Amounts received for milestones are recognized upon achievement of the milestone, and the expiration of stock conversion rights, if any, associated with such payments. Amounts received for equalization of development expenses are recognized in the period in which the related expenses are incurred. Any amounts received prior to satisfying these revenue recognition criteria will be recorded as deferred revenue.

Collaborative Profit-Sharing

Collaborative profit-sharing represents Lilly's 50% share of the gross margin for Byetta sales in the United States.

Shipping and Handling Costs

Shipping and handling costs incurred for product shipments are included in cost of goods sold in the accompanying consolidated statements of operations.

Research and Development Expenses

Research and development costs are expensed as incurred and include salaries, benefits and non-cash stock-based compensation; costs paid to third-party contractors to perform research, conduct clinical trials and develop and manufacture drug materials and delivery devices; and a portion of facilities costs. Clinical trial costs are a significant component of research and development expenses and include costs associated with third-party contractors. Invoicing from third-party contractors for services performed can lag several months. The Company accrues the costs of services rendered in connection with third-party contractor activities based on its estimate of management fees, site management and monitoring costs and data management costs. Actual clinical trial costs may differ from estimated clinical trial costs and are adjusted for in the period in which they become known.

Concentrations of Risk

The Company relies on third-party manufacturers for the production of its products and drug candidates. If the Company's third-party manufacturers are unable to continue manufacturing its products and/or drug candidates, or if the Company loses one of its sole source suppliers used in its manufacturing processes, the Company may not be able to meet market demand for its products and could be materially and adversely affected.

Lilly provides funding for 50% of the development and commercialization expenses for BYETTA and exenatide LAR in the United States pursuant to a global development and commercialization agreement between the parties. Lilly co-promotes the product with the Company in the United States and manufactures pen devices for the administration of BYETTA. If Lilly is unable to perform these activities the Company may be unable to meet market demand for its products and could be materially and adversely affected.

The Company is also subject to credit risk from its accounts receivable related to product sales. The Company sells its products in the United States primarily to wholesale distributors. The top four of the Company's customers represented approximately 94% of net product sales in 2006 and 93% of the accounts receivable balance at December 31, 2006. The Company evaluates the credit worthiness of its customers and generally does not require collateral. The Company has not experienced any material losses on uncollectible accounts receivable to date.

The Company invests its excess cash in U.S. Government securities and debt instruments of financial institutions and corporations with strong credit ratings. The Company has established guidelines relative to diversification and maturities that maintain safety and liquidity. These guidelines are periodically reviewed. Financial instruments that potentially subject the Company to significant credit risk consist principally of cash equivalents and short-term investments.

Cash and Cash Equivalents

The Company considers instruments with a maturity date of less than 90 days from the date of purchase to be cash equivalents. Cash and cash equivalents include certificates of deposits underlying letters of credit of $3.3 million and $3.1 million at December 31, 2006 and 2005, respectively.

Short-Term Investments

Short-term investments consist principally of U.S. Government securities and other highly liquid debt instruments. The Company has classified its debt securities as available-for-sale and are stated at fair value based upon the most recently traded price of each security at the balance sheet date, and unrealized holding gains or losses on these securities are carried as a separate component of stockholders' equity (deficit). The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. Realized gains and losses and declines in value judged to be other-than-temporary (of which there have been none to date) on available-for-sale securities are included in interest income. The cost of securities sold is based on the specific-identification method.

Accounts Receivable

Trade accounts receivable are recorded net of allowances for cash discounts for prompt payment, doubtful accounts, product returns and chargebacks. Allowances for rebate discounts and distribution fees are included in other current liabilities in the accompanying consolidated balance sheets. Estimates for allowances for doubtful accounts are determined based on existing contractual obligations, historical payment patterns and individual customer circumstances. The allowance for doubtful accounts was $0.2 million at December 31, 2006. There was no allowance for doubtful accounts at December 31, 2005.

Inventories, net

Inventories are stated at the lower of cost (FIFO) or market, net of valuation allowances for potential excess and/or obsolete material of $0.4 million and $1.6 million at December 31, 2006 and 2005, respectively. Raw materials consists of bulk drug material, work-in-process primarily consists of in-process SYMLIN vials and in-process BYETTA cartridges, and finished goods consists of finished SYMLIN drug product in vials and BYETTA drug product in a disposable pen/cartridge delivery system.

Property and Equipment

Property and equipment, consisting primarily of construction in process, leasehold improvements, office and laboratory equipment, software and land, are recorded at cost. Depreciation of equipment and software is computed using the straight-line method, over three to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the remaining term of the lease. Construction in progress includes costs associated with the Company's manufacturing facility for exenatide LAR. The Company recorded depreciation expense of $14.3 million, $8.3 million and $5.3 million in the years ended December 31, 2006, 2005 and 2004, respectively.

The Company records impairment losses on property and equipment used in operations when events and circumstances indicate that assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. The Company also records the assets to be disposed of at the lower of their carrying amount or fair value less cost to sell. While the Company's current and historical operating and cash flow losses are indicators of impairment, the Company believes the future cash flows to be received support the carrying value of its long-lived assets and accordingly, the Company has not recognized any impairment losses as of December 31, 2006.

Computer Software Costs for Internal Use

The Company records the costs of computer software for internal use in accordance with AICPA Statement of Position (SOP) 98-1, *"Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."* SOP 98-1 requires that certain internal-use computer software costs be capitalized. Capitalized costs are amortized on a straight-line basis over the estimated useful life of software, generally three years and included in depreciation expense.

Patents

The Company has filed a number of patent applications with the United States Patent and Trademark Office and in foreign countries. Certain legal and related costs incurred in connection with pending patent applications have been capitalized. Costs related to successful patent applications are amortized over the lesser of the remaining useful life of the related technology or the remaining patent life, commencing on the date the patent is issued. Gross capitalized patent costs were approximately $4.1 million at both December 31, 2006 and 2005, respectively. Accumulated amortization was approximately $1.9 million and $1.7 million at December 31, 2006 and 2005, respectively. The Company recorded patent amortization expense of $0.3 million each of the years ended December 31, 2006, 2005 and 2004, respectively. Capitalized costs related to patent applications are expensed as a selling general and administrative expense in the period during which a determination not to pursue such applications is made. Such expenses were not material in the years ended December 31, 2006, 2005 and 2004, respectively.

Net Loss Per Share

Basic and diluted net loss applicable to common stock per share is computed using the weighted average number of common shares outstanding during the period. Common stock equivalents from stock options and warrants of approximately 8.0 million, 4.3 million and 4.1 million were excluded from the calculation of net loss per share for the years ended December 31, 2006, 2005 and 2004, respectively, because the effect would be antidilutive. In addition, common stock

equivalents from shares underlying the Company's convertible senior notes of 5.8 million, 11.2 million, and 11.2 million were excluded from the net loss per share for the years ended December 31, 2006, 2005 and 2004, respectively, because the effect would be antidilutive. In future periods, if the Company reports net income and the common share equivalents for the Company's convertible senior notes are dilutive, the common stock equivalents will be included in the weighted average shares computation and interest expense related to the notes will be added back to net income to calculate diluted earnings per share.

Foreign Currency Translation

Assets and liabilities of foreign operations where the functional currency is other than the U.S. dollar are translated at fiscal year-end rates of exchange, and the related revenue and expense amounts are translated at the average rates of exchange during the fiscal year. Gains and losses resulting from translating foreign currency financial statements resulted in an immaterial impact to the Company's financial statements for the years ended December 31, 2006, 2005 and 2004.

Comprehensive Income (Loss)

Statement of Financial Accounting Standards (SFAS) No. 130, "*Reporting Comprehensive Income"* requires that all components of comprehensive income (loss) be reported in the financial statements in the period in which they are recognized. Comprehensive income is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Net income (loss) and other comprehensive income (loss), including unrealized gains and losses on investments, shall be reported, net of their related tax effect, to arrive at comprehensive income (loss).

Accounting for Stock-Based Compensation

Effective January 1, 2006, the Company adopted the fair value method of accounting for stock-based compensation arrangements in accordance with Financial Accounting Standards Board (FASB) SFAS No. 123R (SFAS 123R), "*Share-Based Payment,"* which establishes accounting for non-cash, stock-based awards exchanged for employee services and requires companies to expense the estimated fair value of these awards over the requisite employee service period, which for the Company is generally the vesting period. The Company adopted SFAS 123R using the modified prospective method. Under the modified prospective method, prior periods are not revised for comparative purposes. The valuation provisions of SFAS 123R apply to new awards and to awards that are outstanding on the effective date and subsequently modified or cancelled. Estimated non-cash, compensation expense for awards outstanding at the effective date will be recognized over the remaining service period using the compensation cost calculated for pro-forma disclosure purposes under SFAS No. 123, *"Accounting for Stock-Based Compensation."*

Stock-Based Compensation Information under SFAS 123R

Consistent with the valuation method used for the disclosure-only provisions of SFAS 123, the Company uses the Black-Scholes model to estimate the value of non-cash, stock-based payments granted to employees under SFAS 123R. The weighted-average estimated fair value of employee stock options and employee stock purchase rights granted during the year ended December 31, 2006 was $22.07 and **$**12.83 per share, respectively, using the following weighted-average assumptions:

	Year ended December 31, 2006
Stock option plans	
Volatility	52.4%
Expected life in years	5.4
Risk-free interest rate	4.8%
Dividend yield	—%
Employee stock purchase plan	
Volatility	43.2%
Expected life in years	0.5
Risk-free interest rate	4.9%
Dividend yield	—%

The Company estimates volatility based upon the historical volatility of its common stock for a period corresponding to the expected term of its employee stock options and the implied volatility of market-traded options on its common stock with various maturities between six months and two years, consistent with the guidance in SFAS 123R and the Securities and

Exchange Commission's Staff Accounting Bulletin (SAB) No. 107. Prior to January 1, 2006, the Company estimated expected volatility based upon the historical volatility of its common stock for a period corresponding to the expected term of its employee stock options. The determination to use implied volatility in addition to historical volatility was based upon the availability of actively traded options on the Company's common stock and the Company's assessment that the addition of implied volatility is more representative of future stock price trends than historical volatility alone.

The expected life of the Company's employee stock options represents the weighted-average period of time that options granted are expected to be outstanding in consideration of historical exercise patterns and the assumption that all outstanding options will be exercised at the mid-point of the then current date and their maximum contractual term.

The risk-free interest rates are based on the yield curve of U.S. Treasury strip securities in effect at the time of grant for periods corresponding with the expected life of the Company's employee stock options. The Company has never paid dividends and does not anticipate doing so for the foreseeable future. Accordingly, the Company has assumed no dividend yield for purposes of estimating the fair value of its stock-based payments to employees.

Stock-based compensation expense recognized in accordance with SFAS 123R is based on awards ultimately expected to vest, and therefore is reduced by expected forfeitures. The Company estimates forfeitures based upon historical forfeiture rates, and will adjust its estimate of forfeitures if actual forfeitures differ, or are expected to differ, from such estimates. Changes in estimated forfeitures will be recognized through a cumulative adjustment in the period of the change and will also impact the amount of stock-based compensation expense in future periods. In the Company's pro-forma disclosures required under SFAS 123 for the periods prior to January 1, 2006, the Company accounted for forfeitures as they occurred.

The Company recorded $51.8 million, or $0.42 per share, of total non-cash, stock-based compensation expense for the year ended December 31, 2006, as required by the provisions of SFAS 123R. Stock-based compensation expense capitalized as part of inventory and fixed assets was negligible and there was no impact on the Company's reported cash flows for the year ended December 31, 2006. The breakdown of total non-cash, stock-based compensation expense by operating statement classification is presented below (in thousands):

	Year ended December 31,	
	2006	2005
Selling, general and administrative expenses	$ 28,966	$ 198
Research and development expenses	22,872	235
	$ 51,838	$ 433

Pro-Forma Information under SFAS 123 for Periods Prior to January 1, 2006

Prior to January 1, 2006, the Company accounted for stock-based compensation plans using the intrinsic value method of accounting in accordance with Accounting Principles Board Opinion No. 25 (APB 25), *"Accounting for Stock Issued to Employees,"* and provided the pro-forma disclosures required by SFAS 123. Under APB 25, stock-based compensation expense was generally not recorded because the exercise price of stock options granted was equal to the market value of the Company's common stock on the date of grant, and thus the stock options had no intrinsic value on the date of grant. Under APB 25, the Company recorded $0.4 million of non-cash, stock-based compensation expense during the year ended December 31, 2005 as a result of modifications to the terms of certain outstanding options.

The weighted-average estimated grant date fair value of employee stock options granted during the years ended December 31, 2005 and 2004 was $11.51 and $16.36, respectively and the weighted-average estimated grant date fair value of stock purchase rights during the years ended December 31, 2005 and 2004 was $6.12 and $7.87, respectively using the Black-Sholes model and the following weighted average assumptions:

	Year ended December 31,	
	2005	2004
Stock option plans		
Volatility factor	64%	88%
Weighted-average expected life	5.1	5.8
Risk-free interest rate	3.9%	3.7%
Dividend yield	—%	—%
Employee stock purchase plan		
Volatility factor	40%	45%
Weighted-average expected life	0.8	1.2
Risk-free interest rate	3.7%	3.3%
Dividend yield	—%	—%

SFAS 123R requires the presentation of pro-forma information for periods prior to the adoption of SFAS 123R as if the Company had accounted for all stock-based compensation under the fair value method of SFAS 123. The following table illustrates the effect on net loss and earnings per share as if the Company had applied the fair value recognition provisions of SFAS 123 for the periods presented below (in thousands except per share data):

	Year ended December 31, 2005	2004
Net loss, as reported	$ (206,832)	$ (157,157)
Add: Stock-based employee compensation expense included in reported net loss	433	—
Deduct: Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(40,342)	(34,901)
Pro forma net loss	$ (246,741)	$ (192,058)
Net loss per share:		
Basic and diluted — as reported	$ (1.96)	$ (1.67)
Basic and diluted — pro forma	$ (2.34)	$ (2.04)

Reclassifications

Certain reclassifications have been made to the consolidated financial statements to provide consistent presentation for all periods presented.

Recently Issued Accounting Standards

In July 2006, the FASB issued Interpretation No. 48 (FIN 48) *"Accounting for Uncertainty in Income Taxes,"* which prescribes a recognition threshold and measurement process for recording in the financial statements uncertain tax positions taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on the derecognition, classification, accounting in interim periods and disclosure requirements for uncertain tax positions. The provisions of FIN 48 will be effective for the Company beginning January 1, 2007. The Company is in the process of determining the effect, if any, the adoption of FIN 48 will have on its financial statements.

In September 2006, the FASB issued SFAS No. 157 (SFAS 157) *"Fair Value Measurements."* SFAS 157 establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of SFAS 157 will be effective for the Company beginning January 1, 2007. The Company is in the process of determining the effect, if any, the adoption of SFAS 157 will have on its financial statements.

In September 2006, the Securities and Exchange Commission issued SAB No. 108 *"Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements."* SAB No. 108 addresses quantifying the financial statement effects of misstatements, specifically, how the effects of prior year uncorrected errors must be considered in quantifying misstatements in the current year financial statements. The provisions of SAB No. 108 are effective in the current fiscal year for the Company. The adoption of SAB No. 108 did not have a material impact on the Company's financial statements.

2. Investments

The following is a summary of short-term investments as of December 31, 2006 and 2005 (in thousands):

	Available-for-Sale Securities			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2006				
U.S. Treasury securities and obligations of U.S. Government agencies	$ 67,658	$ —	$ (47)	$ 67,611
Corporate debt securities	331,881	66	(38)	331,909
Asset backed securities	115,596	238	(33)	115,801
Mortgage-backed securities	182,084	407	(211)	182,280
Debt securities issued by states of the United States and political subdivisions of the states	3,090	—	—	3,090
Total	$ 700,309	$ 711	$ (329)	$ 700,691
December 31, 2005				
U.S. Treasury securities and obligations of U.S. Government agencies	$ 57,635	$ 1	$ (203)	$ 57,433
Corporate debt securities	157,193	16	(204)	157,004
Asset backed securities	117,217	9	(381)	116,846
Mortgage-backed securities	34,797	1	(219)	34,579
Debt securities issued by states of the United States and political subdivisions of the states	5,535	—	—	5,535
Total	$ 372,377	$ 27	$ (1,007)	$ 371,397

The gross realized gains on sales of available-for-sale securities totaled approximately $0.6 million, $72,000 and $45,000 and the gross realized losses totaled $0.8 million, $0.3 million and $0.6 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Contractual maturities of short-term investments at December 31, 2006 were as follows (in thousands):

	Fair Value
Due within 1 year	$ 193,056
After 1 but within 5 years	375,489
After 5 but within 10 years	28,498
After 10 years	103,648
Total	$ 700,691

For purposes of these maturity classifications, the final maturity date is used for securities not due at a single maturity date, which, for the Company includes asset-backed and mortgage-backed securities.

The following table shows the gross unrealized losses and fair value of the company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2006 (in thousands):

	Less then 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities and obligations of U.S. government agencies	$ 67,610	$ (47)	$ —	$ —	$ 67,610	$ (47)
Corporate debt securities	71,785	(38)		—	71,785	(38)
Asset backed securities	36,680	(16)	3,476	(17)	40,156	(33)
Mortgage-backed securities	38,437	(77)	38,294	(134)	76,731	(211)
	$ 214,512	$ (178)	$ 41,770	$ (151)	$ 256,282	$ (329)

The unrealized losses on the Company's investments are due to increased interest rates, and not credit quality. Because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2006.

3. Other Financial Information

Inventories consist of the following (in thousands):

	December 31,	
	2006	2005
Raw materials	$ 37,564	$ 21,395
Work-in process	12,589	2,576
Finished goods	9,146	2,779
	$ 59,299	$ 26,750

Other current assets consists of the following (in thousands):

	At December 31,	
	2006	2005
Interest and other receivables	$ 4,889	$ 3,388
Prepaid expenses	17,209	14,459
	$ 22,098	$ 17,847

Property and equipment consists of the following (in thousands):

	At December 31,	
	2006	2005
Land	$ 1,946	$ 1,878
Office equipment and furniture	20,053	12,189
Computer Software	17,054	11,037
Laboratory equipment	20,822	13,609
Production equipment	6,940	4,396
Leasehold improvements	23,692	9,864
Construction in progress	86,730	7,684
	177,237	60,657
Less accumulated depreciation and amortization	(30,458)	(18,607)
	$ 146,779	$ 42,050

Other current liabilities consist of the following (in thousands):

	At December 31,	
	2006	2005
Accrued property and equipment additions	$ 21,219	$ —
Accrued commercial expenses	9,302	6,722
Other current liabilities	40,657	20,732
	$ 71,178	$ 27,454

4. Collaborative Agreements

Collaboration with Eli Lilly and Company

In September 2002, the Company and Lilly entered into a collaboration agreement for the global development and commercialization of exenatide, including both twice-daily and sustained release formulations. Under the terms of the agreement Amylin and Lilly will share United States development and commercialization costs equally.

The Company and Lilly share equally in operating profits from the sale of collaboration products in the United States. In 2005, the Company received United States Food and Drug Administration (FDA) approval for the twice-daily formulation of exenatide, which is marketed in the United States under the trade name BYETTA.

At signing, Lilly made initial non-refundable payments to the Company totaling $80 million, of which $50 million was amortized to revenues under collaborative agreements prior to 2004. The remaining $30 million is being amortized to revenues ratably over a seven-year period, which represents the Company's estimate of the period of its performance of significant development activities under the agreement.

In addition to these up-front payments, Lilly agreed to make future milestone payments of up to $85 million upon the achievement of certain development milestones, including milestones relating to both twice daily and sustained release formulations of exenatide, of which $40 million have been paid through December 31, 2006. Certain of the potential future development milestone payments may be converted into the Company's common stock, at Lilly's option, if the filing of a New Drug Application, or NDA,with the FDA for exenatide LAR is delayed beyond December 31, 2007. The Company currently does not expect the NDA to be filed by this date. Lilly also agreed to make additional future milestone payments of up to $130 million contingent upon the commercial launch of exenatide in selected territories throughout the world, including both twice-daily and sustained release formulations, of which $30 million have been paid through December 31, 2006.

The following table summarizes the milestones received to date and the manner of recognition in the accompanying consolidated financial statements:

Amount	Year Received	Milestone event	Manner of recognition	Type
$ 30 million	2003	Completion of Phase 3 clinical trials for BYETTA.	Recognized as revenue under collaborative agreements upon receipt.	Development
$ 5 million	2003	Completion of Phase 3 clinical trials for BYETTA.	Deferred upon receipt and recognized as revenue under collaborative agreements in 2005 following contents of approved label for BYETTA.	Development
$ 5 million	2004	Results of clinical study comparing BYETTA to insulin-glargine.	Recognized as revenue under collaborative agreements upon filing of BYETTA New Drug Application in 2004.	Development
$ 30 million	2005	Regulatory approval and commercial launch of BYETTA.	Recognized as revenue under collaborative agreements upon commercial launch of BYETTA in 2005.	Commercial

In October 2006, the Company and Lilly amended their global development and commercialization agreement for exenatide. Prior to amending the agreement, operating profits for exenatide products, including any long-acting release formulations, outside of the United States were shared 80% to Lilly and 20% to Amylin. Under the terms of the amended agreement, effective January 1, 2007, Lilly will pay the Company tiered royalties based upon the annual gross margin for all exenatide product sales, including any long-acting release formulations, outside of the United States. Royalty payments for exenatide product sales outside of the United States will commence after a one-time cumulative gross margin threshold amount has been met. In addition, effective January 1, 2007, Lilly will be responsible for 100% of the costs related to development of twice-daily BYETTA for sale outside of the United States. Development costs related to all other exenatide products for sale outside of the United States will continue to be allocated 80% to Lilly and 20% to the Company. Lilly will continue to be responsible for 100% of the costs related to commercialization of all exenatide products for sale outside of the United States.

The Company recorded revenue under this collaborative agreement of $36.8 million, $53.8 million and $34.3 million in the years ended December 31, 2006, 2005 and 2004, respectively, and incurred reimbursable development expenses of $74.7 million, $37.4 million and $53.0 million in the years ended December 31, 2006, 2005 and 2004, respectively. Reimbursable development expenses consist of direct internal and external expenses for exenatide, including both BYETTA and sustained release formulations.

Collaboration with Alkermes, Inc.

In May 2000, the Company signed an agreement with Alkermes, Inc., a company specializing in the development of

products based on proprietary drug delivery technologies, for the development, manufacture and commercialization of an injectable long-acting formulation of exenatide, or exenatide LAR.

Under the terms of the agreement, Alkermes has granted the Company an exclusive, worldwide license to its Medisorb® technology for the development and commercialization of injectable sustained release formulations of exendins, such as exenatide, and other related compounds that Amylin may develop. In exchange, Alkermes receives funding for research and development and may earn future milestone payments upon achieving specified development and commercialization goals. Alkermes will also receive royalties on any future product sales.

In October 2005, the Company and Alkermes Controlled Therapeutics II, a wholly owned subsidiary of Alkermes, Inc., entered into an Amendment to Development and License Agreement (the "Amendment"), which amends the Development and License Agreement between the parties dated May 15, 2000. Under the terms of the Amendment, the Company will be responsible for manufacturing for commercial sale the once weekly dosing formulation of exenatide LAR, if approved. The royalty to be paid from the Company to Alkermes for commercial sales of exenatide LAR was adjusted to reflect the new manufacturing arrangement.

In December 2005, the Company's wholly-owned subsidiary, Amylin Ohio LLC, purchased an existing building and land to house the facility for approximately $9 million and the Company will be responsible for all costs and expenses associated with the design, construction, validation and utilization of the facility. The Company expects to complete the commercial-scale manufacturing process in the second half of 2008 at a total cost of up to approximately $180 million. At December 31, 2006 the Company had incurred $86.7 million associated with the construction of this facility.

5. Lease Commitments

The Company leases its facilities under operating leases, with various terms, the majority of which expire in 2015. The minimum annual rent on the Company's facilities is subject to increases based on stated rental adjustment terms of certain leases, taxes, insurance and operating costs. For financial reporting purposes, rent expense is recognized on a straight-line basis over the term of the leases. Accordingly, rent expense recognized in excess of rent paid is reflected as deferred rent. Deferred rent totaled $6.4 million and $5.7 million at December 31, 2006 and 2005, respectively, of which $5.5 million and $5.1 million is included in other long-term obligations, net of current portion in the accompanying consolidated balance sheets at December 31, 2006 and 2005, respectively. Certain of the Company's facility leases contain incentives in the form of reimbursement from the landlord for a portion of the costs of leasehold improvements incurred by the Company. These incentives are recognized as a reduction of rental expense on a straight-line basis over the term of the respective leases. Unamortized leasehold improvement incentives totaled $2.6 million and $3.0 million at December 31, 2006 and 2005, respectively, of which $2.3 million and $2.6 million is included in other long-term obligations, net of current portion in the accompanying consolidated balance sheets at December 31, 2006 and 2005, respectively.

The Company leases vehicles for its field force under operating leases, with lease terms up to four years, of which the first year is non-cancellable. Minimum future payments for the non-cancellable term of these leases are $0.9 million at December 31, 2006.

Minimum future annual obligations for facility and vehicle operating leases for years ending after December 31, 2006 are as follows (in thousands):

2007	$ 11,435
2008	10,805
2009	9,202
2010	6,632
2011	6,745
Thereafter	22,686
Total minimum lease payments	$ 67,505

Rent expense for the years ended December 31, 2006, 2005 and 2004, was $9.8 million, $10.1 million and $8.2 million, respectively.

6. Convertible Senior Notes

In April 2004, the Company issued $200 million aggregate principal amount of 2.5% convertible senior notes due

April 15, 2011 in a private placement, referred to as the 2004 Notes. The 2004 Notes have been registered under the Securities Act of 1933, as amended, or the Securities Act, to permit registered resale of the 2004 Notes and of the common stock issuable upon conversion of the 2004 Notes. The 2004 Notes bear interest at 2.5% per year, payable in cash semi-annually and are convertible into a total of up to 5.8 million shares of common stock at a conversion price of $34.35 per share, subject to customary adjustments for stock dividends and other dilutive transactions. The Company capitalized $0.6 million of interest expense for the year ended December 31, 2006 associated with construction in progress. The Company incurred debt issuance costs of $6.4 million in connection with the issuance of the 2004 Notes, which are being amortized to interest expense on a straight-line basis over the term of the 2004 Notes and had a net book value of $3.9 million and $4.8 million at December 31, 2006 and 2005, respectively. Amortization expense associated with these debt issuance costs were $0.9 million, $0.9 million and $0.7 million in the years ended December 31, 2006, 2005 and 2004, respectively. The fair value of the 2004 Notes, determined by observed market prices, was $252.0 million and $262.0 million at December 31, 2006 and 2005, respectively.

Upon a change in control, the holders of the 2004 Notes may elect to require the Company to re-purchase the 2004 Notes. The Company may elect to pay the purchase price in common stock instead of cash, or a combination thereof. If paid with common stock the number of shares of common stock a holder will receive will be valued at 95% of the average closing prices of our common stock for the five-day trading period ending on the third trading day before the purchase date.

7. Redemption of Convertible Senior Notes

In June and July 2003, the Company issued $175 million of 2.25% convertible senior notes due June 30, 2008 in a private placement referred to as the 2003 Notes. The 2003 Notes were convertible into a total of up to 5.4 million shares of common stock at a conversion price of approximately $32.55 per share. The 2003 notes were provisionally redeemable in whole or in part, at the Company's option at any time on or after June 30, 2006, upon the satisfaction of certain conditions, at specified redemption prices plus accrued interest. The Company called the notes for redemption in July 2006 and issued approximately 5.4 million shares of its common stock to note holders upon the conversion of all of the outstanding 2003 Notes in August 2006. In connection with the conversion, the Company also issued 180,005 shares as a make-whole payment, representing $112.94 per $1,000 principal value of the converted 2003 Notes less interest actually paid. The Company recorded as a one-time, non-cash, non-operating charge of $7.9 million for the make-whole payment in the quarter ended September 30, 2006. Debt issuance costs of $5.3 million were incurred in connection with the issuance of the 2003 Notes and were being amortized to interest expense on a straight-line basis over the contractual term of the 2003 Notes. Amortization expense associated with these debt issuance costs were $0.7 million, $1.0 million and $1.0 million in the years ended December 31, 2006, 2005 and 2004, respectively. Upon conversion, the $2.0 million unamortized balance of these related debt issuance costs were reclassified to additional paid-in capital.

8. Stockholders' Equity (Deficit)

Stock-based Compensation Plans

Stock Option Plans

The Company has two stock option plans under which it currently grants stock options: the 2001 Equity Incentive Plan, or the 2001 Plan, which replaced the 1991 Stock Option Plan, or the 1991 Plan, upon the 1991 Plan's expiration in October 2001, and the 2003 Non-Employee Directors' Stock Option Plan, or the 2003 Directors' Plan. Under the 2003 Directors' Plan, non qualified stock options and restricted stock may be granted to non-employee directors of the Company. The 2003 Directors' Plan provides for automatic stock option grants to non-employee directors upon their initial appointment or election to the Company's Board of Directors and are issued from shares authorized under the 2001 Plan. Options granted under the 1991 Plan remain outstanding until exercised or cancelled.

To date, stock-based compensation awards under the 1991 Plan, the 2001 Plan and the 2003 Directors' Plan consist primarily of incentive and non-qualified stock options. Stock options granted under the 2001 Plan and the 2003 Directors' Plan must have an exercise price equal to at least 100% of the fair market value of the Company's common stock on the date of grant, have a maximum contractual term of 10 years and generally vest over four years. At December 31, 2006, an aggregate of 23.8 million shares were reserved for future issuance under the Company's stock option plans, of which 7.6 million shares were available for future grants.

A summary of stock option transactions for all stock option plans is presented below:

	Shares (thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (thousands)
Options outstanding at December 31, 2005	15,736	$ 17.47		
Granted	3,571	$ 42.02		
Exercised	(2,454)	$ 13.76		
Cancelled/Forfeited	(640)	$ 27.03		
Options outstanding at December 31, 2006	16,213	$ 23.10	7.22	$ 231,125
Options exercisable at December 31, 2006	8,814	$ 16.71	5.99	$ 171,172
Options vested and expected to vest	15,767	$ 22.82	7.17	$ 228,181

The total intrinsic value of stock options exercised was $74.8 million, $28.6 million and $9.9 million during the years ended December 31, 2006, 2005 and 2004, respectively. The Company received cash from the exercise of stock options of $31.6 million, $16.0 million, and $4.5 million during the years ended December 31, 2006, 2005 and 2004, respectively. The Company did not record any tax benefits related to the exercise of employee stock options due to its net loss position. Upon option exercise the Company issues new shares of its common stock.

At December 31, 2006, total unrecognized estimated non-cash, stock-based compensation expense related to nonvested stock options granted prior to that date was $108.3 million, with a weighted-average amortization period of 2.6 years. The Company records non-cash, stock-based compensation expense for options with pro-rata vesting on a straight-line basis over the awards' vesting period.

Employee Stock Purchase Plan

The Company's 2001 Employee Stock Purchase Plan, or the 2001 Purchase Plan, enables participants to contribute up to 15% of their eligible compensation for the purchase of the Company's common stock at the lower of 85% of the fair market value of the Company's common stock (i) on the employee's enrollment date or (ii) the purchase date. The terms of any offerings under the 2001 Purchase Plan are established by the Compensation and Human Resources Committee of the Board of Directors. In May 2006, the Compensation and Human Resources Committee approved a series of four consecutive six-month offerings commencing on September 1, 2006. At December 31, 2006, 0.7 million shares were reserved for future issuance under the 2001 Purchase Plan.

The total intrinsic value of purchase rights exercised was $10.4 million, $0.6 million and $1.4 million during the years ended December 31, 2006, 2005 and 2004, respectively. At December 31, 2006, total unrecognized non-cash, compensation expense for nonvested purchase rights granted prior to that date was $0.5 million, with a weighted-average amortization period of 0.2 years.

Stock Warrants

The Company has warrants outstanding, which were granted in 1997 and 2000, to purchase a total of 1.6 million shares of its common stock. The warrants are exercisable at prices from $10.01 to $12.00 and expire through March 2008.

Shares Reserved for Future Issuance

The following shares of common stock are reserved for future issuance at December 31, 2006 (in thousands):

Stock Option Plans	23,801
Stock Purchase Plan	676
Directors' Deferred Compensation Plan	21
Stock Warrants	1,626
401(k) Plan	382
Convertible Senior Notes	5,822
	32,328

Issuance of Common Stock

In February 2005, the Company completed a public offering of 9.2 million shares of its common stock at a price of $22.00 per share. This transaction generated net proceeds of approximately $190 million for the Company and was completed pursuant to a $300 million universal shelf registration statement initially filed with Securities and Exchange Commission in December 2003.

In September 2005, the Company completed a public offering of 5.1 million shares of its common stock at a price of $31.00 per share. This transaction generated net proceeds of approximately $152 million for the Company and was completed pursuant to shelf registration statements previously filed with Securities and Exchange Commission in 2001 and 2003.

In April 2006, the Company completed a public offering of 11.5 million shares of its common stock at a price of $46.50 per share. This transaction generated net proceeds of approximately $508 million for the Company and was completed pursuant to a shelf registration statement filed with Securities and Exchange Commission in March 2006.

Shareholder Rights Plan

In June 2002, the Company adopted a Preferred Share Purchase Rights Plan (the "Rights Plan"). The Rights Plan provides for a dividend distribution of one preferred stock purchase right (a "Right") for each outstanding share of the Company's common stock, par value $0.001 per share, held of record at the close of business on June 28, 2002. The Rights are not currently exercisable. Under certain conditions involving an acquisition or proposed acquisition by any person or group of 15% or more of the Company's common stock, the Rights permit the holders (other than the 15% holder) to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value $0.001 per share (the "Preferred Shares") at a price of $100 per one one-hundredth of a Preferred Share, subject to adjustment. Each one one-hundredth of a share of Preferred Shares has designations and powers, preferences and rights and the qualifications, limitations and restrictions which make its value approximately equal to the value of one share of the Company's common stock. Under certain conditions, the Rights are redeemable by the Company's Board of Directors in whole, but not in part, at a price of $0.001 per Right.

9. Benefit Plans

The Company has a defined contribution 401(k) plan for the benefit of all eligible employees. Discretionary matching contributions are based on a percentage of employee contributions and are funded by newly issued shares of the Company's common stock. The fair market value of matching contributions made by the Company for the benefit of its employees in 2006, 2005 and 2004 were $6.0 million, $2.7 million and $1.0 million, respectively.

In August 1997, the Company adopted a Non-Employee Directors' Deferred Compensation Plan (the "Directors' Deferral Plan") that permits participating non-employee directors to elect, on an annual basis, to defer all or a portion of their cash compensation in a deferred stock account, pursuant to which the deferred fees are credited in the form of phantom shares of the Company's common stock, based on the market price of the stock at the time the fees are earned. Deferred amounts are valued at the fair market value of the Company's common stock at each reporting date and are included in accrued compensation in the accompanying consolidated balance sheets. Upon termination of service the director's account is settled in either cash or stock, at the Company's discretion. The Company recorded expense associated with this plan of $0.1 million, $1.3 million and $0.3 million for the years ended December 31, 2006, 2005 and 2004, respectively.

The Company adopted a Deferred Compensation Plan in April 2001, which allows officers and directors to defer up to 100% of their annual compensation. The trust assets, consisting of primarily cash, mutual funds and equity securities are recorded at current market prices. The company-owned assets are placed in a "rabbi trust" and are included in other current assets in the accompanying consolidated balance sheets. The trust assets had a fair value of $6.1 million and $4.9 million at December 31, 2006 and 2005, respectively, including unrealized gains of approximately $0.8 million and $0.5 million at December 31, 2006 and 2005, respectively. Unrealized gains on the trust assets are included in accumulated other comprehensive income (loss) in the accompanying consolidated balance sheets. The corresponding liability was $6.1 million and $4.9 million at December 31, 2006 and 2005, respectively, of which $6.1 million and $4.8 million are included in other long-term liabilities, net of current portion in the accompanying consolidated balance sheets at December 31, 2006 and 2005, respectively. The current portion of the corresponding liability is included in accrued compensation in the accompanying consolidated balance sheets at December 31, 2006 and 2005. Total contributions to this plan, consisting solely of compensation deferred by participants, were $1.0 million, $1.2 million and $1.0 million for the years ended December 31, 2006, 2005 and 2004, respectively.

10. Income Taxes

Significant components of the Company's deferred tax assets as of December 31, 2006 and 2005 are shown below (in thousands). A valuation allowance of approximately $535 million has been recognized at December 31, 2006 to offset the deferred tax assets, as realization of such assets has not met the more likely than not threshold under SFAS No 109, *"Accounting for Income Taxes."*

	2006	2005
Deferred tax assets:		
Net operating loss carryforwards	$ 347,257	$ 301,263
Research tax credits	67,667	52,295
Capitalized research and development expenses	73,824	91,331
Other	46,235	13,183
Total deferred tax assets	534,983	458,072
Valuation allowance for deferred tax assets	(534,983)	(458,072)
Net deferred tax assets	$ —	$ —

Following is a summary of the Company's Federal net operating loss carryforwards, Federal research tax credit carryforwards and California net operating loss carryforwards at December 31, 2006 (in thousands):

	Federal net operating loss carryforwards	California net operating loss carryforwards	Federal research and development tax credit carryforwards
Expiring within one year	$ 3,434	$ —	$ 995
After 1 but within 5 years	109,632	—	4,269
After 5 but within 10 years	—	559,415	—
After 10 years	852,145	—	46,769
	$ 965,211	$ 559,415	$ 52,033

Changes in control have occurred that triggered the limitations of Section 382 of the Internal Revenue Code on the Company's net operating loss carryforwards. The Section 382 limitations were immaterial to the Company's total net operating losses and are reflected in the net operating loss of $965 million presented above.

At December 31, 2006, the Company had Federal net operating loss carryforwards of approximately $965 million, which begin to expire in 2007. The Company also has California net operating loss carryforwards of approximately $559 million, which begin to expire in 2012, and UK net operating loss carryforwards of approximately $8 million, which carry forward indefinitely. The difference between the Federal and California tax loss carryforwards is attributable to the capitalization of research and development expenses for California tax purposes and the prior years' limitation on California loss carryforwards. The Company has Federal research tax credit carryforwards of $52 million, which begin to expire in 2007, and California research tax credit carryforwards of $24 million, which carry forward indefinitely.

As a result of the adoption of SFAS 123R, the Company recognizes windfall tax benefits associated with the exercise of stock options directly to stockholders' equity only when realized. Accordingly, deferred tax assets are not recognized for net operating loss carryforwards resulting from windfall tax benefits occurring from January 1, 2006 onward. A windfall tax benefit occurs when the actual tax benefit realized upon an employee's disposition of a share-based award exceeds the deferred tax asset, if any, associated with the award. At December 31, 2006, deferred tax assets do not include $25 million of excess tax benefits from stock-based compensation.

11. Quarterly Financial Data (Unaudited)

The following financial information reflects all normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the results of the interim periods. Summarized quarterly data for fiscal 2006 and 2005 are as follows (in thousands, except per share data):

	For the quarters ended			
	March 31	June 30	September 30	December 31
2006:				
Net product sales	$ 75,872	$ 108,787	$ 138,798	$ 150,581
Revenues under collaborative agreements	6,474	9,362	8,219	12,782
Gross profit from product sales	66,128	94,102	124,290	139,445
Net loss	(67,901)	(46,394)	(46,140)	(58,421)
Basic and diluted net loss per share (1)	$ (0.61)	$ (0.38)	$ (0.36)	$ (0.45)
2005:				
Net product sales	$ —	$ 8,652	$ 21,872	$ 56,189
Revenues under collaborative agreements	4,262	38,114	4,034	7,351
Gross profit from product sales	—	7,130	17,612	47,187
Net loss	(43,604)	(26,594)	(69,475)	(67,159)
Basic and diluted net loss per share (1)	$ (0.43)	$ (0.26)	$ (0.65)	$ (0.61)

(1) Net loss per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly per-share calculations will not necessarily equal the annual per share calculation.

AMYLIN PHARMACEUTICALS, INC
Schedule II: Valuation Accounts
(in thousands)

	Balance at beginning of period	Additions	Deductions	Balance at end of period
Year ended December 31, 2006				
Inventory reserve	$ 1,618	3,481	4,714	$ 385
Accounts receivable Allowances (1)	$ 1,628	17,203	12,273	$ 6,558
Year ended December 31, 2005				
Inventory reserve	$ 3,100	1,697	3,179	$ 1,618
Accounts receivable allowances (1)	$ —	3,293	1,665	$ 1,628
Year ended December 31, 2004				
Inventory reserve	$ 3,337	3,218	3,455	$ 3,100

(1) Allowances for prompt payment, product returns, doubtful accounts and wholesaler chargebacks.

Exhibit 10.34

Summary Description of Named Executive Officer
Oral At-Will Employment Agreement

With the exception of Ginger L. Graham, our Chief Executive Officer and Daniel M. Bradbury, our President and Chief Operating Officer with whom we have written employment agreements, we maintain oral at-will employment relationships with each of our named executive officers: Alain D. Baron, M.D., Mark G. Foletta, and Orville G. Kolterman, M.D. Each of these executive officers receives our normal and customary employment benefits, generally on the same terms as all of our employees. The benefits include the right to (i) participate in our 401(k) Plan and our Employee Stock Purchase Plan, and (ii) receive stock option grants under our Equity Incentive Plan and cash bonuses under our cash bonus plan. The cash bonus plan is called the Executive Cash Bonus Plan when it applies to those employees with the title of executive director or above. Each of these executive officers is also eligible, along with all of our employees holding the title of vice-president and above, to participate in our Deferred Compensation Plan and our Change in Control Employee Severance Benefit Plan. The Change in Control Plan provides each participant with certain benefits in the event such employee ceases employment with Amylin without cause or under certain specified circumstances and within 90 days prior to, or within 13 months following specified change of control transactions. An eligible employee will receive continuation of salary for 18 months (24 months in the case of the president, chief executive officer or chief operating officer) in normal regular monthly installments and any bonus such employee would otherwise have received under our annual cash bonus plan. We also have customary indemnification agreements with our officers, including these executive officers. In addition, the Compensation and Human Resources Committee of our Board of Directors reviews the salaries of our executive officers from time to time. Ms. Graham's annual salary is currently set at $565,000. Dr. Baron's annual salary is currently set at $375,380, Mr. Bradbury's annual salary is currently set at $480,000, Mr. Foletta's annual salary is currently set at $315,000, and Dr. Kolterman's annual salary is currently set at $375,380.

Exhibit 10.40

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

C O N F I D E N T I A L

COMMERCIAL SUPPLY AGREEMENT

THIS SUPPLY AGREEMENT (the ***"Agreement"***) is entered into as of October 12, 2006 (the ***"Effective Date"***), by and between **AMYLIN PHARMACEUTICALS, INC.** (***"Company"***), having its principal place of business located at 9360 Towne Centre Drive, Suite 110, San Diego, CA 92121, U.S.A., and Wockhardt UK (Holdings) Ltd. (***"Manufacturer"***), having its registered office at Ash Road North, Wrexham Industrial Estate, Wrexham LL13 9UF, United Kingdom.

RECITALS

WHEREAS, Manufacturer is in the business of manufacturing pharmaceutical products;

WHEREAS, Company is engaged in research, development, and commercialization of pharmaceutical products; and

WHEREAS, Company and Manufacturer (then CP Pharmaceuticals Ltd) having previously entered into a Manufacturing Agreement, effective from 28th April 1999 and now mutually wish to supercede such agreement with the terms and conditions set forth herein; and

WHEREAS, Company wishes to purchase from Manufacturer, and Manufacturer is willing to manufacture and supply to Company, the Product (as defined below) in commercial quantities for commercial sale on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and premises contained in this Agreement, the parties hereto agree as follows:

1. Definitions.

1.1 ***"Affiliate***" shall mean an entity that, directly or indirectly, controls, is controlled by or is under common control with a party, where "control" means the possession, direct or indirect, or the power to direct or cause the direction of the management or policies of an entity, whether by ownership of at least 50% of the common stock or voting ownership interest of an entity, by contract or otherwise.

1.2 ***"Applicable Laws***" shall mean all United States and European jurisdiction's federal, state, local and other laws, statutes, rules, regulations, ordinances, (including any amendments thereto), applicable to the manufacture and shipment of Product, including, without limitation, the applicable regulations and guidance of the FDA, all applicable EU cGMPs. Extensions to the aforementioned defined territories shall be the subject of side letters to this Agreement which may be jointly agreed in good faith from time to time between the parties.

1.3 ***"Batch***" shall mean that quantity of units of Product produced from a single homogeneous mix in a single cycle of manufacture.

1.4 ***"Batch Record***" shall mean Manufacturer's documented procedures for compounding, filling, testing, labeling, and packaging Pramlintide Acetate Drug Substance and/or inactive excipients into Product as agreed upon by the parties in writing in advance of manufacture of the applicable Batch.

1.5 ***"Business Day"*** shall mean any Monday, Tuesday, Wednesday, Thursday or Friday which is not a bank holiday in San Diego, California or the United Kingdom.

1.6 ***"Certificate of Analysis"*** shall mean a signed certificate, issued by the party providing a pharmaceutical compound or product, attesting to the nature and/or content, as applicable, of such compound or product.

1.7 ***"cGMP"*** shall mean current good manufacturing practices as defined from time to time (a) in regulations promulgated under the FDCA; (b) the principles and guidelines specified in Chapter II of European Commission Directive 91/356/EEC, including "the rules governing medicinal products" in the European Union Volume 4; and (c) laws, rules, or regulations of an applicable Regulatory Authority at the time of manufacture equivalent to those in (a) and (b) above.

1.8 ***"Confidential Information"*** of a party shall mean all data and information, tangible or intangible, whether in written, graphic, verbal or electronic form, disclosed by such party to the other party, its employees or representatives, or developed for or on behalf of such party by the other party under this Agreement.

1.9 ***"Contaminant"*** means a substance contained in Product that (i) causes Product to fail to meet any Product Requirements or (ii) causes Product to be adulterated within the meaning of the FDCA.

1.10 ***"Control"*** shall mean, with respect to certain rights, possessing ownership of or possessing the right to grant a license to such rights.

1.11 ***"Drug Approval Application"*** shall mean an application and/or supplemental application for Regulatory Approval required before commercial sale or use of Product as a drug in a regulatory jurisdiction.

1.12 ***"Facilities"*** shall mean the manufacturing plant and offices owned by Manufacturer and located at Ash Road North, Wrexham Industrial Estate, Wrexham LL13 9UF,

United Kingdom and a storage and distribution facility owned by Manufacturer and located at Unit B, Spectrum Business Park, Bridge Road South, Wrexham Industrial Estate, Wrexham LL13 9QA, United Kingdom.

1.13 ***"FDA"*** shall mean United States Food and Drug Administration or any successor agency.

1.14 ***"FDCA"*** shall mean the United States Federal Food Drug and Cosmetics Act, as amended, and all regulations promulgated thereunder, or any successor laws and regulations thereto

1.15 ***"Fill Date"*** shall mean that date on which the manufacture of a Batch is actually completed, notwithstanding the date on which the Batch manufacture begins.

1.16 ***"Hidden Defect"*** shall mean a defect that causes Product to fail to conform to the Specifications or to the warranties provided by Manufacturer hereunder, which defect is not discoverable upon reasonable physical inspection and testing performed pursuant to Section 5.3 but is discovered at a later time (*e.g.*, in the course or as a result of long-term stability studies).

1.17 ***"Launch Date"*** shall mean the date of the first commercial sale of Product manufactured using Manufacturer Technology under this Agreement, in a country after approval by appropriate regulatory authorities for market and sale in such country.

1.18 ***"Manufacturing Process"*** shall mean any and all specifications, compositions, identities and quantities of materials, formulas, methods, techniques, processes, procedures and quality control necessary or relevant for manufacture of Product.

1.19 ***"Manufacturer's Technology"*** shall mean the specific and confidential technology which has been developed by Manufacturer for the siliconisation of glass cartridges used in the production of the Product as defined herein and is described further in related standard operating procedures ("SOPs") .

1.20 ***"Materials"*** shall mean raw materials, components, excipients and other ingredients and packaging materials used in the manufacture and packaging of Product.

1.21 ***"OUS Country"*** shall mean any country outside of the United States and its territories.

1.22 ***"Pramlintide Acetate*** or ***Pramlintide Acetate Drug Substance"*** shall mean a dry bulk powder preparation containing pramlintide acetate peptide as provided by Company for further manufacture into Product by Manufacturer.

1.23 ***"Product"*** shall mean the finished dosage form of Pramlintide Acetate, for injection in cartridge presentation as described in **Exhibit B** to this Agreement.

1.24 ***"Product Price"*** shall mean the price for Product set forth in **Exhibit A**.

1.25 ***"Product Requirements"*** shall mean all of the requirements referenced in Section 8.3 of this Agreement.

1.26 ***"Quality Agreement"*** shall mean the (Technical) Quality Agreement between Company and Manufacturer dated as of October 16, 2002, or that agreed in writing on any subsequent date between the parties, which is incorporated into this Agreement by reference and made a part hereof.

1.27 "***Recall Action***" shall have the meaning ascribed to it in Section 5.4 hereof.

1.28 ***"Regulatory Approval"*** shall mean any approvals (including supplements, amendments, pre-marketing and post-marketing approvals, labeling approval, and pricing and reimbursement approvals), licenses, registrations or authorizations of any national, supra-national (*e.g.*, the European Commission or the Council of the European Union), regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity, necessary for the manufacture, distribution, use or sale of Product in a regulatory jurisdiction.

1.29 ***"Regulatory Authority"*** shall mean the FDA in the United States or the MHRA, EMEA or any other applicable regulatory agency or entity having the responsibility, jurisdiction, and authority to approve the manufacture, use, importation, packaging, labeling, marketing, and sale of Product in any additional country, or any successor body to any of them.

1.30 ***"Specifications"*** shall mean the regulatory, manufacturing, quality control and quality assurance procedures, processes, practices, standards, instructions and any other attributes that the parties agree upon, or that are otherwise required, in connection with the manufacture of Product, as set forth on **Exhibit B,** as amended from time to time by written agreement of the parties pursuant to Section 4.3.

1.31 ***"Term"*** shall have the meaning provided in Section 9.1.

2. Purchase and Supply.

2.1 **Purchase and Supply Agreement.** During the Term, Company agrees to buy from Manufacturer, and Manufacturer agrees to sell to Company, such quantities of the Product as may be set forth on purchase orders placed by Company in accordance with the provisions hereof.

2.2 **Minimum Orders.** For the time frame beginning on the Effective Date and ending on the first day of the calendar month after the date of the one year anniversary of the date of the first Regulatory Approval of the Product (the ***"Initial Period"***), Company shall only be obligated to purchase, and Manufacturer shall only be obligated to supply, that quantity of Product ordered by Company, which is submitted to Manufacturer via purchase order and Manufacturer accepts via a confirmation. For the time frame beginning on the date the Initial Period ends and ending on the one year anniversary thereof (the ***"Second Period"***), Company agrees to purchase Product from Manufacturer in an amount equal to or greater than [***]

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cartridges. For the time frame beginning on the date the Second Period ends and ending on the one year anniversary thereof (the ***"Third Period"***), Company agrees to purchase Product from Manufacturer in an amount equal to or greater than [***] cartridges. For the time frame beginning on the date the Third Period ends and ending on the one year anniversary thereof (the ***"Fourth Period"***), Company agrees to purchase Product from Manufacturer in an amount equal to or greater than [***] cartridges. For the time frame beginning on the date the Fourth Period ends and ending on the one year anniversary thereof (the ***"Fifth Period,"*** and together with the Initial Period, the Second Period, the Third Period, and the Fourth Period, the ***"Purchase Periods"***), Company agrees to purchase Product from Manufacturer in an amount equal to or greater than [***] cartridges. Not withstanding the foregoing, however, the Parties agree that upon completion of the Initial Period, the Parties shall meet for the purpose of reconsidering each of the foregoing quantities specified for the Third, Fourth and Fifth Periods and shall, prior to the commencement of the Third Period, adjust such quantities, if necessary, upon mutual written agreement. In the event that during any Purchase Period the Company's actual purchases of the Product from Manufacturer are less than the minimum amount specified above for said Purchase Period, Company will pay to Manufacturer the difference between the amount invoiced to Company for its actual purchases during the Purchase Period and the amount that would have been invoiced had Company purchased the minimum amount agreed to for such Purchase Period; *provided*, *however*, (i) Company shall not be obligated to make any such payments if the Agreement has been terminated, and (ii) the Company shall only be obligated to pay for Product supplied to the Company pursuant to this Agreement. In any given calendar quarter, Company shall order [***]% of the minimum quantity, plus or minus [***]%, for the Purchase Period in which the calendar quarter occurs. Following the Fifth Period, Manufacturer may bid, in competition with Company's other manufacturers of the Product, to provide a greater percentage of Company's requirements of the Product. For purposes of this Section 2.2, a "purchase" shall mean the submission by Company of a firm purchase order.

2.3 Forecasts. Beginning within seven (7) days after the Effective Date and at the commencement of every calendar month thereafter, Company shall furnish Manufacturer with non-binding forecasts of [***] Product requirements under this Agreement for the ensuing [***] calendar [***].

2.4 Purchase Orders. Company shall order the Product by submitting written purchase orders, in Company's standard form in effect from time to time, to Manufacturer. Each purchase order shall specify the quantities of the Product ordered which shall be in Batch quantities or multiples thereof, the cartridge size thereof, the desired shipment date for such Product, the pricing, and any special shipping instructions. Company shall submit each purchase order to Manufacturer at least [***] Business Days in advance of the desired shipment date specified in such purchase order. No more than ten (10) Business Days following receipt of each purchase order Manufacturer shall confirm in writing its acceptance of same and shall advise Company of its planned shipment date and its designated lot numbers for the Product. Manufacturer shall make each shipment of the Product in the quantity, cartridge size and on the shipment date specified for it on Company's purchase order, via the mode(s) of transportation and to the party and destination specified on such purchase order. Release samples representing the Manufacturing Process and meeting the requirements set forth in the Batch Record will be shipped within [***] Business Days after the actual Fill Date.

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Manufacturer shall ship the Product which is the subject of the purchase order, subject to Section 5.1, and shall supply copies of the associated documentation as described in the Quality (Technical) Agreement, including the signed Certificate of Analysis and signed certificate of compliance for the Product. Any purchase orders for the Product submitted by Company to Manufacturer shall reference this Agreement and shall be governed exclusively by the terms contained herein except to the extent set forth in the following sentence. The terms and conditions of this Agreement shall supersede any term or condition in any order, confirmation or other document furnished by Company or Manufacturer that is inconsistent with these terms and conditions, except to the extent that any term, provision or condition set forth in a purchase order expressly states that it supersedes any term, provision or condition of this Agreement, unless it is mutually agreed between the parties hereto. If purchase orders are issued less than [***] Business Days in advance of the desired shipment date, Manufacturer shall make commercially reasonable efforts to meet Company's requirements, however Manufacturer's failure to meet such requirements shall not be deemed to be a breach of this Agreement. In the event a purchase order is issued less than [***] Business Days in advance of the desired shipment date, Manufacturer shall advise Company within [***] Business Days whether such purchase order can be fulfilled by the date requested in the purchase order and the parties shall agree upon a delivery date of the requested Product.

3. Prices and Payment.

3.1 Product Price. The Product Price shall be fixed for the Initial Period of this Agreement as specified in **Exhibit A**.

3.2 Purchase Price Adjustment. Upon expiration of the Initial Period, Manufacturer may adjust the Purchase Price of Product to reflect changes in [***], subject to Section 4.1(b). Any such adjustment by Manufacturer shall be notified to Company no less than [***] prior to expiration of the Initial Period. Upon commencement of the Second Period Company and Manufacturer agree to meet [***] to formally review continuous improvement activities and other improvements resulting from experience in operating the Manufacturing Process including [***]. Company and Manufacturer shall work together to obtain process improvements. Net savings or increases in the [***] shall result in reductions or increases respectively in the Purchase Price. [***] resulting from Manufacturer's efficient management of the Manufacturing Process shall not result in reductions in the Purchase Price. Net increases in the cost of the Manufacturing Process due to [***] shall result in increases in the Purchase Price. Net savings in the product cost per unit achieved due to increases in the [***] shall result in corresponding reductions in the Purchase Price. If the parties cannot in good faith agree on the proposed Purchase Price adjustment, the dispute will be discussed between the senior management of both Company and Manufacturer. In no event may Manufacturer increase the Purchase Price following the Initial Period by [***]. The increase will be applicable on [***] of every calendar year.

3.3 Invoices. Upon acceptance by Manufacturer of a purchase order, Manufacturer shall invoice Company for [***]%) of the estimated aggregate Product Price for the purchase order (the "Reservation Fee"). Not withstanding the foregoing, however, the Parties agree that prior to completion of the Initial Period, the Parties shall meet for the purpose of reconsidering the percentage used to determine the Reservation Fee and shall, prior to the

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commencement of the Second Period, adjust such percentage, if necessary, upon mutual written agreement. Upon completion of the manufacture of each purchase order and the submission of a Certificate of Analysis and Certificate of Compliance duly approved by Manufacturer to Company for the batches of Product manufactured for such purchase order Manufacturer shall refund Company the Reservation Fee and invoice Company the Product Price for the quantity of Product manufactured.

3.4 Cancellation Fee. If, after issuing a Purchase Order to the Manufacturer for quantities which are in excess of the minimum order quantities defined in Section 2.2 for that Purchase Period and acceptance by the Manufacturer of such Purchase Order, but before Manufacturer starts work to manufacture for that Purchase Order, the Company subsequently cancels or postpones its order, then Manufacturer shall have the right but not the obligation to charge to Company [***]%) of the product price ("Cancellation Fee"). If, after issuing a Purchase Order to the Manufacturer, the Company subsequently cancels or postpones its order after the Manufacturer has started work to manufacture for that Purchase Order, the Manufacturer shall be entitled to charge to Company [***]%) of the Product Price for that Purchase Order.

3.5 Time for payments shall be of the essence. The Manufacturer reserves the right to charge the lesser of either [***]% or the highest percentage allowed under applicable law, per month on any overdue amount until the date of payment in full save where part or whole payment is withheld by the Company on a specific invoice as a result of a genuine dispute over that invoice or part thereof.

3.6 Method of Payment; Currency. All payments due hereunder to Manufacturer shall be paid to Manufacturer in [***] not later than [***] days following the receipt of the applicable invoice, unless such shipment of Product is rejected in accordance with the provisions of Section 5.3. Company shall make payment by telegraphic transfer to the account number 02140934 at HSBC., 17-19 Regent Street, Wrexham, LL11 1RY, UK, Sort Code 40-47-26 or to such other account of Manufacturer designated in writing to Company. All currency amounts referenced in this Agreement are to [***].

3.8 Effect of Certain Events. In the event of termination or expiration of this Agreement, Manufacturer shall provide reasonable assistance to Company to implement the transfer of manufacturing responsibility for the Product to Company or its designee. Such reasonable assistance shall include transfer of the Manufacturing Process as described in Section 7.7 but always with the exception of Manufacturer Inventions subject to Section 7.2. In the event of termination of this Agreement by Company pursuant to Section 9.2(a) or (b) or 9.3(c), such reasonable assistance will be provided at Manufacturer's expense. In the event of any other termination or expiration of this Agreement, Company shall pay Manufacturer's reasonable and documented costs of providing such assistance. In the event of termination or expiration of this Agreement, Manufacturer will promptly return to Company all unused Pramlintide Acetate Drug Substance provided to Manufacturer pursuant to Section 4.1 hereof and Materials paid for by Company as directed by and at the expense of Company.

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4. Manufacturing.

4.1 Materials.

(a) Except as stated in Section 4.1(b), Manufacturer will obtain any Materials with the exception of Pramlintide Acetate Drug Substance required for the manufacture of the Product, in reasonable quantities consistent with Company's most recent forecast for the Product. All Materials obtained by Manufacturer pursuant to this Section 4.1(a) shall meet the specifications stated in the Quality Agreement and Manufacturer shall order all Materials only from vendors approved in advance by Company. Manufacturer shall ensure all Materials required to manufacture the Batch are released for use, in accordance with Manufacturer's quality system and requirements stated in the then current Quality Agreement, prior to the manufacturing of the Batch. Company shall reimburse the Manufacturer all the costs of all the Materials in stock or on order on behalf of the Company by the Manufacturer, including QC testing costs and disposal costs, if such Materials become redundant at any time if: (i) Company makes a good faith determination not to continue with the commercialization of Product, (ii) Company terminates this Agreement according to Section 9.3(a), (iii) such materials expire due to insufficient demand for Product, or (iv) such materials become obsolete due to a change of specification advised by the Company; *provided, however*, Manufacturer shall use commercially reasonable efforts to either utilize such materials in other areas of its business or to return the materials, and Company shall not reimburse Manufacturer for any such utilized or returned materials. The orders of Materials will be placed keeping in view the future forecasts and delivery lead times. Manufacturer will maintain a safety stock level of at least [***] calendar [***], but no more than [***] calendar [***] of approved Materials unless the minimum procurement quantity for any Material provides sufficient stocks for greater than [***] calendar [***]. For clarification purposes, safety stock includes Materials needed to fulfill forecasts issued by Company pursuant to Section 2.3. Manufacturer and Company will review safety stock levels on a quarterly basis and will mutually agree to make appropriate changes.

(b) Company shall supply to Manufacturer, free of charge, freight and duties prepaid and with transportation insurance paid by Company, quantities of Pramlintide Acetate and Pramlintide Acetate reference standard sufficient to enable Manufacturer to manufacture and perform agreed analytical testing of the quantities of the Product ordered by Company. Pramlintide Acetate will be sampled according to the Quality Agreement and held by Manufacturer under appropriate storage conditions until such time as it is required for manufacture of Product. Manufacturer and Company agree that in the case of Product manufactured prior to satisfactory completion of the first [***] commercial full scale batches (including the process validation batches) of each of the presentations of Product, Manufacturer shall make commercially reasonable efforts to maximize yields but shall not be held liable for losses of Pramlintide Acetate occurring as part of the Manufacturing Process. After satisfactory completion of the first [***] commercial full scale batches of each Product the parties shall meet to agree to a target yield for future production (Target Yield). The Target Yield shall be defined as at least [***]%)] of the average yield of the first [***] batches of each presentations of Product. For clarity, "*satisfactory completion*" of a Batch will not include a Batch with aberrant results. All shipments of Pramlintide Acetate will be accompanied by a Certificate of Analysis indicating the peptide content of such Pramlintide Acetate and such other information as Company may specify and is to arrive approximately thirty (30) days in advance of planned

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Product manufacture to allow for testing. Within fifteen (15) business days of receipt of any Pramlintide Acetate hereunder, Manufacturer will verify the quantity and identity of such shipment of Pramlintide Acetate according to test methods approved and provided by Company and shall inspect the Pramlintide Acetate in accordance with Manufacturer's incoming material inspection procedures. If Manufacturer detects any discrepancies in the Pramlintide Acetate in quantity or in the identity based on the identity testing performed, Manufacturer shall inform Company immediately upon, but no later than five (5) Business Days after, having detected such discrepancies. Manufacturer shall also inform Company of any obvious damage to the Pramlintide Acetate or container received within five (5) Business Days of Manufacturer's receipt thereof. Any rejected Pramlintide Acetate shall be returned at Company's expense and direction. Company shall make all final determinations if Materials are suitable for use in Product manufacturing.

4.2 Manufacture of Product. Manufacturer will manufacture and store Product at the Facilities in accordance with the Quality Agreement, the Specifications, applicable Regulatory Approvals, cGMPs and other Applicable Laws, as then in effect. Manufacturer shall not rework any Batch of the Product without Company' prior written consent, which consent shall not be unreasonably withheld. Manufacturer shall allow an employee of Company (and, with Manufacturer's prior consent, other persons) to be present during all manufacturing of the Product. The Manufacturer shall perform quality control and quality assurance testing to protocols and procedures agreed in writing between the parties prior to shipment of Product to the Company. The Manufacturer shall test a portion of each Batch manufactured for the Company prior to delivering such Batch to the Company, and shall provide a Certificate of Analysis (i) confirming that the Manufacturer followed the agreed methods for the testing of such Product, (ii) containing the quality control and quality assurance test results for such Batch and (iii) confirming that such Batch has been manufactured in accordance with the Batch Records and cGMP. The Manufacturer shall notify the Company immediately of any test failures noted in the manufacture of Product.

4.3 Change in Specifications or Manufacturing Process.

(a) Each party shall notify the other in advance of any proposed changes in Specifications, release testing, stability testing, packaging, Materials, equipment, facilities, processes or procedures used to manufacture Product under this Agreement. No changes in Specifications, release testing, stability testing, packaging or the Materials, equipment, facilities, processes or procedures used to manufacture Product under this Agreement, except changes required by any applicable Regulatory Authority, will be made unless the parties have agreed to such changes in writing prior to adoption of such changes. Any such changes to the Product Specifications, release testing, stability testing, packaging, Materials, equipment, facilities, processes or procedures used to manufacture Product shall be handled in accordance with the procedures established in the Quality Agreement, with costs paid as provided in Section 4.3(b), (c) or (d), as applicable.

(b) In the event Company requests any such changes be made, other than changes described in Section 4.3(d), Manufacturer shall accommodate Company's requested changes to the extent technologically feasible. If such changes would result in material change in the cost of manufacture, then in that event the Product Price may be suitably

modified. If such changes require the purchase of capital equipment, such costs and any related installation and qualification costs will be to the account of the Company and such capital equipment shall be owned by the Company.

(c) In the event Manufacturer requests any such changes be made, other than changes described in Section 4.3(d), and such changes would result in a material increase in Manufacturer's cost of manufacture, all costs reasonably required in connection with such changes shall be paid as mutually agreed by the parties.

(d) In the event changes are requested by a Regulatory Authority or required to bring either of the Facilities into compliance with Applicable Laws, or additional changes, activities, or manufacturing is required to bring the Manufacturing Process into compliance with Applicable Laws, Specifications or other Product Requirements, Manufacturer shall accommodate such changes to the extent technologically feasible, and all costs reasonably required in connection with such changes, activities, or manufacturing shall be borne by the Manufacturer. In such an event the Product Price may be suitably revised to accommodate such changes.

4.4 Regulatory Matters.

(a) Manufacturer shall provide to Company such documentation, data and other information relating to the Facilities, Product, or Manufacturer's Manufacturing Processes and procedures for Product as Company may request for submission to Regulatory Authorities.

(b) Company shall be responsible for all filings necessary for Regulatory Approvals. The parties agree that Company shall be the sole and exclusive owner of all right, title and interest in and to all Drug Approval Applications and Regulatory Approvals related to the Product in the United States and any OUS Country. Manufacturer shall assist Company in the preparation of all documents necessary to effectuate Company's rights in all Drug Approval Applications and Regulatory Approvals related to the Product and agrees to transfer, effect, confirm, perfect, record, preserve, protect and enforce all rights, title and interests transferred hereunder, at the reasonable request and expense of Company. Manufacturer will use commercially reasonable efforts to assist Company in obtaining such Regulatory Approvals. For the avoidance of doubt, Company has sole responsibility for the content of all Drug Approval Applications. This Agreement automatically terminates if Amylin terminates development of the Product following final rejection of the Product by the FDA.

4.5 Compliance with Quality Agreement and Applicable Laws. The parties shall comply with the terms and conditions of the Quality Agreement. Manufacturer shall comply with all Applicable Laws with respect to activities under this Agreement. Manufacturer represents and warrants to Company that it has and will maintain during the Term all establishment licenses and permits, including without limitation health, safety and environmental permits, necessary for the conduct of Manufacturer's activities under this Agreement.

4.6 Manufacturer Facilities. Manufacturer warrants and represents that it has, and will maintain, all licenses, permits and approvals necessary to fulfill its obligations

under this Agreement. Manufacturer covenants to design and operate the facilities it uses to manufacture, package, test, or store Product to successfully pass inspections conducted by regulatory authorities. Manufacturer agrees to maintain appropriate security measures at its facilities no less stringent than measures that are customary in the pharmaceutical industry.

4.7 QA Audits. Upon written notice of no less than [***] Business Days for routine audits to Manufacturer, Company shall have the right to have representatives visit the Facilities during normal business hours to review Manufacturer's manufacturing operations, assess its compliance with cGMPs and quality assurance standards, and discuss any related issues with Manufacturer's manufacturing and management personnel. Manufacturer shall maintain the Facilities in accordance with cGMPs. Manufacturer's failure to correct any cGMP deficiency regarding any aspect of Manufacturer's manufacture within a reasonable time period after notice of such deficiency shall be a material breach of this Agreement. Upon reasonable notice, the Manufacturer will allow employees of the Company access to the Facility, documentation, and personnel to audit and for observation of the production process and quality control testing of the Product, disposal of waste and adherence to cGMP requirements and this Agreement. During such inspections, employees of the Company (number of persons should be restricted to not more than [***]) shall have the right to audit any aspect of the Manufacturers manufacture of Product, and such audit may include, without limitation, verification of Manufacturers maintenance of drug establishment registrations with the FDA and other applicable Regulatory Authorities, and review of conditions and documentation of any aspect of manufacture of Product.

4.8 Regulatory Inspections. Manufacturer agrees to permit the FDA and other Regulatory Authorities to inspect any aspect of Manufacturer's manufacture and testing of the Product including, without limitations, any pre-approval inspection ("PAI"). Manufacturer shall cooperate with Company, and with any Regulatory Authority, as necessary to facilitate prompt approvals by such Regulatory Authority of the Manufacturing Process or testing process for the Product, including preparation and submission of necessary data relating to the manufacturing or testing processes, including without limitation any PAI or subsequent inspection. Manufacturer shall notify Company if either or both of the Facilities are the subject of an inspection by any Regulatory Authority or any compliance inspection relating to, or that could reasonably be expected to, affect the manufacture or storage of the Product or its production at the Facilities. Manufacturer shall provide such notification, by telephone and fax, as soon as Manufacturer becomes aware of the inspection, but not later than two (2) Business Days from the time Manufacturer becomes aware of the inspection. In connection with any such inspection, including without limitation a PAI, Manufacturer shall allow employees or representatives of Company to be present during the inspection. Manufacturer shall allow Company to participate in the formulation of any response to regulatory inspections or any other issues raised by any Regulatory Authority related to Product. Manufacturer will also simultaneously provide Company with photocopies of any responses provided to any Regulatory Authority, including, without limitation, responses to any FDA 483 or similar reports. Manufacturer shall keep Company fully informed as to any Manufacturer communication with any Regulatory Authority related to Product.

4.9 Investigation of Failed Batch. Manufacturer shall investigate, and cooperate fully with Company in investigating any Batch that fails to meet the Product

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Requirements or that incurs a significant deviation from expected Manufacturing Process. Manufacturer shall keep Company informed of the status of any investigation and, upon completion of the investigation, shall provide Company with a final written report describing the cause of the failure or deviation and summarizing the results of the investigation.

4.10 Documentation. Manufacturer shall keep complete, accurate and authentic accounts, notes, data and records of the work performed under this Agreement, including, without limitation, master production and control records and Product complaint files, in accordance with Applicable Laws. In addition, Manufacturer shall retain and store samples of each Batch only as required by Applicable Laws. The sample size shall be twice the size necessary to conduct quality control testing. Manufacturer shall retain such records and samples for the periods required by Applicable Laws. Upon Company's request, Manufacturer shall make available copies of such records and portions of the samples to Company. After such time period, Manufacturer shall notify Company prior to destroying such records and samples and, at Company's request and expense, shall provide copies of such records and any remaining samples to Company. The Manufacturer shall not be obliged to retain any samples thereafter and after due intimation to the Company, the Manufacturer shall destroy the remaining samples.

4.11 Complaints and Adverse Reaction. Each party shall promptly advise the other of any complaints, adverse reaction reports, safety issues or toxicity issues relating to Product of which it becomes aware, which may be the result of, or have an effect on, the manufacturing or packaging operations performed by Manufacturer. Company shall be responsible for all reporting of such information to Regulatory Authorities.

4.12 Labeling; Trademark. Manufacturer shall affix labeling to the Product as directed by Company. Nothing in this Agreement gives Manufacturer the right to use any trademark or trade name of Company except as specified in writing by Company. Manufacturer shall not affix any label, stamp or other mark identifying Manufacturer as the source of the Product except as instructed in writing by Company or as may be required by Applicable Laws.

5. Delivery and Acceptance.

5.1 Delivery. Unless otherwise agreed by the parties in writing, all shipments shall be shipped FCA (Incoterms 2000) the Facilities by air freight to the destination specified by Company in the applicable purchase order. Manufacturer shall make each shipment of the Product in the quantity, cartridge size and on the shipment date specified for it on Company's purchase order, via the mode(s) of transportation and to the party and destination specified on such purchase order. Manufacturer will package and ship the Product in accordance with Manufacturer's customary practices for pharmaceutical products, unless otherwise specified by Company. Manufacturer shall deliver Product ordered by Company on the scheduled delivery dates set forth in the relevant purchase orders, subject to the provisions of Section 2.4. If Company is not ready to accept shipment of Product on the date Manufacturer is prepared to ship Product, then Manufacturer shall store Product in a manner consistent with customary practices for pharmaceutical products and Company shall pay Manufacturer a commercially reasonable storage fee. Company and Manufacturer agree to negotiate the amount of such storage fee in good faith.

5.2 Title. Title to all Pramlintide Acetate shall at all times remain in Company. Title to all Materials other than Pramlintide Acetate, work in progress to produce Product, and all completed Product (except Pramlintide Acetate contained therein) shall remain with Manufacturer until delivery of such Product to carrier designated by the Company. Notwithstanding the foregoing, and regardless of whether delivery of Product to Company has occurred under Section 5.1, Manufacturer shall bear all risk of loss with respect to, and shall insure, all Product until transfer by Manufacturer to a carrier for shipment as directed by Company in the applicable purchase order.

5.3 Acceptance and Rejection.

(a) Concurrent with the delivery of any Batch, Manufacturer shall provide Company with all documentation required to be provided to Company under the Quality Agreement, including, without limitation, a Certificate of Analysis and Certificate of Compliance for such Batch. Company may reject delivery of any Batch that does not conform with the Product Requirements. Any such notice of rejection shall be in writing and shall indicate the reasons for such rejection.

(b) In order to reject delivery of a Batch, Company must give written notice to Manufacturer of Company' rejection of any delivery within [***] days after receipt of such delivery. If no such notice of rejection is received, Company shall be deemed to have accepted such delivery of the Batch [***] days after delivery of the Batch, except in the case of Hidden Defects. If Company discovers in a Batch a Hidden Defect, such as a Contaminant, at any time after acceptance of such Batch, Company shall notify Manufacturer within [***] days of discovering such Hidden Defect and shall have the right to reject the Batch under the procedures regarding rejection set forth in Section 5.3(c), (d) and (e), as applicable.

(c) After notice of rejection is given, Company shall cooperate with Manufacturer in determining whether rejection is justified. Manufacturer shall notify Company as promptly as reasonably possible (and in any event within [***] days after notice of rejection from Company) if Manufacturer does not agree that such rejection is justified. If no such notice from Manufacturer is received, Manufacturer shall be deemed to agree that such rejection is justified. Should Company reject any Batch and Manufacturer agree that such rejection is justified or if applicable, a third party determines such rejection is justified pursuant to the provisions of Section 5.3(d), Manufacturer shall (i) reimburse amounts paid to Manufacturer by Company pursuant to Section 3.1. and (ii) shall manufacture and supply the next Batch of Product ordered by Company at no cost to Company. Compliance with the provisions of this Section 5.3(c) and 5.3(d) and 5.3(e) shall be Manufacturer's sole liability to Company where Company rejects a Batch of and either Manufacturer agrees, or a third party determines under Section 5.3(d), that such rejection is justified, subject only to Section 10.4.

(d) If Manufacturer in good faith disagrees with Company's determination that rejection of a Batch is justified, certain of the Product in such Batch shall be submitted to a mutually acceptable third party laboratory or expert. Such third party shall determine whether such Product meets the Specifications, and the parties agree that such third party's determination shall be final and determinative. The party against whom the third party tester/expert rules shall bear all costs of the third party testing. Whether or not Manufacturer

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accepts Company's basis for rejection, promptly on receipt of a notice of rejection of a Batch, Manufacturer shall replace such rejected Batch within [***] days. If the third party tester/expert rules that the Batch meets Specifications and those warranties pursuant to Sections 8.3 (a), (b), (c), (d) and (e), Company shall purchase that Batch at the agreed-upon price, irrespective of whether Manufacturer has already replaced it. All replacement Product shall be invoiced as well and Company shall pay for such Product as otherwise provided under the terms of this Agreement. If third party tester/expert agrees that rejection was justified then Manufacturer shall (i) reimburse Company amounts paid by Company pursuant to Section 3.1 and (ii) shall manufacture and supply the next Batch of Product ordered by Company at no cost to Company. Compliance with the provisions of this Section 5.3(d) and payment of the costs in Section 5.3(e) shall be Manufacturer's sole only liability to Company where Company rejects a Batch of and either Manufacturer agrees, or a third party determines under Section 5.3(d), that such rejection is justified, subject only to Section 10.4. Manufacturer shall have no further liability to the Company in respect of such Batch except to what is stated herein.

(e) Company may not destroy any Batch until [***] days after rejection unless, prior to that date, Company receives written notification from Manufacturer that Manufacturer does not agree that such rejection is justified or that Manufacturer requests return of such rejected Batch. Company shall destroy such rejected Batch promptly at Manufacturer's cost and provide Manufacturer with certification of such destruction. Company shall, upon receipt of Manufacturer's request for return, promptly return such Batch to Manufacturer, at Manufacturer's cost.

5.4 Recalls and Similar Actions.

(a) If there is a recall, withdrawal or field correction with respect to, or any governmental seizure of, Product ("Recall Action"), which Recall Action is considered by the Company to be due in part to a failure of the Manufacturer to comply with its warranties stated in Section 8.3 of this Agreement then Company will notify Manufacturer promptly of the details regarding such Recall Action, including providing copies of all relevant documentation concerning such Recall Action. Manufacturer will assist Company in investigating any such Recall Action, if Company so requests, and all regulatory contacts that are made and all activities concerning such Recall Action will be initiated and coordinated by Company with Manufacturer's involvement and assistance, as reasonably requested by Company.

(b) If any Recall Action occurs which is considered by the Company to be due in part to a failure of the Manufacturer to comply with its warranties stated in Section 8.3 of this Agreement and Manufacturer agrees with said consideration then Manufacturer shall, to the extent and only to the extent of its relative responsibility, bear the cost and expense of any such Recall Action. Therefore, if both Manufacturer and Company contribute to the cause of such a Recall Action, the cost and expense thereof will be shared in proportion to each party's contribution to the problem.

(c) If any Recall Action occurs which is considered by the Company to be due in part to a failure of the Manufacturer to comply with its warranties stated in Section 8.3 of this Agreement and Manufacturer disagrees with said consideration then the parties shall refer to a mutually acceptable third party expert. Such third party shall determine if Manufacturer

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has complied with its warranties stated in Section 8.3. If such a determination is made Manufacturer shall have no liability towards the cost and expense of the Recall Action. If the third party determines Manufacturer has not complied with its warranties stated in Section 8.3 Manufacturer shall, to the extent and only to the extent of its relative responsibility, bear the cost and expense of any such Recall Action.

6. Protection of Confidential Information.

6.1 Confidentiality. During the Term and for a period of ten (10) years thereafter, each party (the ***"Receiving Party"***) agrees with respect to any Confidential Information of the other party (the ***"Disclosing Party"***):

(a) To use such Confidential Information only for the purposes set forth in this Agreement;

(b) To receive, maintain and hold the Confidential Information in confidence;

(c) Not to disclose, or authorize or permit the disclosure of, any Confidential Information to any third party without the prior written consent of the Disclosing Party; and

(d) Except as needed to fulfill its obligations hereunder, to return any Confidential Information to the Disclosing Party at the request of the Disclosing Party and to retain no copies or reproductions thereof.

6.2 Limitations. The Receiving Party shall not be obligated to treat as Confidential Information, information that the Receiving Party can show by competent written evidence:

(a) was already known to the Receiving Party without any obligations of confidentiality prior to receipt from the Disclosing Party;

(b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the Receiving Party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure, other than through any act or omission of the Receiving Party in breach of any obligation of confidentiality;

(d) was disclosed to the Receiving Party, other than under an obligation of confidentiality, by a third party who had no obligation not to disclose such information to others; or

(e) was independently discovered or developed by the Receiving Party without the use of the Disclosing Party's Confidential Information.

6.3 Authorized Disclosure. Notwithstanding Section 6.1, the Receiving Party may disclose Confidential Information, without violating the obligations of this Agreement, to the extent the disclosure is required by Applicable Laws or a valid order of a court or other governmental body having jurisdiction; provided that the Receiving Party gives reasonable prior written notice to the Disclosing Party of such required disclosure and makes a reasonable effort to obtain, or to assist the Disclosing Party in obtaining, a protective order preventing or limiting the disclosure and/or requiring that the Confidential Information so disclosed be used only for the purposes for which the law or regulation requires, or for which the order was issued. Further, the Receiving Party may disclose Confidential Information of the Disclosing Party solely to the extent (a) such disclosure is reasonably necessary in advising investors and the investment community of the results of the research, development or commercialization activities hereunder (subject to the prior written consent of the Disclosing Party, which consent will not be unreasonably withheld), or (b) such disclosure is made to Affiliates, employees, consultants or agents to other third parties in connection with due diligence by such Third Parties, or to potential third party investors in confidential financing documents, provided, in each case, that any such Affiliate, employee, consultant, agent or third party is subject to confidentiality and non-use obligations with respect to such information.

6.4 Use of Name/Publicity. Neither party shall use the other party's name in connection with any publication or promotion without the other party's written consent, except as required by federal, state or local laws, rules and regulations. Manufacturer shall not disclose the specific content or terms of this Agreement without the prior written consent of Company.

7. Intellectual Property Rights.

7.1 Company Inventions. All right, title and interest in and to any intellectual property rights in Pramlintide Acetate and Product shall at all times be and remain the sole and exclusive property of Company. Company shall solely own, and shall alone have the right to apply for patents, patent rights and inventor's certificates, on any invention, method, process, discovery or know-how (whether or not patentable) which is conceived solely by Company, its consultants or agents (other than Manufacturer) in the performance of this Agreement (***"Company Inventions"***).

7.2 Manufacturer Inventions. Manufacturer shall solely own, and shall alone have the right to apply for patents, patent rights and inventor's certificates, on any invention, method, process, discovery or know-how (whether or not patentable) which is conceived solely by Manufacturer, its consultants or agents in the performance of this Agreement ***("Manufacturer Inventions"***).

7.3 Joint Inventions. Any invention, method, process, discovery or know-how (whether or not patentable) not conceived solely by either Company and Manufacturer or their respective consultants or agents during the performance of this Agreement (***"Joint Inventions"***) shall be jointly owned by Company and Manufacturer. The law of joint ownership of patents of the United States shall apply to joint ownership of any Joint Inventions inside and outside of the United States. Where appropriate, the parties may engage outside counsel agreeable to both parties (the costs of which shall be borne equally by the parties) to represent

them jointly in the prosecution of patent applications and the maintenance of patents with respect to Joint Inventions.

7.4 Prosecution. Should either party not wish to file, prosecute, maintain or issue a patent application or maintain a patent covering such party's interest in a Joint Invention, then such party (the ***"Granting Party"***) shall, at the other party's election, grant to the other party (i) a perpetual, irrevocable, exclusive (even as to the Granting Party and its Affiliates), worldwide, fully paid-up royalty-free license under the Granting Party's interest in the Joint Invention, with the right to grant sublicenses, to develop, make, have made, use, import, offer to sell, have sold and sell products, and (ii) any necessary authority to file, prosecute, maintain and issue such a patent application or maintain such a patent, all at the expense of the party requesting that such filing be made or action be taken.

7.5 Assistance. Upon request, Company and Manufacturer shall each provide the other with reasonable assistance in obtaining patents and, if necessary, enforcing patent rights in Manufacturer Inventions, Company Inventions or Joint Inventions, as applicable. To that end, each party agrees to assist the other in executing, verifying and delivering such documents and performing such acts as may be reasonably requested by the other party in applying for, obtaining, perfecting, evidencing, sustaining or enforcing the other party's rights in Manufacturer Inventions, Company Inventions or Joint Inventions, as applicable. The party requesting such assistance shall reimburse the assisting party for all reasonable out-of-pocket expenses incurred and provide reasonable compensation for time spent in providing such assistance, except in the case of any patent covered by a Joint Invention, in which case no compensation shall be provided and all expenses shall be [***] by the parties (*i.e.*, [***]% paid by Company and [***]% paid by Manufacturer).

7.6 Infringement. Each party shall promptly notify the other of any potential alleged or threatened infringement of patents claiming any Company Invention, Manufacturer Invention or Joint Invention, or of any allegation by a third party of which it becomes aware that the activity of Company or Manufacturer pursuant to this Agreement infringes a third party's patent rights.

7.7 Manufacturing Process License; Technology Transfer. Manufacturer hereby grants Company a perpetual, irrevocable, exclusive, worldwide, royalty-free, fully paid-up license, with the right to sublicense, to all of Manufacturer's rights in and to the Manufacturing Process, including any Manufacturer Inventions, to use, import, make, have made, offer to sell, have sold and sell Product or any other product containing Pramlintide Acetate; *provided*, *however*, if Company or any sublicensee of Company or any successor business or assignee wishes Manufacturer to assist in the transfer of the Manufacturing Process to another manufacturer, Manufacturer shall have the right to charge a commercially reasonable fee based on FTE rates for providing training and other assistance requested by such party in connection with such technology transfer. Notwithstanding the foregoing, if any such transfer of the Manufacturing Process to a third party results in a transfer of the Manufacturer's Technology, the parties agree to meet for the purpose of determining the appropriate royalty amount to be paid to the Manufacturer.

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8. Representations and Warranties.

8.1 No Inconsistent Obligations. Each party represents and warrants that the terms of the Agreement are not inconsistent with its other contractual arrangements or obligations.

8.2 Due Authorization. Each party represents and warrants that (a) it has full power and authority to enter into this Agreement, (b) this Agreement has been duly authorized by it, and (c) this Agreement is binding upon it.

8.3 Product Warranties. Manufacturer represents and warrants that Product delivered hereunder will:

(a) be manufactured by Manufacturer in accordance with cGMPs and relevant Regulatory Approvals;

(b) conform to the Specifications at the time of delivery;

(c) not contain any Contaminant or be adulterated within the meaning of the FDCA or any other Applicable Law in which the definitions of adulteration are substantially the same as those contained in the FDCA, as such laws are constituted and effective at the time of delivery;

(d) not be an article which may not, under the provisions of Sections 404, 505 of 512 of the FDCA, be introduced into interstate commerce; and

(e) be free and clear of any lien or encumbrance.

Company's remedies and Manufacturer's liability with respect to the warranties set forth in this Section 8.3 are set forth in Section 5.3 (d) above.

8.4 The Company represents, warrants and agrees that:

a) The manufacture of Product as contemplated herein, will not, to the Company's knowledge, infringe any existing patents or any other proprietary rights of third parties, and as of the date hereof Company has not received any notice of any claimed infringement (including without limitation patent infringement) in connection with Pramlintide Acetate.

b) The Company, to the Company's knowledge, and its employees have never been debarred or convicted of a crime for which a person can be debarred, under subsection (a) or (b) of 21 U.S.C. § 335a, as amended, and Company agrees that it does not now and does not intend in the future to use in any capacity the services of any person debarred under subsection (a) or (b) of 21 U.S.C. §335a, as amended. If, during the term of this Agreement, Company or any other person performing under this Agreement becomes debarred or disqualified, or receives notice of an action or threat of an action with respect to debarment or disqualification, Company shall promptly notify Manufacturer.

8.5 No Debarred or Disqualified Persons. Manufacturer represents and warrants that it is not currently and it shall not employ, contract with, or retain any person directly or indirectly to perform any services under this Agreement if such a person (a) is under investigation by the FDA for debarment or is presently debarred by the FDA pursuant to 21 U.S.C. § 335a or its successor provisions or any regulations promulgated thereunder, (b) has a disqualification hearing pending or has been disqualified by the FDA pursuant to 21 CFR § 312.70 or its successor provisions or (c) is subject to similar investigation or disqualification pursuant to any other relevant regulatory authority. In addition, Manufacturer represents and warrants that it has not engaged in any conduct or activity which could lead to any of the above-mentioned disqualification or debarment actions. If, during the Term, Manufacturer or any person employed or retained by it to perform any services under this Agreement (i) comes under investigation by the FDA for a debarment action or disqualification, (ii) is debarred or disqualified, or (iii) engages in any conduct or activity that could lead to any of the above-mentioned disqualification or debarment actions, Manufacturer shall immediately notify Company of same.

8.6 Disclaimer. Except as set forth above, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, AND EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES OF TITLE, NON-INFRINGMENT, MERCHANTIBILITY, AND FITNESS FOR A PARTICULAR PURPOSE.

8.7 Limitation of Liability. NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES IN CONNECTION WITH THIS AGREEMENT OR ANY LICENSE GRANTED HEREUNDER. This Section 8.7 shall not be construed to limit either party's indemnification obligations under Section 10 or to limit remedies available for breach of confidentiality and non-use obligations or for infringement or misappropriation of intellectual property rights.

9. Term and Termination.

9.1 Term. The term of this Agreement shall commence on the Effective Date and, unless terminated earlier as provided herein, shall continue until the expiration of the Fifth Period, subject to renewal by mutual written agreement of the parties (the ***"Term"***).

9.2 Termination by Either Party. A party may terminate this Agreement:

(a) for material breach of this Agreement by the other party upon sixty (60) days' written notice specifying the nature of the breach, if such breach has not been cured within such sixty (60) day period; provided, this Agreement may be terminated immediately if the breach is incapable of remedy or has not been corrected by the breaching party within sixty (60) days after written notice; or

(b) immediately upon written notice to the other party, if the other party makes a general assignment for the benefit of creditors, files an insolvency petition in bankruptcy, petitions for or acquiesces in the appointment of any receiver, trustee or similar

officer to liquidate or conserve its business or any substantial part of its assets, commences under the laws of any jurisdiction any proceeding involving its insolvency, bankruptcy, reorganization (other than a reorganization without insolvency), dissolution, liquidation or any other similar proceeding for the release of financially distressed debtors or becomes a party to any proceeding or action of the type described above and such proceeding or action remains undismissed or unstayed for a period of more than sixty (60) days.

9.3 Termination by Company. Company may terminate this Agreement:

(a) at any time after the expiration of the Fifth Period upon one (1) year's prior written notice to Manufacturer;

(b) at any time prior to the Launch Date in the event that Company makes a good faith determination that it will not continue with the commercialization of Product, upon at least sixty (60) days prior written notice to Manufacturer, and such termination shall be effective at the end of such sixty (60) day period; provided that Company shall remain obligated to pay for Product ordered under any purchase orders issued by Company to Manufacturer prior to such effective termination date.

(c) immediately upon written notice to Manufacturer if Manufacturer (i) has its manufacturing authorizations for the Product suspended or withheld (ii) in the case of a PAI, fails to pass an inspection by a Regulatory Authority (iii) in the case of a regulatory inspection by a Regulatory Authority fails to pass an inspection and has not taken, within one hundred (100) Business Days, such action as is necessary to correct the items cited by the Regulatory Authority.

9.4 Automatic Termination. In the event Company notifies Manufacturer that it has terminated development of Pramlintide Acetate following the receipt by Company of notice of final rejection by the FDA for marketing authorization for commercial sale and distribution of Product in the United States, then this Agreement shall automatically terminate.

9.5 Survival Upon Termination. Expiration or termination of this Agreement will not relieve the parties of any obligation accruing prior to such expiration or termination. Sections 1, 3.8, 4.7, 4.10, 6, 7, 8.3, 8.5, 8.7, 9.5, 9.6, 10, 11 and 12 will survive termination of this Agreement.

9.6 Remedies. In the event of any breach of any provision of this Agreement, in addition to the termination rights set forth herein, each party shall have all other rights and remedies at law or equity to enforce this Agreement.

10. Indemnification.

10.1 By Company. Company agrees to indemnify, defend and hold harmless Manufacturer and its Affiliates and their respective officers, employees and agents (***"Manufacturer Indemnitees"***) from any loss, expense (including reasonable legal counsel fees and expenses), cost, liability or damages (***"Losses"***) incurred by any Manufacturer Indemnitee as

a result of any claim, demand, action or other proceeding by any third party (***"Claim"***) arising out of or related to (a) Company's breach of any representation or warranty made by Company in this Agreement or (b) the handling, possession, storage or use of Product by or on behalf of Company following delivery by Manufacturer to Company, except to the extent Manufacturer is obligated to indemnify Company with respect to such Losses under Section 10.2 or the Losses are based on the negligence or willful misconduct of any Manufacturer Indemnitee. Manufacturer Indemnitees shall promptly and in any event within thirty (30) days notify Company of any known Claim which is the subject of Losses. Manufacturer Indemnitees shall fully cooperate with Company in the defense or settlement of any claim of Losses under this Section 10.1; *provided, however*, that no Manufacturer Indemnitee shall be required to admit fault or responsibility in connection with any settlement. Manufacturer Indemnitees shall have the right to select and to obtain representation by separate legal counsel at its own expense.

10.2 By Manufacturer. Manufacturer shall indemnify, defend and hold harmless Company and its Affiliates and their respective officers, employees and agents (***"Company Indemnitees"***) from and against any and all Losses to which any Company Indemnitee may become subject as a result of any Claim arising out of or related to (a) Manufacturer's breach of any representation or warranty made by Manufacturer in this Agreement or (b) the handling, possession, storage or use of Pramlintide Acetate or Product by or on behalf of Manufacturer prior to delivery of Product by Manufacturer to Company, except to the extent Company is obligated to indemnify Manufacturer with respect to such Losses under Section 10.1 or the Losses are based on the negligence or willful misconduct of any Company Indemnitee. Company Indemnitee shall promptly and in any event within thirty (30) days notify Manufacturer of any known Claim which is the subject of Losses. Company Indemnitees shall fully cooperate with Manufacturer in the defense or settlement of any claim of Losses under this Section 10.2; *provided, however*, that no Company Indemnitee shall be required to admit fault or responsibility in connection with any settlement. Company Indemnitees shall have the right to select and to obtain representation by separate legal counsel at Company's own expense.

10.3 Loss of Pramlintide Acetate Drug Substance. If any Pramlintide Acetate Drug Substance is destroyed, damaged or lost while in Manufacturer's custody, control or storage prior to its use in the manufacture of the Product, Manufacturer's liabilities shall be determined at a rate of [***] US dollars ($[***]) per gram] of Pramlintide Acetate Drug Substance and limited to a maximum of [***] US dollars ($[***]) for each individual incidence of loss. For the avoidance of doubt Manufacturer shall not be liable for loss of Pramlintide Acetate Drug Substance if peptide content has deteriorated and Manufacturer has complied fully with the storage requirements for Pramlintide Acetate Drug Substance as specified by Company.

10.4 Restriction on Limitation of Liability. Nothing in this Agreement shall limit a party's liability in respect of death or personal injury caused by the negligence of that party or its liability in respect of fraudulent misrepresentation.

11. Dispute Resolution

11.1 Discussions Between the Parties. If any claim, dispute, or controversy of whatever nature arising out of or relating to this Agreement, including, without limitation, any action or claim based on tort, contract, or statute (including any claims of breach or violation of

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statutory or common law protections from discrimination, harassment and hostile working environment), or concerning the interpretation, effect, termination, validity, performance and/or breach of this Agreement (***"Disputed Claim"***), arises between the parties and the parties cannot resolve the dispute within thirty (30) days of a written request by either party to the other party, the parties agree to hold a meeting, attended by the an executive officer or their equivalent of Company and Manufacturer, to attempt in good faith to negotiate a resolution of the dispute prior to pursuing other available remedies. If, within sixty (60) days after such written request, the parties have not succeeded in negotiating a resolution of the dispute, such dispute shall be resolved by final and binding arbitration in accordance with Section 11.2.

11.2 Arbitration.

(a) Arbitration of Disputed Claims between the parties under this Section 11.2 shall be conducted in accordance the Rules of the International Chamber of Commerce, Court of Arbitration, Paris (the ***"ICC"***), except to the extent the provisions of this Section 11.2 conflict with such Rules, in which case the provisions of this Section 11.2 shall prevail.

(b) The arbitration shall be conducted by three (3) arbitrators who shall be knowledgeable in the subject matter which is at issue in the dispute and have no current or past affiliation with either party or their respective Affiliates. Each party shall select one of the arbitrators within thirty (30) days after notice of arbitration under this Section 11.2, and the third arbitrator, who shall act as the Chair of the arbitration, shall be appointed by the ICC.

(c) The arbitrators shall determine what discovery will be permitted, consistent with the goal of limiting the cost and time that the parties must expend for discovery; provided that the arbitrators shall permit such discovery as the arbitrators deem necessary to permit an equitable resolution of the dispute. The arbitrators shall have sole discretion with regard to the admissibility of any evidence.

(d) No later than ninety (90) days after the arbitrators are selected (or such other period of time as agreed to by the parties in writing), the arbitrators will hold the arbitration hearing to resolve each of the issues identified by the parties. The arbitrators may conduct additional arbitration hearings if the arbitrators deem appropriate; provided that all arbitration hearings will be completed by no later than one hundred twenty (120) days after the arbitrators are selected (or such other period of time as agreed to by the parties in writing). Each party will have the right to be represented by counsel at any such arbitration hearing. The arbitration hearings shall be held in London, England.

(e) The arbitration will be confidential and the arbitrators will issue appropriate protective orders to safeguard each party's Confidential Information. Except as required by law, no party will make (or instruct the arbitrators to make) any public announcement with respect to the proceedings or decision of the arbitrators without the prior written consent of the other party. The existence of any Disputed Claim, and the award of the arbitrators, will be kept in confidence by the parties and the arbitrators, except as required in connection with the enforcement of such award or as otherwise required by applicable law.

(f) The arbitrators shall, within thirty (30) days after the conclusion of the arbitration hearings, issue a written award and statement of decision describing the essential findings and conclusions on which the award is based, including the calculation of any damages awarded. The arbitrators shall be authorized to award compensatory damages, but shall NOT be authorized to (i) award non-economic damages, such as for emotional distress, pain and suffering or loss of consortium, (ii) award punitive damages, or (iii) reform, modify or materially change this Agreement or any other agreements contemplated hereunder; *provided*, *however*, that the damage limitations described in subsections (i) and (ii) of this sentence will not apply if such damages are statutorily imposed. The arbitrators also shall be authorized to grant any temporary, preliminary or permanent equitable remedy or relief they deem just and equitable and within the scope of this Agreement, including, without limitation, an injunction or order for specific performance. The decision of the arbitrators shall be final and binding upon the parties. Judgment on the award rendered by the arbitrators may be entered in any court having competent jurisdiction thereof. Nothing herein shall limit or restrict a party's ability to seek injunctive or other equitable relief in the event of a breach or anticipated breach of Section 6.

(g) Each party has the right before or during the arbitration to seek and obtain from the appropriate court provisional remedies, such as attachment, preliminary injunction or replevin, to avoid irreparable harm, maintain the status quo, or preserve the subject matter of the arbitration. This Section 11.2 shall not apply to any dispute, controversy or claim that concerns (i) the validity or infringement of a patent, trademark or copyright; or (ii) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory.

11.3 Costs and Awards. Each party shall bear its own attorneys' fees, costs, and disbursements arising out of the arbitration, and shall pay an equal share of the fees and costs of the arbitrators; *provided*, *however*, that the arbitrators shall be authorized to determine whether a party is the prevailing party, and if so, to award to that prevailing party reimbursement for its reasonable attorneys' fees, costs and disbursements (including, for example, expert witness fees and expenses, photocopy charges, travel expenses, etc.), and/or the fees and costs of the arbitrator. Absent the filing of an application to correct or vacate the arbitration award under California Code of Civil Procedure Sections 1285 through 1288.8, each party shall fully perform and satisfy the arbitration award within fifteen (15) days of the service of the award.

11.4 Waiver and Acknowledgment. By agreeing to this binding arbitration provision, the parties understand that they are waiving certain rights and protections which may otherwise be available if a Disputed Claim between the parties were determined by litigation in court, including, without limitation, the right to seek or obtain certain types of damages precluded by this provision, the right to a jury trial, certain rights of appeal, and a right to invoke formal rules of procedure and evidence.

12. Miscellaneous.

12.1 Exclusive Facility Utilization Fee. Company agrees to pay Manufacturer an exclusive utilization fee upon receipt of invoice from Manufacturer of [***] in lieu of its investments made during the construction of the manufacturing facility for the exclusive manufacture of the Product pursuant to that certain Manufacturing Agreement dated April 28, 1999 and the Commercial Supply Agreement dated 7th October 2004 for the supply of

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Exenatide Cartridges entered into between the parties. If Manufacturer uses said manufacturing facility for itself or for a third party, then Manufacturer will provide a credit to Company of [***] per unit of such product. Such credit will be applied to the first [***] units of product manufactured for the Manufacturer or a third party. Further, Manufacturer shall notify the Company prior to using said manufacturing facility for purposes of manufacturing cartridges for transfer into Manufacturer's inventory or for sale to a third party. On or about each anniversary date of Manufacturer's commencing use of the manufacturing facility for producing units for inventory or third party sales, Manufacturer shall provide Company written notification of the total number of such units of cartridges transferred into inventory or sold during the preceding year. Company shall have the right to conduct an annual audit of all such cartridges transferred into inventory or sold to third parties. Promptly following each such audit, Company shall invoice Manufacturer for all such cartridges transferred into inventory or sold to a third party during the preceding year. Payment shall be due on such invoices not later than thirty (30) days following receipt thereof.

12.2 No Implied Licenses. No right or license is granted under this Agreement by either party to the other, either expressly or by implication, except those specifically set forth herein.

12.3 Non-Solicitation.

(a) Manufacturer shall not, during the Term, employ or engage or offer to employ or engage any person who during the [***] months prior to the commencement of such employment or engagement was employed by Company.

(b) Company shall not, during the Term, employ or engage or offer to employ or engage any person who during the [***] months prior to the commencement of such employment or engagement was employed by Manufacturer as a [***] (Grade [***] or higher) [***] employee or a [***] employee

(c) Notwithstanding the foregoing, nothing in this Agreement shall prohibit (i) the general advertisement of employment positions by a party in any trade publication or other publication of general circulation, (ii) the employment of any current employee of Company by Manufacturer if such person initiates contact with Manufacturer without any prior solicitation by Manufacturer or on Manufacturer's behalf, other than as permitted in clause (i) hereof, or (iii) the employment of any current employee of Manufacturer by Company if such person initiates contact with Company without any prior solicitation by Company or on Company's behalf, other than as permitted in clause (i) hereof.

12.4 Independent Contractor Relationship. Manufacturer's relationship with Company will be that of an independent contractor and nothing in this Agreement should be construed to create a partnership, joint venture, or employer-employee relationship. Manufacturer is not an agent of Company and is not authorized to make any representation, contract, or commitment on behalf of the Company. Manufacturer will be solely responsible for all tax returns and payments required to be filed with or made to any federal, state or local tax authority with respect to Manufacturer's performance of services and receipt of fees under this Agreement. Manufacturer agrees to accept exclusive liability for complying with all applicable

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state and federal laws governing self-employed individuals, including obligations such as payment of taxes, social security, disability and other contributions based on fees paid to Manufacturer, its agents or employees under this Agreement. Manufacturer hereby agrees to indemnify and defend Company against any and all such taxes or contributions, including penalties and interest.

12.5 Entire Agreement; Amendment. This Agreement, together with all exhibits attached hereto and hereby incorporated herein, constitutes the final, complete and exclusive agreement of the parties with respect to the subject matter hereof and supersedes and terminates all prior understandings and agreements relating to its subject matter, including, without limitation, that certain Manufacturing Agreement dated April 28, 1999 entered into between the parties. This Agreement may not be changed, modified, amended or supplemented except by a written instrument signed by both parties.

12.6 Severability. If any provision of this Agreement should be held invalid or unenforceable, the remaining provisions shall be unaffected and shall remain in full force and effect, to the extent consistent with the intent of the parties as evidenced by this Agreement as a whole.

12.7 Assignment; Delegation. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto; *provided*, *however*, that neither Company nor Manufacturer shall transfer or assign this Agreement without the prior written consent of the other party. However, Company may assign this Agreement and its rights and obligations hereunder without such consent to a Collaboration Partner (as defined below) or in connection with the transfer or sale of all or substantially all of its assets relating to Pramlintide Acetate or in the event of Company's merger or consolidation or change in control of similar transaction. Manufacturer may not subcontract or otherwise delegate its obligations under this Agreement without Company' prior written consent.

12.8 Governing Law. This Agreement shall be governed by the laws of the State of Delaware, excluding its conflict of laws principles.

12.9 Headings. Section headings are for convenience of reference only and shall not be considered in the interpretation of this Agreement.

12.10 Days. Unless otherwise specified herein, references to a number of days shall reference calendar days.

12.11 Force Majeure. Neither party to this Agreement shall be deemed to be in breach of this Agreement or otherwise liable to the other party in any manner whatsoever for any failure or delay in performing its obligations under this Agreement due to Force Majeure (as defined herein). If a party's performance of its obligations under this Agreement is affected by Force Majeure, then it shall give written notice to the other party, specifying the nature and extent of the Force Majeure, within seven (7) days of becoming aware of the Force Majeure and will at all times use all reasonable endeavors to mitigate the severity of the Force Majeure. If the Force Majeure in question prevails for a continuous period in excess of ninety (90) days after the date on which the Force Majeure begins, the party not in default is then entitled to give notice in

writing to the defaulting party to terminate this Agreement. The notice to terminate must specify the termination date, which must not be less than ten (10) days after the date on which the notice to terminate is given. Once a notice to terminate has been validly given, this Agreement will terminate on the termination date set out in the notice and neither party shall be liable for any claims, damages or penalties for such failure or delay. For the purposes herein, "***Force Majeure***" means, in relation to either party, acts of God, acts of war or national emergency, riots, civil commotion, terrorism, fire, explosion, public utilities failure, or flood.

12.12 Notices. Any notices required or permitted hereunder shall be given to the appropriate party at the address specified below or at such other address as the party shall specify in writing.

If to Company: Amylin Pharmaceuticals, Inc.
9360 Towne Centre Drive
San Diego, CA 92121
Attn: Director Supply Agreements & Purchasing
Fax: (858) 824-7645

With a copy sent to the attention of General Counsel at the same address as above, Fax: (858) 552-1936

If to Manufacturer: Wockhardt UK (Holdings) Ltd.
Ash Road North
Wrexham Industrial Estate
Wrexham LL13 9UF
United Kingdom
Attn: Company Secretary
Fax: 0044 1978 661676

All notices shall be deemed made upon receipt by the addressee as evidenced by the applicable written receipt or, in the case of a facsimile, as evidenced by the confirmation of transmission, or, in the case of an email, as evidenced by a reply email.

12.13 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

12.14 Non-Waiver. No failure or delay of one of the parties to insist upon strict performance of any of its rights or powers under this Agreement shall operate as a waiver thereof, nor shall any other single or partial exercise of such right or power preclude any other further exercise of any rights or remedies provided by law.

12.15 Export. Manufacturer agrees not to export, directly or indirectly, any U.S. source technical data acquired from Company or any products utilizing such data to countries outside the United States, which export may be in violation of the United States' export laws or regulations.

12.16 Product Liability Insurance. Manufacturer will obtain product liability insurance to the extent Company so advises in writing. Company will in turn reimburse Manufacturer for such insurance premiums within thirty (30) days of the receipt of the invoice for same. Any product liability claim beyond such amount will be solely on account of Company.

12.17 Cooperation with Collaboration Partner. Manufacturer acknowledges that Company may enter into a collaborative arrangement with one or more companies (each such company, a "***Collaboration Partner***") for the sale and marketing of product(s) containing Pramlintide Acetate, including Product. Manufacturer agrees to cooperate with any Collaboration Partner in all matters relating to supply for and regulatory compliance of Product, and to permit Collaboration Partner access to all facilities, records and information that Collaboration Partner may reasonably request in connection therewith. Any such Collaboration Partner shall be deemed a beneficiary of this Agreement, shall have the right to cure any breach of this Agreement by Company, and with the consent of Company, which such consent shall not be unreasonably withheld, may institute legal action to enforce the terms of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the Effective Date.

AMYLIN PHARMACEUTICALS, INC.	**WOCKHARDT UK (HOLDINGS) LTD.**
By: /s/ Daniel M. Bradbury	By: /s/ Sirjiwan Singh
Printed Name: Daniel M. Bradbury	Printed Name: Sirjiwan Singh
Title: President and Chief Operating Officer	Title: Managing Director

EXHIBIT A

Pricing

Pramlintide Acetate low-dose 1.5 ml cartridge	[***] per naked cartridge bulk packed in Correx trays
Pramlintide Acetate demonstration (Placebo) 1.5 ml cartridge	[***] per naked cartridge bulk packed in Correx trays
Pramlintide Acetate high-dose 2.7 ml cartridge	[***] per naked cartridge bulk packed in Correx trays

Above prices are applicable to the following nominal batch yields which, subject to Section 4.1(b) herein, shall be re-determined in accordance with an agreed Target Yield:

Product	Batch Quantity (litres)	Batch Yield (cartridges)
1.5ml cartridge	[***]	[***]
2.7ml cartridge	[***]	[***]

[***] are inclusive in the prices set forth above.

Any additional services, such as assistance with regulatory submissions, provision of documentation copies, non-routine quality control testing and component approval, will be charged at a rate of [***] per man-hour. These services and document copies are in addition to those required to be supplied by the Manufacturer under this Agreement. All services and copies, and the charges for them, must be agreed in advance by Company.

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EXHIBIT B

Purchase Specifications for Pramlintide Acetate Injection in Cartridges

(See attached specifications for SYMLIN Injection 1.5mL and 2.7mL Cartridges and SYMLIN Placebo in Cartridges (PBO-F8))

Exhibit 10.41

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

C O N F I D E N T I AL

AMENDMENT TO COLLABORATION AGREEMENT

THIS AMENDMENT TO COLLABORATION AGREEMENT (the ***"Amendment"***) is entered into and effective as of October 31, 2006 (the ***"Amendment Date"***) for the purpose of amending that certain Collaboration Agreement dated September 19, 2002, as amended (the ***"Agreement"***) by and between:

ELI LILLY AND COMPANY, a corporation organized and existing under the laws of the State of Indiana, whose principal place of business is Lilly Corporate Center, Indianapolis, Indiana, 46285, United States of America (***"Lilly"***); and

AMYLIN PHARMACEUTICALS, INC., a corporation organized and existing under the laws of Delaware, whose principal place of business is 9360 Towne Centre Drive, San Diego, California 92121, United States of America (***"Amylin"***).

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lilly and Amylin agree as follows:

1. Defined Terms. Capitalized terms used but not otherwise defined herein shall have the meanings provided in the Agreement. Any reference herein to a numbered "Section" shall be deemed to refer to such numbered Section of the Agreement, and any reference herein to a numbered "paragraph" shall be deemed to refer to such numbered paragraph of this Amendment. The following terms shall have the meanings set forth below:

(a) "BID Product" shall mean the Product sold under the Product Trademark "BYETTA®" (or such other Trademark if BYETTA is unavailable as a Trademark in a given country) as a fixed-dose injection of exenatide administered twice per day for any indication provided for in the first Marketing Approval received in a relevant country (included in such indication would be any subsequent label expansion(s) relating to use of the BID Product for the same indication, *e.g.,* new indication for combination use with TZDs for treatment of the same indication as provided for in the first Marketing Approval). For the avoidance of doubt, it is understood that any subsequent indication relating to any disease or condition not included in the first Marketing Approval shall be regarded as a Non-BID Product (e.g., a Product indicated for treatment of obesity or Type I diabetes is a Non-BID Product).

(b) **"BID Study"** shall mean a clinical trial of a BID Product; but excluding any Non-BID Study.

(c) **"Cost of Product Sold (OUS)"** shall mean, solely for purposes of calculation of Gross Margin (OUS) and for no other purpose, the Cost of Product Sold for Product sold outside the U.S., determined in accordance with Section 1.33 of the Agreement, plus Lilly's manufacturing costs for labeling, packaging, or other manufacturing-related activity that may be undertaken by Lilly for Product sold outside the U.S. Lilly's manufacturing costs included in Cost of Product Sold (OUS) shall include, without limitation, the standard cost of product sold expensed by Lilly for Product sold outside the U.S. plus manufacturing variances expensed by Lilly for Product sold outside the U.S., in each case, determined in accordance with U.S. GAAP. It is understood that Lilly's Cost of Product Sold (OUS) may or may not be the same as Lilly's internal transfer pricing to its Affiliates for Product sold outside of the U.S. and Lilly's Cost of Product Sold (OUS) shall not include any mark-up or profit margin in addition to actual Product cost.

Lilly's standard cost of product sold may include, without limitation, the following components:

(i) the total invoice price, outside processing costs, freight, duties, taxes, and brokers fees, with any volume or trade discounts being reflected in the calculation and purchase of inventory from either Amylin or Third Party suppliers being considered a Third Party cost;

(ii) conversion costs (including, without limitation, direct labor and direct overhead) directly associated with the manufacturing of Product;

(iii) replacement costs for Products that are determined to be defective or recalled or for Products that are returned to Lilly from the customer;

(iv) an allocation of service and administrative departments performing functions which support Manufacturing operations directly associated with the Manufacturing of Products;

(v) depreciation of Product-specific capital investments for equipment;

(vi) depreciation of general manufacturing equipment and facilities directly associated with Manufacturing of Products, in the case of equipment, to the extent used specifically for Product, based on a percentage of throughput/utilization (hours of utilization) and, in the case of facilities, based upon percentage of square footage utilized.

(vii) Product breakage;

(viii) obsolete Products; and

(ix) to the extent attributable to the Manufacture of Products, any other costs considered inventory costs or costs of products sold under U.S. Generally Accepted Accounting Principles.

All of these costs, and the methodology to be used in allocating indirect or overhead costs among Manufacturing operations hereunder and other Lilly manufacturing operations, shall be determined in a manner consistent with Generally Accepted Accounting Principles in the U.S., and Lilly shall share with Amylin such details relating to the allocation relating to operations outside the U.S. used by Lilly as Amylin may reasonably request. In the event that Lilly does not use Dedicated Capacity for primary equipment for the Manufacture of Products, an appropriate allocation of costs associated with the Manufacture of Products shall be determined in a manner consistent with Generally Accepted Accounting Principles in the U.S. It is understood and agreed by the Parties that Lilly will report all costs using its then current systems and procedures, subject to audit and adjustment as required to be consistent with this Amendment.

(d) **"Cumulative Gross Margin (OUS)"** shall mean the cumulative Gross Margin (OUS) calculated beginning upon the first Product Launch for Product outside the U.S.

(e) **"Gross Margin (OUS)"** shall mean Net Sales of Products outside the U.S., less: (i) Cost of Product Sold (OUS) and (ii) Product Sample Costs for Product Samples supplied for distribution outside the U.S. Notwithstanding the foregoing, for purposes of calculating Gross Margin (OUS), in no event shall Product Sample Costs for Product Samples distributed outside the U.S. exceed commercially reasonable sample quantities.

(f) **"Major OUS Market"** shall mean the following countries: France, Germany, Italy, Spain, United Kingdom, and Japan.

(g) **"Non-BID Product"** shall mean a Product other than BID Product.

(h) **"Non-BID Study"** shall mean a clinical trial of a BID Product that compares a Non-BID Product to a BID Product or that includes a Non-BID Product.

(i) **"Non-Major OUS Market"** shall mean any country outside the U.S. that is not a Major OUS Market.

(j) **"OUS BID Development Trial Costs"** shall mean Development Costs specifically attributable to all BID Studies (excluding BID Studies that are not required for Marketing Approval such as Phase 3B Clinical Trials and Phase 4 Clinical Trials), other than any such BID Study that is required to be undertaken to obtain Marketing Approval of BID Product in the U.S.

(k) **"OUS BID Commercialization Trial Costs"** shall mean Commercialization Costs specifically attributable to all BID Studies undertaken to support Commercialization outside the U.S. that are not required for Marketing Approval such as Phase 3B Clinical Trials and Phase 4 Clinical Trials.

(l) **"OUS Non-BID Development Trial Costs"** shall mean Development Costs specifically attributable to all Non-BID Studies (excluding Non-BID Studies that are not required for Marketing Approval such as Phase 3B Clinical Trials and Phase 4 Clinical Trials), other than any such Non-BID Study that is required to be undertaken to obtain Marketing Approval of Non-BID Product in the U.S**.**

(m) **"OUS Non-BID Commercialization Trial Costs"** shall mean Commercialization Costs specifically attributable to all Non-BID Studies undertaken to support Commercialization outside the U.S. that are not required for Marketing Approval such as Phase 3B Clinical Trials and Phase 4 Clinical Trials.

(n) "**Product Plan**" shall mean, for a particular Major OUS Market, the strategic and tactical medical, marketing and sales plans for Product(s) of the type and format used from time to time by Lilly for its own products. For the avoidance of doubt, as of the Amendment Date, the referenced plans are known internally as "Lilly Affiliate Brand Plans."

(o) **"Product Sample"** shall mean a sample (or a voucher for a sample) of Product supplied for distribution to health care professionals without charge for promotional, patient initiation, or familiarization purposes.

(p) **"Product Sample Costs"** shall mean the standard unit cost plus variances of Product Samples actually distributed in a country after Marketing Approval in such country, calculated in accordance with GAAP samples accounting methods, consistently applied. Distribution costs shall be excluded from the standard unit cost. However, Product Sample Costs will be included in the Cost of Product Sold (OUS) (rather than in the marketing and selling expense line), and shall reflect the standard Cost of Product Sold plus variances.

2. **Allocation of OUS Revenues.** Effective for OUS revenues accrued on or after January 1, 2007, Section 4.5(b) of the Agreement shall be eliminated in its entirety and replaced with the royalty-based structure set forth in this paragraph 2, pursuant to which Lilly will retain all revenues from sales of Product in the Territory outside the U.S. and pay a royalty to Amylin based upon a percentage of Gross Margin (OUS). Commencing on the date when Cumulative Gross Margin (OUS) exceeds $[***] and continuing during the term of the Agreement, Lilly shall pay to Amylin royalties based on the aggregate annual Gross Margin (OUS) (without adjustment for partial calendar years) at the rates set forth below:

(a) [***]% of the portion of aggregate Gross Margin (OUS) during a calendar year that is equal to or less than $[***];

(b) [***]% of the portion of aggregate Gross Margin (OUS) during a

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calendar year that is greater than $[***] but equal to or less than $[***]; and

(c) [***]% of the portion of aggregate Gross Margin (OUS) during a calendar year that is greater than $[***] but equal to or less than $[***]; and

(d) [***]% of the portion of aggregate Gross Margin (OUS) during a calendar year that is greater than $[***].

For the avoidance of doubt, the Parties acknowledge and agree that no royalty shall be due on the first $[***] of Cumulative Gross Margin (OUS), nor shall such amount be included in determining the applicable royalty rates set forth above. The exclusion of the first $[***] in Cumulative Gross Margin (OUS) is to be applied one time and not on a product-by-product or country-by-country basis. The following sample calculation is provided for purposes of illustration and clarification only:

Year	Annual Gross Margin (OUS)	Cumulative Gross Margin (OUS)	Royalty Payable to Amylin
2006	$ [***]	$ [***]	[***]
2007	$ [***]	$ [***]	[***]
2008	$ [***]	$ [***]	[***]
2009	$ [***]	$ [***]	$ [***] (1)
2010	$ [***]	$ [***]	$ [***] (2)

(1)During [***], Cumulative Gross Margin (OUS) first exceeds $[***], and calculation of royalties payable with respect to Gross Margin (OUS) in excess of $[***] (i.e., $[***]) begins. The royalty for [***] would therefore equal $[***] x [***]%, or $[***].

(2)For [***] (the year after Cumulative Gross Margin (OUS) first exceeds $[***]), the royalty payable would be calculated as follows: ($[***] x [***]%) + ($[***] x [***]%) = $[***].

Also effective as of January 1, 2007, all references to “Adjusted OUS Operating Profit/Loss” in Section 4.9 (a) shall be deleted, and the “OUS Operating Profit Sharing” example calculations found in Schedule 4.5 shall be deleted in their entirety. Royalties due under this paragraph 2 shall be paid by Lilly to Amylin on a [***] basis within [***] ([***]) days after the end of [***] for Products sold outside of the U.S. during such [***]. At Lilly’s option, such payment may be made by providing Amylin a credit in the amount of the royalty due as part of the calculation of periodic settlement payments between the Parties contemplated by Section 4.9(a). Royalties due each [***] under this paragraph 2 shall be subject to simple interest as follows: royalties due from Product sales from the [***] of each [***] shall be increased by an amount equal to simple interest for a period of [***], and royalties due from Product sales from the [***] of each [***] shall be increased by an amount equal to simple interest for a period of [***]. The interest factor used for a particular [***] shall be equal to the rate specified in the Agreement for calculating amounts owed under Section 4.9(a) (as described in the letter agreement between the Parties dated June 12, 2006.)

3. Allocation of OUS Development and Commercialization Costs. In partial

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consideration of Amylin foregoing its right to receive any share of the first $[***] of Cumulative Gross Margin (OUS), the Parties hereby agree to the following allocations with respect to costs outside the U.S.:

(a) BID Products. Lilly shall be solely responsible for 100% of BID Product Commercialization Costs relating to the Commercialization of BID Products outside of the U.S. (including without limitation OUS BID Commercialization Trial Costs), and regardless of whether such Commercialization Costs were incurred before or after the Amendment Date. Effective as to expenses accrued on or after January 1, 2007, Lilly shall also be solely responsible for 100% of BID Product Development Costs relating to Development of BID Product for sale outside of the U.S. (including without limitation OUS BID Development Trial Costs). Accordingly, BID Product Commercialization Costs relating specifically to sale of Product outside of the U.S., and effective January 1, 2007, BID Product Development Costs specifically relating to development of BID Product for sale outside of the U.S., shall not be included in the calculation of the periodic settlement payments between the Parties contemplated by Section 4.9 (a) of the Agreement. Exhibit C sets forth those clinical trials or other development activities underway as of the Amendment Date and indicates how the expenses thereof shall be shared by the Parties, subject to potential adjustment as provided in Paragraph 3(c). For the avoidance of doubt, it is understood that any Development Costs related to development of Non-BID Product for sale outside the US shall continue to be allocated 80% to Lilly and 20% to Amylin as contemplated by Section 4.3(a)(ii) of the Agreement. It is also understood that Amylin shall not be entitled to reimbursement of any OUS BID Product Commercialization Costs unless reimbursement is approved in advance by Lilly.

(b) Non-BID Products. Section 4.4(a)(ii) of the Agreement is amended in its entirety, effective January 1, 2007, to read as follows:

> **"(ii) Rest of World.** Lilly shall pay one hundred percent (100%) of the Commercialization Costs for Commercialization of Products in all countries in the Territory outside the U.S. and Amylin shall pay 0% of such Commercialization Costs, with the sole exception of OUS Non-BID Commercialization Trial Costs which shall be allocated 80% to Lilly and 20% to Amylin."

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Lilly will prepare and deliver to Amylin, in addition to and concurrently with the [***] composite reports due pursuant to Section 4.9(a), a separate composite report of OUS Non-BID Commercialization Trial Costs substantially the same in scope, content and format to the [***] reports of Development Costs due pursuant to Section 4.3(b), and the amounts reported in such composite report of OUS Non-BID Commercialization Trial Costs shall be aggregated with the amounts reported in the composite reports specified in Section 4.9(a) and included in the calculation of periodic settlement payments between the Parties contemplated by Section 4.9(a). The parties recognize that Lilly does not formally track time spent by OUS FTE's on Development matters versus time spent by the same individuals on Commercialization matters so that good faith allocations of FTEs between the categories of Non-BID Commercial Trial Costs and Non-BID Development Trial Costs may be necessary.

(c) Costs for OUS Studies Utilized in U.S.

(i) The Parties recognize that data from certain clinical, health outcomes or other studies undertaken for Development or Commercialization purposes relating to countries outside the U.S. (an "OUS Study") may generate data that could also be utilized for U.S. purposes. Accordingly, the Parties agree as follows:

a. Except with respect to any Required Study, the Global Development and Commercialization Committee ("GDCC") shall, prior to the initiation of any OUS Study, review whether such OUS Study is also expected to generate data that will be utilized for U.S. purposes. If the GDCC agrees that the OUS Study will also be used for U.S. purposes, (a "Dual Use Study") then the expense of such Dual Use Study shall be shared in accordance with the Dual Use Cost Allocation. In all other cases, the expenses of the OUS Study shall be shared in accordance with the OUS Study Cost Allocation, but shall be subject to possible later recharacterization as provided in paragraph (d) below. The Parties agree that their respective representatives to the GDCC will act in a reasonable manner with respect to any proposal that an OUS Study be regarded as a Dual Use Study.

b. Except as provided in paragraph (c) below, if the OUS Study is a Required Study, the expenses thereof shall be shared in accordance with the OUS Study Cost Allocation regardless of whether such OUS Study is also used in the U.S., and the provisions of paragraph (d) below shall not apply.

c. Notwithstanding paragraph (b) above, any OUS Study relating to Non-BID Product that is a Required Study for Marketing Approval in the European Union ("Europe Non-BID Product Registration Study") shall be prospectively reviewed by the GDCC upon request of either Party to determine whether data from such Europe Non-BID Product Registration Study is also expected to be used for U.S. purposes. If the GDCC agrees

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that data from such Europe Non-BID Product Registration Study will be used for U.S. purposes, then such study shall be deemed a Dual Use Study and the expenses thereof shall be shared in accordance with the Dual Use Cost Allocation. In all other cases, the expense of the Europe Non-BID Product Registration Study shall be shared in accordance with the OUS Study Cost Allocation, but shall be subject to possible later recharacterization as provided in paragraph (d) below. The Parties agree that their respective representatives to the GDCC will act in a reasonable manner with respect to any proposal that an OUS Study be regarded as a Dual Use Study.

d. With respect to (i) any OUS Study that is not a Required Study and that has not previously been determined to be a Dual Use Study and (ii) any Europe Non- BID Product Registration Study that has not previously been determined to be a Dual Use Study, either Party shall have the right to request that the allocation of costs of any such study be reviewed based upon actual or intended use or non-use (as defined below in (c) (iii)) of the data therefrom. In the event either party requests such a review, the GDCC shall review such issue in good faith, and if it concludes that the study is a Dual Use Study the expenses of such study previously incurred shall be reallocated as appropriate in accordance with the Dual Use Study Cost Allocation. If necessary, an appropriate adjustment shall be made in the next [***] settlement contemplated by Section 4.9 of the Agreement. Thereafter, any future expenses of such study shall be shared in accordance with the Dual Use Cost Allocation, and appropriately reflected in the [***] settlement. The Parties agree that their respective representatives to the GDCC will act in a reasonable manner with respect to any proposal that data from an OUS Study be used in the U.S. In the event the GDCC is unable to agree upon proposed U.S. use of data from an OUS Study, Lilly may if applicable exercise its right under of Section 3.1(e) (ii) to require that data from an OUS Study be utilized in the U.S., but if Lilly exercises such right, the fact that such data was used in the U.S. shall not be a basis for recharacterization of the expenses of such OUS Study.

(ii) As used herein:

a. "OUS Study Cost Allocation" shall mean (i) in the event such expenses are related to a BID Product and incurred prior to January 1, 2007, the expenses shall be borne 80% by Lilly and 20% by Amylin, (ii) in the event such expenses are related to a BID Product and incurred on or after January 1, 2007, the expenses shall be borne 100% by Lilly, and (iii) in the event such expenses are related to Non-BID Product (regardless of whether such expenses are incurred before or after January 1, 2007), the expenses shall be borne 80% by Lilly and 20% by Amylin.

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b. “Dual Use Cost Allocation” shall mean 50% of such expenses are borne by Lilly and 50% by Amylin.

c. “Required Study” shall mean any study required as part of the minimum data package necessary for receipt of Marketing Approval in the relevant country. The Parties recognize that the application for Marketing Approval may include additional OUS Studies that are useful, but not required, and that any such additional study shall not be deemed a Required Study.

(iii) Data will be considered utilized for U.S. purposes if such data is (i) contained in materials approved for use in the U.S. by any joint U.S. promotion or U.S. medical/legal/regulatory review body established by the Parties (e.g., the committee currently known as SMART), (ii) included in materials utilized by U.S. sales representatives, medical liaisons, or managed care account representatives, such as promotional slide sets, materials for use in health professional to health professional programs, marketing materials, brochures, or authorized reprints utilized by alliance personnel in field or congress settings, (iii) is disclosed for U.S. promotional purposes at U.S. congresses or in U.S. publications or (iv) included in any direct to consumer advertising or consumer directed promotional materials distributed in the U.S. Data will not be considered utilized for U.S. purposes merely because such data is (i) used in Third Party U.S. continuing medical education programs, (ii) released by Lilly in U.S. venues or U.S. publications to service OUS needs, (iii) used with advisory boards, (iv) filed as required with U.S. Regulatory Authorities (but not any pivotal studies) , (v) used in medical information letters, used to answer unsolicited medical questions, used in reprints used at congresses to answer unsolicited medical questions, (vi) used in scientific slide decks provided only upon request, (vii) presented at Lilly’s request in poster or abstract form at scientific meetings or congresses or by independent investigators where such presentation was not requested by Lilly, or (viii) any meta based data analysis.

(iv) The provisions of Section 4.3(a)(iii) of the Agreement shall continue in effect.

(d) [***] Report Adjustment. The Parties have previously disagreed as to the responsibility for certain OUS Commercialization Costs. In order to resolve this dispute, the periodic settlement payment contemplated by Section 4.9(a) of the Agreement due to Lilly for the [***] after the Amendment Date will include an additional $[***] beyond any actual amount due to Lilly, for such [***], with the effect that the amount that would otherwise be due to Lilly will be increased by $[***]. All future OUS Commercialization Costs shall be borne by Lilly as provided in paragraph 3.

(e) Conforming Changes.

(i) Section 8.1(c) of the Agreement is hereby amended to read

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in its entirety as follows: "In the event of any product liability or other Third Party claim in which both Parties are asserted to be liable and neither is entitled to indemnification hereunder, the Parties shall treat such Damages as Commercialization Costs if such claim relates to the U.S. or share such Damages 80% by Lilly and 20% by Amylin if such claim relates to the Territory outside the U.S. In the case of any such claim relating to the Territory outside the U.S., (i) any amounts owed to Lilly pursuant to this Section 8.1 (c) shall be paid as part of the periodic settlement process contemplated under Section 4.9(a) of the Agreement and (ii) in the event such amount is due to Lilly at anytime prior to the expiration of one year from the date of the first Product Launch in the first country outside the U.S., the amount due to Lilly shall initially be treated as a credit against royalties due from Lilly hereunder for such first year, and thereafter any remaining amount due shall be paid through the periodic settlement process for the [***] immediately following such first year. "

(ii) Section 10.4(e) of the Agreement is hereby amended to read in its entirety as follows: "Each Party shall pay 50% of any expenses (except for the expenses of the non-controlling Party's counsel, if any) and shall receive 50% of any recovery realized as a result of any litigation pursuant to this Section 10.4 until each Party's reimbursable expenses have been recovered and thereafter share recovery in accordance with each Party's proportionate interest in Operating Profits and Losses for the U.S., or if such litigation relates to the Territory outside the U.S., 80% to Lilly and 20% to Amylin."

4. Audit Rights. The Parties acknowledge each Party's right to audit under Section 4.9(e) of the Agreement shall include the right to audit any Affiliates of the other Party as part of an audit where a Party audits the U.S. and/or one or more countries outside the U.S. It is understood that for purposes of determining responsibility for payment of audit expenses pursuant to Section 4.9(e), the 5% materiality threshold shall be applied to the U.S. and any audited OUS countries taken as a whole.

5. Reporting. (a) Lilly shall provide royalty reporting to Amylin in a form to be mutually agreed by the Parties. Royalty reporting shall be provided [***] together with royalty payments. Lilly also agrees to undertake [***] updates to Amylin in any [***] where Lilly anticipates material variances so as to allow Amylin to make financial adjustments in its financial reporting. It is the Parties' intention to structure reports to fulfill Amylin reporting needs and be as consistent as possible within existing internal Lilly systems to the extent practical to do so. Attached hereto as Exhibit A and described below are examples of the royalty reports to be provided.

(b) Lilly shall provide Amylin with the following reports:

(i) a [***] royalty report substantially in the form of Exhibit A within [***] ([***]) days of [***].

(ii) [***] planning report(s) as follows:

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(A) showing a preliminary [***] ([***]) year royalty projection by country for Major OUS Markets and in the aggregate for all other countries, the timing of such report to be consistent with the alliance financial calendar agreed upon by the GDCC each year; and

(B) showing a final [***] ([***]) year royalty projection by country for Major OUS Markets and in the aggregate for all other countries, the timing of such report to be consistent with the alliance financial calendar agreed upon by the GDCC each year;

(iii) [***] rolling forecasts showing projections of [***] within [***] days after the forecasts are finalized each [***] by Lilly.

Lilly represents and warrants that Exhibit B to this Amendment fairly and accurately describes how Lilly currently calculates foreign currency conversions as referenced in Section 4.9(a) of the Agreement. It is understood that Lilly may from time to time change its methodology for currency conversions.

6. OUS Commercialization Activities. Lilly shall have responsibility for Commercialization activities outside the U.S., including development, approval and implementation of the Commercialization Plan as it relates to the Territory outside the U.S. (the "OUS Commercialization Plan"). Amylin will have advisory input into the OUS Commercialization Plan, but all decisions as to the content of the OUS Commercialization Plan, the OUS Commercialization Budget, and the Commercialization activities to be conducted outside the U.S. shall be made by Lilly, provided, however, that Lilly shall comply with its obligations under the Agreement as modified by this Amendment. Notwithstanding the foregoing, any portion of the Commercialization Plan specifically relating to Non-BID Commercialization Trial Costs shall be subject to the approval pursuant to the Binding Budget process of the Agreement. Nothing in this Amendment shall be construed as modifying the provisions in the Agreement related to Manufacturing or to selection of trademarks, or any other rights that are not specifically changed by this Amendment, all of which shall continue in effect, or any other right of review, approval or participation of Amylin under the Agreement except to the extent specifically provided in this Amendment. The terms of the Clinical Research Quality Agreement between the Parties dated May 14, 2004 shall continue in effect. Through the GDCC, Amylin and Lilly agree to modify the roles and responsibilities guidance for activities outside of the U.S. such that Amylin retains its current participation in the Lilly Brand Council I and II processes. In addition, GDCC will modify the OUS roles and responsibilities to maintain Amylin's current ability to review and provide input into the Affiliate Brand Plans for the Major OUS Markets. Lilly and Amylin anticipate the OUS roles and responsibilities document will be updated to include the following topics.

- Addition of Amylin Medical and Team management into the Brand Council I and II process.

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- Clarification of Amylin's ability to review and provide input on OUS Major Market affiliate plans versus review and input of Non-Major OUS Market affiliate plans.

- Clarification of a Brand Council III alliance process that provides Amylin representatives the appropriate venue and access to personnel to review and provide input on OUS Major Market affiliate plans.

(a) Non-Major OUS Markets. If Amylin has business questions regarding brand management for Product(s) in any Non-Major OUS Market, Lilly's representatives shall address such questions on an ad hoc basis to the extent included as approved GDCC agenda items.

(b) Budget Summary. Consistent with the Brand Council Process and Product Plans of Lilly Affiliates, Lilly will provide to Amylin on an [***] basis, a budget summary covering the next [***] for each of the Major OUS Markets in such level of detail and format as the parties shall agree. Such summaries shall include external marketing and medical spending as well as sales force FTEs. It is understood that any such budget shall reflect Lilly's plans at the time such budget is created but shall not be binding upon Lilly. Each such budget summary may be modified from time to time by the applicable Lilly Affiliate, but Lilly shall provide to Amylin a final Lilly-approved copy that represents the next year's approved budget plan for such Major OUS Market promptly following approval of such plan.

(c) Long Range Business Plan. [***], Lilly shall present to Amylin a long-range business plan for Commercialization of Products outside the U.S., including [***]. Such long-range business plans shall be presented for each Major OUS Market and in summary fashion for all Non-Major OUS Markets. In addition, the business plan shall also include, at an OUS consolidated level, [***].

(d) Budget Summary and Business Plan Updates. In the [***], Lilly shall provide Amylin (through the GDCC) with updates of the annual budget summary delivered to Amylin pursuant to paragraph 6(b) and any material update to the business plan for the Products. Each such update shall cover the [***]. The budget summary updates will include, without limitation, [***]. In the budget summary updates, for any [***]% or greater discrepancy (provided the discrepancy is at least $[***]) between actual and forecasted amounts, Lilly shall also provide brief explanatory comments regarding the reason(s) for such discrepancy. At Amylin's reasonable request, additional discussions and/or questions relating to such updates shall occur to the extent approved as a GDCC topic.

(e) Existing Obligations. The Parties existing obligations under Sections 2.2 and 2.6 of the Agreement shall be deemed modified as necessary to be consistent with the provisions of this Amendment.

7. Exclusions from Binding Budgets. The Parties agree that Development Costs

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outside the U.S. and Commercialization Costs outside the U.S. that are borne entirely by Lilly are not subject to the provisions of the Agreement that are specifically applicable to Binding Budgets. This provision shall not relieve Lilly from the obligation to use Commercially Reasonable Efforts to Commercialize the Products on a worldwide basis as provided in the Agreement.

8. Medical Meetings.

(a) Lilly Meetings. To the extent that certain Lilly-organized medical meetings relating to commercialization of Product OUS contain sections on Product, Lilly shall invite Amylin to attend the specific sections related to Product and provide Amylin with at least [***] prior written notice of such meetings. For purposes of clarity, this paragraph shall be applicable only to the following global and regional conferences (or any successor conferences covering substantially the same topics):

(i) European Clinical Advisory Boards;

(ii) Global Medical Conferences (GMC's);

(iii) Regional Medical Conferences (RMC's); and

(iv) Taking Control Peaks and Valleys Conferences (TCPV).

(b) Amylin Meetings. To the extent that certain Amylin-organized medical meetings contain sections on Product, Amylin shall invite Lilly to attend the specific sections related to Product and provide Lilly with at least [***] prior written notice of such meetings. For purposes of clarity, this paragraph shall be applicable only to the following meetings (or any successor meetings covering substantially the same topics):

(i) Amylin's non-US medical meetings; and

(ii) Amylin's non-US advisory board meetings.

9. Recalls. Section 3.1(e)(ii) (A) of the Agreement is hereby deleted. Section 5.11 of the Agreement is hereby amended to read in its entirety as follows:

"In the event either Party believes that a recall or removal from the market of the Product is necessary in any Regulatory Jurisdiction, it shall immediately notify the other Party, and the Parties shall discuss the appropriate course of action. In the event of any disagreement between the Parties regarding the necessity of a recall or removal, the Marketing Approval holder for the Regulatory Jurisdiction in question shall make the final determination after considering in good faith the views of the other Party. In the event that a Regulatory Authority issues a request, directive, or order, or the Marketing Approval holder determines to recall or remove the Product from the market, the recall shall be the responsibility of the Marketing Approval holder. Both Parties will cooperate fully with one another in conducting the recall."

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10. Entire Agreement. The Agreement, as amended by this Amendment, embodies the entire understanding of the Parties and shall supersede all previous communications, representations and understandings, whether oral, written or otherwise, between the Parties relating to the subject matter hereof. Except as specifically amended by this Amendment, the terms and conditions of the Agreement shall remain in full force and effect.

11. Governing Law. This Amendment shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, excluding its conflicts of laws principles.

12. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed an original document, and all of which, together with this writing, shall be deemed one instrument.

IN WITNESS WHEREOF, the Parties hereto have duly executed this Amendment as of the Amendment Date.

ELI LILLY AND COMPANY	**AMYLIN PHARMACEUTICALS, INC.**
By: /s/ Bryce D. Carmine	By: /s/ Daniel M. Bradbury
Name: Bryce D. Carmine	Name: Daniel M. Bradbury
Title: President, Global Brand Dev.	Title: President and Chief Operating Officer

EXHIBIT A

REPORTS

Byetta OUS Gross Margin Royalty Calculation
For the [***]

Country/Affiliate	**Net Sales**	**Foreign Exchange Rate**	**Net Sales**	**Std. Cost COPS**	**Std. Cost Samples**	**Gross Margin**
	Local Currency			**US Dollars**		
[***]	[***]	[***]	$[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	$[***]	[***]	[***]	$[***]
[***]	[***]	[***]	$[***]	[***]	[***]	$[***]
[***]	[***]	[***]	$[***]	[***]	[***]	$[***]
[***]	[***]	[***]	$[***]	[***]	[***]	$[***]
[***]	[***]	[***]	$[***]	[***]	[***]	$[***]
[***]	[***]	[***]	$[***]	[***]	[***]	$[***]
[***]	[***]	[***]	$[***]	[***]	[***]	$[***]
[***]	[***]	[***]	$[***]	[***]	[***]	$[***]
[***]	[***]	[***]	$[***]	[***]	[***]	$[***]
[***]	[***]	[***]	$[***]	[***]	[***]	$[***]
[***]	[***]	[***]	$[***]	[***]	[***]	$[***]
[***]	[***]	[***]	$[***]	[***]	[***]	$[***]
[***]	[***]	[***]	$[***]	[***]	[***]	$[***]
[***]	[***]	[***]	$[***]	[***]	[***]	$[***]
			$[***]	[***]	$[***]	$[***]

OUS Distribution	[***]
OUS Mfg Variances - favorable/(unfavorable)	$[***]
Total PUS Gross Margin	$[***]
OUS G.M. Royalty*	**$[***]**

*Illustrative only — early years will also have to reflect adjustment for cumulative gross margin on which no royalty will be due.

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Byetta 5mcg Sales Supplemental
For the [***]
All in [***]

Country/Affiliate	Sales Units	Net Sales	Foreign Exchange Rate	Net Sales	Std. Cost COPS
	Local Currency	In mils		US Dollars	
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
	[***]			$[***]	$[***]

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Byetta 10mcg Sales Supplemental
For the [***]

Country/Affiliate	Sales Units	Net Sales	Foreign Exchange Rate	Net Sales	Std. Cost COPS
	Local Currency in mils			US Dollars	
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
[***]	[***]	[***]	[***]	$[***]	$[***]
	[***]			$[***]	$[***]

Byetta Samples Supplemental
For the [***]

Country/Affiliate	Sample Units in mils	Std. Cost Samples in mils
[***]	[***]	$[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
	[***]	$[***]

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EXHIBIT B

Lilly Foreign Currency Conversion Methodology

Month end FX spot exchange rates are pulled from a reliable source, or calculated by the affiliate when required for statutory purposes, at each month end and loaded into Lilly Enterprise System. These rates are used to translate income statement totals into U.S. dollars for reporting purposes in the subsequent month. For example, the EUR/USD spot exchange rate pulled on or near April 30 becomes the rate for translation of income statement transactions recorded during the month of May for all EUR-denominated subsidiaries for consolidated reporting purposes. The end result is a weighted average exchange rate being used to convert foreign currency income statement totals into U.S. dollars throughout the quarter/year. Except as may otherwise be required by law, these rates shall conform to an independent worldwide exchange rate authority such as Reuters or the Wall Street Journal (based on rates posted on or near the last business day of the applicable month).

EXHIBIT C

Ongoing Development and Commercialization Study Costs*

Trial/Study Description	US Split 50/50	OUS Split 80L/20A	Beginning 1/1/07 OUS 100% Lilly	Beginning 1/1/06 OUS 100% Lilly
[***]				
[***]			X	
[***]			X	
[***]			X	
[***]			X	
[***]			X	
[***]			X	
[***]				
[***]			X	
[***]			X	
[***]			X	
[***]			X	
[***]				
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			

*Subject to recharacterization as provided in Paragraph 3(c) of this Amendment.

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Trial/Study Description	US Split 50/50	OUS Split 80L/20A	Beginning 1/1/07 OUS 100% Lilly	Beginning 1/1/06 OUS 100% Lilly
[***]	X			
[***]	X			
[***]	X			
[***]				
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]				
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]				
[***]	X			
[***]	X			
[***]	X			
[***]	X			
[***]				
[***]				X
[***]				X
[***]				X
[***]				X
[***]				X

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Exhibit 10.42

The CORPORATE*plan for Retirement*[SM]
EXECUTIVE PLAN

BASIC PLAN DOCUMENT

IMPORTANT NOTE

This document has not been approved by the Department of Labor, the Internal Revenue Service or any other governmental entity. An Adopting Employer must determine whether the plan is subject to the Federal securities laws and the securities laws of the various states. An Adopting Employer may not rely on this document to ensure any particular tax consequences or to ensure that the Plan is "unfunded and maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees" under the Employee Retirement Income Security Act with respect to the Employer's particular situation. Fidelity Management Trust Company, its affiliates and employees cannot and do not provide legal or tax advice in connection with this document. This document does not constitute legal or tax advice and is not intended or written to be used, and it cannot be used by any taxpayer, for the purposes of avoiding penalties that may be imposed on the taxpayer. This document should be reviewed by the Employer's attorney prior to adoption.

CORPORATEplan for Retirement EXECUTIVE
BASIC PLAN DOCUMENT

PREAMBLE

It is the intention of the Employer to establish herein an unfunded plan maintained solely for the purpose of providing deferred compensation for a select group of management or highly compensated employees as provided in ERISA.

Article 1. Adoption Agreement.

Article 2. Definitions.

2.01. Definitions.

(a) Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

(1) "Account" means an account established on the books of the Employer for the purpose of recording amounts credited on behalf of a Participant and any income, expenses, gains or losses included thereon.

(2) "Administrator" means the Employer adopting this Plan, or other person designated by the Employer in Section 1.01(b).

(3) "Adoption Agreement" means Article 1, under which the Employer establishes and adopts or amends the Plan and designates the optional provisions selected by the Employer. The provisions of the Adoption Agreement shall be an integral part of the Plan.

(4) "Beneficiary" means the person or persons entitled under Section 7.02 to receive benefits under the Plan upon the death of a Participant.

(5) "Bonus" means any performance-based Compensation based on services performed for the Employer over a period of at least 12 months.

(6) "Change of Control" means a change in the ownership or effective control of the Employer, or a substantial portion of the Employer's assets as defined in the regulations under Code Section 409A.

(7) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(8) "Compensation" means for purposes of Article 4 (Contributions) wages as defined in Section 3401(a) of the Code and all other payments of compensation to an employee by the Employer (in the course of the Employer's trade or business) for which the Employer is required to furnish the employee a written statement under Section 6041(d) and 6051(a)(3) of the Code, excluding any items elected by the Employer in Section 1.04, reimbursements or other expense allowances, fringe benefits (cash and non-cash), moving expenses, deferred compensation and welfare benefits, but including amounts that are not includable in the gross income of the Participant under a salary reduction agreement by reason of the application of Sections 125, 132(f)(4), 402(e)(3), 402(h) or 403(b) of the Code. Compensation shall be determined without regard to any rules under Section 3401(a) of the Code that limit the remuneration included in wages based on the nature or location of the employment or the services performed (such as the exception for agricultural labor in Section 3401(a)(2) of the Code).

Compensation shall also include amounts deferred pursuant to an election under Section 4.01.

In the case of any Self-Employed Individual or an Owner-Employee, Compensation means the Self-Employed Individual's Earned Income.

(9) "Earned Income" means the net earnings of a Self-Employed Individual derived from the trade or business with respect to which the Plan is established and for which the personal services of such individual are a material income-providing factor, excluding any items not included in gross income and the deductions allocated to such items, except that for taxable years beginning after December 31, 1989 net earnings shall be determined

with regard to the deduction allowed under Section 164(f) of the Code, to the extent applicable to the Employer. Net earnings shall be reduced by contributions of the Employer to any qualified plan, to the extent a deduction is allowed to the Employer for such contributions under Section 404 of the Code.

(10) "Employee" means any employee of the Employer, Self-Employed Individual or Owner-Employee.

(11) "Employer" means the employer named in Section 1.02(a) and any Related Employers designated in Section 1.02(b).

(12) "Employment Commencement Date" means the date on which the Employee first performs an Hour of Service.

(13) "Entry Date" means the date(s) designated in Section 1.03(b).

(14) "ERISA" means the Employee Retirement Income Security Act of 1974, as from time to time amended.

(15) "Fund Share" means the share, unit, or other evidence of ownership in a Permissible Investment.

(16) "Hour of Service" means, with respect to any Employee,

(A) Each hour for which the Employee is directly or indirectly paid, or entitled to payment, for the performance of duties for the Employer or a Related Employer, each such hour to be credited to the Employee for the computation period in which the duties were performed;

(B) Each hour for which the Employee is directly or indirectly paid, or entitled to payment, by the Employer or Related Employer (including payments made or due from a trust fund or insurer to which the Employer contributes or pays premiums) on account of a period of time during which no duties are performed (irrespective of whether the employ-ment relationship has terminated) due to vacation, holiday, illness, incapacity, disability, layoff, jury duty, military duty, or leave of absence, each such hour to be credited to the Employee for the Eligibility Computation Period in which such period of time occurs, subject to the following rules:

(i) No more than 501 Hours of Service shall be credited under this paragraph (B) on account of any single continuous period during which the Employee performs no duties;

(ii) Hours of Service shall not be credited under this paragraph (B) for a payment which solely reimburses the Employee for medically-related expenses, or which is made or due under a plan maintained solely for the purpose of complying with applicable workmen's compensation, unemployment compensation or disability insurance laws; and

(iii) If the period during which the Employee performs no duties falls within two or more computation periods and if the payment made on account of such period is not calculated on the basis of units of time, the Hours of Service credited with respect to such period shall be allocated between not more than the first two such computation periods on any reasonable basis consistently applied with respect to similarly situated Employees; and

(C) Each hour not counted under paragraph (A) or (B) for which back pay, irrespective of mitigation of damages, has been either awarded or agreed to be paid by the Employer or a Related Employer, each such hour to be credited to the Employee for the computation period to which the award or agreement pertains rather than the computation period in which the award agreement or payment is made.

For purposes of determining Hours of Service, Employees of the Employer and of all Related Employers will be treated as employed by a single employer. For purposes of paragraphs (B) and (C) above, Hours of Service will be calculated in accordance with the provisions of Section 2530.200b-2(b) of the Department of Labor regulations, which are incorporated herein by reference.

Solely for purposes of determining whether a break in service for participation purposes has occurred in a computation period, an individual who is absent from work for maternity or paternity reasons shall receive credit for the hours of service which would otherwise been credited to such individual but for such absence, or in any case in which such hours cannot be determined, 8 hours of service per day of such absence. For purposes of this paragraph, an absence from work for maternity reasons means an absence (1) by reason of the pregnancy of the individual, (2) by reason of a birth of a child of the individual, (3) by reason of the placement of a child with the individual in connection with the adoption

of such child by such individual, or (4) for purposes of caring for such child for a period beginning immediately following such birth or placement. The hours of service credited under this paragraph shall be credited (1) in the computation period in which the absence begins if the crediting is necessary to prevent a break in service in that period, or (2) in all other cases, in the following computation period.

(17) "Key Employee" means a Participant who is key employee pursuant to Code Section 416(i), without regard to paragraph (5) thereof. A Participant will not be considered a Key Employee unless the Employer is a corporation which has any of its stock publicly traded according to Code Section 409A and regulations thereunder.

(18) "Normal Retirement Age" means the normal retirement age specified in Section 1.07(f) of the Adoption Agreement.

(19) "Owner-Employee" means, if the Employer is a sole proprietorship, the individual who is the sole proprietor, or, if the Employer is a partnership, a partner who owns more than 10 percent of either the capital interest or the profits interest of the partnership.

(20) "Participant" means any Employee who participates in the Plan in accordance with Article 3 hereof.

(21) "Permissible Investment" means the investments specified by the Employer as available for investment of assets of the Trust and agreed to by the Trustee. The Permissible Investments under the Plan shall be listed in the Service Agreement.

(22) "Plan" means the plan established by the Employer as set forth herein as a new plan or as an amendment to an existing plan, by executing the Adoption Agreement, together with any and all amendments hereto.

(23) "Plan Year" means the 12-consecutive-month period designated by the Employer in Section 1.01(c).

(24) "Related Employer" means any employer other than the Employer named in Section 1.02(a), if the Employer and such other employer are members of a controlled group of corporations (as defined in Section 414(b) of the Code) or an affiliated service group (as defined in Section 414(m)), or are trades or businesses (whether or not incorporated) which are under common control (as defined in Section 414(c)), or such other employer is required to be aggregated with the Employer pursuant to regulations issued under Section 414(o).

(25) "Self-Employed Individual" means an individual who has Earned Income for the taxable year from the Employer or who would have had Earned Income but for the fact that the trade or business had no net profits for the taxable year.

(26) "Service Agreement" means the agreement between the Employer and Trustee regarding the arrangement between the parties for recordkeeping services with respect to the Plan.

(27) "Trust" means the trust created by the Employer.

(28) "Trust Agreement" means the agreement between the Employer and the Trustee, as set forth in a separate agreement, under which assets are held, administered, and managed subject to the claims of the Employer's creditors in the event of the Employer's insolvency, until paid to Plan Participants and their Beneficiaries as specified in the Plan.

(29) "Trust Fund" means the property held in the Trust by the Trustee.

(30) "Trustee" means the corporation or individual(s) appointed by the Employer to administer the Trust in accordance with the Trust Agreement.

(31) "Years of Service for Vesting" means, with respect to any Employee, the number of whole years of his periods of service with the Employer or a Related Employer (the elapsed time method to compute vesting service), subject to any exclusions elected by the Employer in Section 1.07(c). An Employee will receive credit for the aggregate of all time period(s) commencing with the Employee's Employment Commencement Date and ending on the date a break in service begins, unless any such years are excluded by Section 1.07(c). An Employee will also receive credit for any period of severance of less than 12 consecutive months. Fractional periods of a year will be expressed in terms of days.

In the case of a Participant who has 5 consecutive 1-year breaks in service, all years of service after such breaks in service will be disregarded for the purpose of vesting the Employer-derived account balance that accrued before such breaks, but both pre-break and post-break service will count for the purposes of vesting the Employer-derived account balance that accrues after such breaks. Both accounts will share in the earnings and losses of the fund.

In the case of a Participant who does not have 5 consecutive 1-year breaks in service, both the pre-break and post-break service will count in vesting both the pre-break and post-break employer-derived account balance.

A break in service is a period of severance of at least 12 consecutive months. Period of severance is a continuous period of time during which the Employee is not employed by the Employer. Such period begins on the date the Employee retires, quits or is discharged, or if earlier, the 12-month anniversary of the date on which the Employee was otherwise first absent from service.

In the case of an individual who is absent from work for maternity or paternity reasons, the 12-consecutive month period beginning on the first anniversary of the first date of such absence shall not constitute a break in service. For purposes of this paragraph, an absence from work for maternity or paternity reasons means an absence (1) by reason of the pregnancy of the individual, (2) by reason of the birth of a child of the individual, (3) by reason of the placement of a child with the individual in connection with the adoption of such child by such individual, or (4) for purposes of caring for such child for a period beginning immediately following such birth or placement.

If the Plan maintained by the Employer is the plan of a predecessor employer, an Employee's Years of Service for Vesting shall include years of service with such predecessor employer. In any case in which the Plan maintained by the Employer is not the plan maintained by a predecessor employer, service for such predecessor shall be treated as service for the Employer to the extent provided in Section 1.08.

(b) Pronouns used in the Plan are in the masculine gender but include the feminine gender unless the context clearly indicates otherwise.

Article 3. Participation.

3.01. Date of Participation. An eligible Employee (as set forth in Section 1.03(a)) who has filed an election pursuant to Section 4.01 will become a Participant in the Plan on the first Entry Date coincident with or following the date on which such election would otherwise become effective, as determined under Section4.01.

3.02. Resumption of Participation Following Reemployment. If a Participant ceases to be an Employee and thereafter returns to the employ of the Employer he will again become a Participant as of an Entry Date following the date on which he completes an Hour of Service for the Employer following his re employment, if he is an eligible Employee as defined in Section 1.03(a), and has filed an election pursuant to Section 4.01.

3.03. Cessation or Resumption of Participation Following a Change in Status. If any Participant continues in the employ of the Employer or Related Employer but ceases to be an eligible Employee as defined in Section 1.03(a), the individual shall continue to be a Participant until the entire amount of his benefit is distributed; however, the individual shall not be entitled to make Deferral Contributions or receive an allocation of Matching or Employer Contributions during the period that he is not an eligible Employee. Such Participant shall continue to receive credit for service completed during the period for purposes of determining his vested interest in his Accounts. In the event that the individual subsequently again becomes an eligible Employee, the individual shall resume full participation in accordance with Section 3.01.

Article 4. Contributions.

4.01. Deferral Contributions. Each Participant may elect to execute a salary reduction agreement with the Employer to reduce his Compensation by a specified percentage, not exceeding the percentage set forth in Section 1.05(a) and equal to a whole number multiple of one (1) percent, per payroll period, subject to any election regarding Bonuses, as set out in Subsection 1.05(a)(2). Such agreement shall become effective on the first day of the period as set forth in the Participant's election. The election will be effective to defer Compensation relating to all services performed in a calendar year subsequent to the filing of such an election, subject to any election regarding Bonuses, as set out in Subsection 1.05(a)(2). An election once made will remain in effect until a new election is made; provided, however that such an election choosing a distribution date pursuant to 1.06(b)(1)(B) will only be effective for the Plan Year indicated. A new election will be effective as of the first day of the following calendar year and will apply only to Compensation payable with respect to services rendered after such date, except that a separate election made pursuant to

Section 1.05(a)(2) will be effective immediately if made no later than 6 months before the end of the period during which the services on which the Bonus is based are performed. If the Employer has selected 1.05(a)(2), no amount will be deducted from Bonuses unless the Participant has made a separate election. Amounts credited to a Participant's account prior to the effective date of any new election will not be affected and will be paid in accordance with that prior election. The Employer shall credit an amount to the account maintained on behalf of the Participant corresponding to the amount of said reduction. Under no circumstances may a salary reduction agreement be adopted retroactively. To the extent permitted in regulations under Code Section 409A, a Participant may revoke a salary reduction agreement for a calendar year during that year, provided, however, that such revocation shall apply only to Compensation not yet earned. In that event, the Participant shall be precluded from electing to defer future Compensation hereunder during the calendar year to which the revocation applies. Notwithstanding the above, in the calendar year in which the Plan first becomes effective or in the year in which the Participant first becomes eligible to participate, an election to defer compensation may be made within 30 days after the Participant is first eligible or the Plan is first effective, which election shall be effective with respect to Compensation payable with respect to services rendered after the date of the election.

4.02. Matching Contributions. If so provided by the Employer in Section 1.05(b), the Employer shall make a "Matching Contribution" to be credited to the account maintained on behalf of each Participant who had "Deferral Contributions" pursuant to Section 4.01 made on his behalf during the year and who meets the requirement, if any, of Section 1.05(b)(3). The amount of the "Matching Contribution" shall be determined in accordance with Section 1.05(b).

4.03. Employer Contributions. If so provided by the Employer in Section 1.05(c)(1), the Employer shall make an "Employer Contribution" to be credited to the account maintained on behalf of each Participant who meets the requirement, if any, of Section 1.05(c)(3) in the amount required by Section 1.05(c)(1). If so provided by the Employer in Section 1.05(c)(2), the Employer may make an "Employer Contribution" to be credited to the account maintained on behalf of any Participant in such an amount as the Employer, in its sole discretion, shall determine. In making "Employer Contributions" pursuant to Section 1.05(c)(2), the Employer shall not be required to treat all Participants in the same manner in determining such contributions and may determine the "Employer Contribution" of any Participant to be zero.

4.04. Time of Making Contributions. The Employer shall remit contributions deemed made hereunder to the Trust as soon as practicable after such contributions are deemed made under the terms of the Plan.

Article 5. Participants' Accounts.

5.01. Individual Accounts. The Administrator will establish and maintain an Account for each Participant, which will reflect Matching, Employer and Deferral Contributions credited to the Account on behalf of the Participant and earnings, expenses, gains and losses credited thereto, and deemed investments made with amounts in the Participant's Account. The Administrator will establish and maintain such other accounts and records as it decides in its discretion to be reasonably required or appropriate in order to discharge its duties under the Plan. Participants will be furnished statements of their Account values at least once each Plan Year. The Administrator shall provide the Trustee with information on the amount credited to the separate account of each Participant maintained by the Administrator in its records.

Article 6. Investment of Contributions.

6.01. Manner of Investment. All amounts credited to the Accounts of Participants shall be treated as though invested and reinvested only in eligible investments selected by the Employer in the Service Agreement.

6.02. Investment Decisions. Investments in which the Accounts of Participants shall be treated as invested and reinvested shall be directed by the Employer or by each Participant, or both, in accordance with the Employer's election in Section 1.11(a).

(a) All dividends, interest, gains and distributions of any nature that would be earned in respect of Fund Shares in which the Account is treated as investing shall be credited to the Account as though reinvested in additional shares of that Permissible Investment.

(b) Expenses that would be attributable to the acquisition of investments shall be charged to the Account of the Participant for which such investment is treated as having been made.

Article 7. Right to Benefits.

7.01. Normal or Early Retirement. If provided by the Employer in Section 1.07(e), each Participant who attains his Normal Retirement Age or Early Retirement Age will have a nonforfeitable interest in his Account in accordance with the vesting schedule(s) elected in Section 1.07. If a Participant retires on or after attainment of Normal or Early Retirement Age, such retirement is referred to as a normal retirement. On or after his normal retirement, the balance of the Participant's Account, plus any amounts thereafter credited to his Account, subject to the provisions of Section 7.06, will be distributed to him in accordance with Article 8.

If provided by the Employer in Section 1.07, a Participant who separates from service before satisfying the age requirements for early retirement, but has satisfied the service requirement will be entitled to the distribution of his Account, subject to the provisions of Section 7.06, in accordance with Article 8, upon satisfaction of such age requirement.

7.02. Death. If a Participant dies before the distribution of his Account has commenced, or before such distribution has been completed, his Account shall become vested in accordance with the vesting schedule(s) elected in Section 1.07 and his designated Beneficiary or Beneficiaries will be entitled to receive the balance or remaining balance of his Account, plus any amounts thereafter credited to his Account, subject to the provisions of Section 7.06. Distribution to the Beneficiary or Beneficiaries will be made in accordance with Article 8. A distribution to a beneficiary of a Key Employee is not considered to be a distribution to a Key Employee for purposes of Sections 1.06 and 7.08.

A Participant may designate a Beneficiary or Beneficiaries, or change any prior designation of Beneficiary or Beneficiaries, by giving notice to the Administrator on a form designated by the Administrator. If more than one person is designated as the Beneficiary, their respective interests shall be as indicated on the designation form.

A copy of the death certificate or other sufficient documentation must be filed with and approved by the Administrator. If upon the death of the Participant there is, in the opinion of the Administrator, no designated Beneficiary for part or all of the Participant's Account, such amount will be paid to his surviving spouse or, if none, to his estate (such spouse or estate shall be deemed to be the Beneficiary for purposes of the Plan). If a Beneficiary dies after benefits to such Beneficiary have commenced, but before they have been completed, and, in the opinion of the Administrator, no person has been designated to receive such remaining benefits, then such benefits shall be paid to the deceased Beneficiary's estate.

7.03. Other Termination of Employment. If provided by the Employer in Section 1.07, if a Participant terminates his employment for any reason other than death or normal retirement, he will be entitled to a termination benefit equal to (i) the vested percentage(s) of the value of the Matching and Employer Contributions to his Account, as adjusted for income, expense, gain, or loss, such percentage (s) determined in accordance with the vesting schedule(s) selected by the Employer in Section 1.07, and (ii) the value of the Deferral Contributions to his Account as adjusted for income, expense, gain or loss. The amount payable under this Section 7.03 will be subject to the provisions of Section 7.06 and will be distributed in accordance with Article 8. For purposes of the Plan, a termination of employment is a separation from service as defined pursuant to Code Section 409A and regulations thereunder.

7.04. Separate Account. If a distribution from a Participant's Account has been made to him at a time when he has a nonforfeitable right to less than 100 percent of his Account, the vesting schedule in Section 1.07 will thereafter apply only to amounts in his Account attributable to Matching and Employer Contributions allocated after such distribution. The balance of his Account immediately after such distribution will be transferred to a separate account that will be maintained for the purpose of determining his interest therein according to the following provisions.

At any relevant time prior to a forfeiture of any portion thereof under Section 7.05, a Participant's nonforfeitable interest in his Account held in a separate account described in the preceding paragraph will be equal to P(AB + (RxD))-(RxD), where P is the nonforfeitable percentage at the relevant time determined under Section 7.05; AB is the account balance of the separate account at the relevant time; D is the amount of the distribution; and R is the ratio of the account balance at the relevant time to the account balance after distribution. Following a forfeiture of any portion of such separate account under Section 7.05 below, any balance in the Participant's separate account will remain fully vested and nonforfeitable.

7.05. Forfeitures. If a Participant terminates his employment, any portion of his Account (including any amounts credited after his termination of employment) not payable to him under Section 7.03 will be forfeited by him.

7.06. Adjustment for Investment Experience. If any distribution under this Article 7 is not made in a single payment, the amount remaining in the Account after the distribution will be subject to adjustment until distributed to reflect the income and gain or loss on the investments in which such amount is treated as invested and any expenses properly charged under the Plan to such amounts.

7.07. Unforeseeable Emergency Withdrawals. Subject to the provisions of Article 8, a Participant shall not be permitted to withdraw his Account (and earnings thereon) prior to retirement or termination of employment, except that, to the extent permitted under Section 1.09, a Participant may apply to the Administrator to withdraw some or all of his Account if such withdrawal is made on account of an unforeseeable emergency as determined by the Administrator in accordance with the requirements of and subject to the limitations provided within Code Section 409A and regulations thereunder.

7.08. Change in Control Distributions. If the Employer has elected to apply Section 1.06(c), then, upon a Change in Control, notwithstanding any other provision of the Plan to the contrary, all Participants shall have a nonforfeitable right to receive the entire amount of their account balances under the Plan. All distributions due to a Change in Control shall be paid out to Participants as soon as administratively practicable, except that any such distribution to a Key Employee who has terminated employment pursuant to Section 7.03 shall not be earlier than the 1st day of the seventh month following that Key Employee's termination of employment.

Article 8. Distribution of Benefits.

8.01. Form of Distribution of Benefits to Participants and Beneficiaries. The Plan provides for distribution as a lump sum to be paid in cash on the date specified by the Employer in Section 1.06 pursuant to the method provided in Section 8.02. If elected by the Employer in Section 1.10 and specified in the Participant's deferral election, the distribution will be paid through a systematic withdrawal plan (installments) for a time period not exceeding 10 years beginning on the date specified by the Employer in Section 1.06.

8.02. Events Requiring Distribution of Benefits to Participants and Beneficiaries.

(a) If elected by the Employer in Section 1.06(a), the Participant will receive a distribution upon the earliest of the events specified by the Employer in Section 1.06(a), subject to the provisions of Section 7.08, and at the time indicated in Section 1.06 (a)(2). If the Participant dies before any event in Section 1.06(a) occurs, the Participant shall be considered to have terminated employment and the Participant's benefit will be paid to the Participant's Beneficiary in the same form and at the same time as it would have been paid to the Participant pursuant to this Article 8.

(b) If elected by the Employer in Section 1.06(b), the Participant will receive a distribution of all amounts not deferred pursuant to Section 1.06(b)(1)(B) (and earnings attributable to those amounts) upon termination of employment, subject to the delay applicable to Key Employees described therein, as applicable. If elected by the Employer in Section 1.06(b)(1)(B), the Participant shall have the election to receive distributions of amounts deferred pursuant to Section 4.01 (and earnings attributable to those amounts) after a date specified by the Participant in his deferral election which is at least 12 months after the first day of the calendar year in which such amounts would be earned. Amounts distributed to the Participant pursuant to Section 1.06(b) shall be distributed at the time indicated in Section 1.06(b)(2). Subject to the provisions of Section 7.08, the Participant shall receive a distribution in the form provided in Section 8.01. If the Participant dies before any event in Section 1.06(a) occurs, the Participant shall be considered to have terminated employment and the Participant's benefit will be paid to the Participant's Beneficiary in the same form and at the same time as it would have been paid to the Participant pursuant to this Article 8. However, if the Participant dies before the date specified by the Participant in an election pursuant to Section 1.06(b) (1)(B), then the Participant's benefit shall be paid to the Participant's Beneficiary in the form provided in Section 8.01 as if the Participant had elected to be paid at termination of employment.

8.03. Determination of Method of Distribution. The Participant will determine the method of distribution of benefits to himself and his Beneficiary, subject to the provisions of Section 8.02. Such determination will be made at the time the Participant makes a deferral election. A Participant's election cannot be altered, except, if elected by the Employer in Section 1.10(b), if the Participant's balance falls below the level described in regulations under Code Section 409A, the Participant's benefit payable due to termination of employment will be distributed in a lump sum rather than installments.

(a) When Section 1.06(a) has been elected by the Employer. The distribution period specified in a Participant's first deferral election specifying distribution under a systematic withdrawal plan shall apply to all subsequent elections of distributions under a systematic withdrawal plan made by the Participant. Once a Participant has made an election for the method of distribution, that election shall be effective for all contributions made on behalf of the Participant attributable to any Plan Year after that election was made and before the Plan Year for which that election has been altered in the manner prescribed by the Administrator. If the Participant does not designate in the manner prescribed by the Administrator the method of distribution, such method of distribution shall be a lump sum at termination of employment.

(b) When Section 1.06(b) has been elected by the Employer. The distribution period for distributions under a systematic withdrawal plan shall be specified in each Participant's contribution election selecting payments under a systematic withdrawal plan. If the Participant does not designate in the manner prescribed by the Administrator the method of distribution, such method of distribution for all such contributions shall be a lump sum at termination of employment.

8.04. Notice to Trustee. The Administrator will notify the Trustee, pursuant to the method stated in the Trust Agreement for providing direction, whenever any Participant or Beneficiary is entitled to receive benefits under the Plan. The Administrator's notice shall indicate the form, amount and frequency of benefits that such Participant or Beneficiary shall receive.

8.05. Time of Distribution. In no event will distribution to a Participant be made later than the date specified by the Participant in his salary reduction agreement. All distributions will be made as soon as administratively feasible following the distribution date specified in Section 1.06 or Section 7.08, if applicable.

Article 9. Amendment and Termination.

9.01 Amendment by Employer. The Employer reserves the authority to amend the Plan by filing with the Trustee an amended Adoption Agreement, executed by the Employer only, on which said Employer has indicated a change or changes in provisions previously elected by it. Such changes are to be effective on the effective date of such amended Adoption Agreement. Any such change notwithstanding, no Participant's Account shall be reduced by such change below the amount to which the Participant would have been entitled if he had voluntarily left the employ of the Employer immediately prior to the date of the change. The Employer may from time to time make any amendment to the Plan that may be necessary to satisfy the Code or ERISA. The Employer's board of directors or other individual specified in the resolution adopting this Plan shall act on behalf of the Employer for purposes of this Section 9.01.

9.02 Retroactive Amendments. An amendment made by the Employer in accordance with Section 9.01 may be made effective on a date prior to the first day of the Plan Year in which it is adopted if such amendment is necessary or appropriate to enable the Plan and Trust to satisfy the applicable requirements of the Code or ERISA or to conform the Plan to any change in federal law or to any regulations or ruling thereunder. Any retroactive amendment by the Employer shall be subject to the provisions of Section 9.01.

9.03. Termination. The Employer has adopted the Plan with the intention and expectation that contributions will be continued indefinitely. However, said Employer has no obligation or liability whatsoever to maintain the Plan for any length of time and may discontinue contributions under the Plan or terminate the Plan at any time by written notice delivered to the Trustee without any liability hereunder for any such discontinuance or termination.

9.04. Distribution upon Termination of the Plan. Upon termination of the Plan, no further Deferral, Employer or Matching Contributions shall be made under the Plan, but Accounts of Participants maintained under the Plan at the time of termination shall continue to be governed by the terms of the Plan until paid out in accordance with the terms of the Plan.

Article 10. Miscellaneous.

10.01. Communication to Participants. The Plan will be communicated to all Participants by the Employer promptly after the Plan is adopted.

10 02. Limitation of Rights. Neither the establishment of the Plan and the Trust, nor any amendment thereof, nor the creation of any fund or account, nor the payment of any benefits, will be construed as giving to any Participant or other person any legal or equitable right against the Employer, Administrator or Trustee, except as provided herein; and in no event will the terms of employment or service of any Participant be modified or in any way affected hereby.

10.03. Nonalienability of Benefits. The benefits provided hereunder will not be subject to alienation, assignment, garnishment, attachment, execution or levy of any kind, either voluntarily or involuntarily, and any attempt to cause such benefits to be so subjected will not be recognized, except to such extent as may be required by law.

10 04. Facility of Payment. In the event the Administrator determines, on the basis of medical reports or other evidence satisfactory to the Administrator, that the recipient of any benefit payments under the Plan is incapable of handling his affairs by reason of minority, illness, infirmity or other incapacity, the Administrator may disburse such payments, or direct the Trustee to disburse such payments, as applicable, to a person or institution designated by a court

which has jurisdiction over such recipient or a person or institution otherwise having the legal authority under State law for the care and control of such recipient. The receipt by such person or institution of any such payments shall be complete acquittance therefore, and any such payment to the extent thereof, shall discharge the liability of the Trust for the payment of benefits hereunder to such recipient.

10.05. Information between Employer and Trustee. The Employer agrees to furnish the Trustee, and the Trustee agrees to furnish the Employer with such information relating to the Plan and Trust as may be required by the other in order to carry out their respective duties hereunder, including without limitation information required under the Code or ERISA and any regulations issued or forms adopted thereunder.

10.06. Notices. Any notice or other communication in connection with this Plan shall be deemed delivered in writing if addressed as provided below and if either actually delivered at said address or, in the case of a letter, three business days shall have elapsed after the same shall have been deposited in the United States mails, first-class postage prepaid and registered or certified:

(a) If to the Employer or Administrator, to it at the address set forth in the Adoption Agreement, to the attention of the person specified to receive notice in the Adoption Agreement;

(b) If to the Trustee, to it at the address set forth in the Trust Agreement;

or, in each case at such other address as the addressee shall have specified by written notice delivered in accordance with the foregoing to the addressor's then effective notice address.

10.07. Governing Law. The Plan and the accompanying Adoption Agreement will be construed, administered and enforced according to ERISA, and to the extent not preempted thereby, the laws of the Commonwealth of Massachusetts, without regard to its conflicts of law principles.

Article 11. Plan Administration.

11.01. Powers and responsibilities of the Administrator. The Administrator has the full power and the full responsibility to administer the Plan in all of its details, subject, however, to the applicable requirements of ERISA. The Administrator's powers and responsibilities include, but are not limited to, the following:

(a) To make and enforce such rules and regulations as it deems necessary or proper for the efficient administration of the Plan;

(b) To interpret the Plan, its interpretation thereof in good faith to be final and conclusive on all persons claiming benefits under the Plan;

(c) To decide all questions concerning the Plan and the eligibility of any person to participate in the Plan;

(d) To administer the claims and review procedures specified in Section 11.03;

(e) To compute the amount of benefits which will be payable to any Participant, former Participant or Beneficiary in accordance with the provisions of the Plan;

(f) To determine the person or persons to whom such benefits will be paid;

(g) To authorize the payment of benefits;

(h) To comply with any applicable reporting and disclosure requirements of Part 1 of Subtitle B of Title I of ERISA;

(i) To appoint such agents, counsel, accountants, and consultants as may be required to assist in administering the Plan;

(j) By written instrument, to allocate and delegate its responsibilities, including the formation of an Administrative Committee to administer the Plan;

11.02. Nondiscriminatory Exercise of Authority. Whenever, in the administration of the Plan, any discretionary action by the Administrator is required, the Administrator shall exercise its authority in a nondiscriminatory manner so that all persons similarly situated will receive substantially the same treatment.

11.03. Claims and Review Procedures.

(a) Claims Procedure. If any person believes he is being denied any rights or benefits under the Plan, such person may file a claim in writing with the Administrator. If any such claim is wholly or partially denied, the Administrator will notify such person of its decision in writing. Such notification will contain (i) specific reasons for the denial, (ii) specific reference to pertinent Plan provisions, (iii) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and (iv) information as to the steps to be taken if the person wishes to submit a request for review, including a statement of the such person's right to bring a civil action under Section 502(a) of ERISA following as adverse determination upon review. Such notification will be given within 90 days after the claim is received by the Administrator (or within 180 days, if special circumstances require an extension of time for processing the claim, and if written notice of such extension and circumstances is given to such person within the initial 90-day period).

If the claim concerns disability benefits under the Plan, the Plan Administrator must notify the claimant in writing within 45 days after the claim has been filed in order to deny it. If special circumstances require an extension of time to process the claim, the Plan Administrator must notify the claimant before the end of the 45-day period that the claim may take up to 30 days longer to process. If special circumstances still prevent the resolution of the claim, the Plan Administrator may then only take up to another 30 days after giving the claimant notice before the end of the original 30-day extension. If the Plan Administrator gives the claimant notice that the claimant needs to provide additional information regarding the claim, the claimant must do so within 45 days of that notice.

(b) Review Procedure. Within 60 days after the date on which a person receives a written notice of a denied claim (or, if applicable, within 60 days after the date on which such denial is considered to have occurred), such person (or his duly authorized representative) may (i) file a written request with the Administrator for a review of his denied claim and of pertinent documents and (ii) submit written issues and comments to the Administrator. This written request may include comments, documents, records, and other information relating to the claim for benefits. The claimant shall be provided, upon the claimant's request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits. The review will take into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. The Administrator will notify such person of its decision in writing. Such notification will be written in a manner calculated to be understood by such person and will contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The decision on review will be made within 60 days after the request for review is received by the Administrator (or within 120 days, if special circumstances require an extension of time for processing the request, such as an election by the Administrator to hold a hearing, and if written notice of such extension and circumstances is given to such person within the initial 60-day period). The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Plan expects to render the determination on review.

If the initial claim was for disability benefits under the Plan and has been denied by the Plan Administrator, the claimant will have 180 days from the date the claimant received notice of the claim's denial in which to appeal that decision. The review will be handled completely independently of the findings and decision made regarding the initial claim and will be processed by an individual who is not a subordinate of the individual who denied the initial claim. If the claim requires medical judgment, the individual handling the appeal will consult with a medical professional whom was not consulted regarding the initial claim and who is not a subordinate of anyone consulted regarding the initial claim and identify that medical professional to the claimant.

The Plan Administrator shall provide the claimant with written notification of a plan's benefit determination on review. In the case of an adverse benefit determination, the notification shall set forth, in a manner calculated to be understood by the claimant – the specific reason or reasons for the adverse determinations, reference to the specific plan provisions on which the benefit determination is based, a statement that the claimant is entitled to receive, upon the claimant's request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits.

Exhibit 21.1

Subsidiaries of Amylin Pharmaceuticals, Inc.

All of the following subsidiaries are 100% owned by Amylin Pharmaceuticals, Inc.

Amylin Europe Limited

Amylin Ohio LLC

Amylin Puerto Rico LLC

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements on Form S-8 (No.'s 33-45092, 33-47604, 33-85512, 333-2894, 333-2896, 333-51577, 333-82965, 333-39124, 333-61660, 333-108050, 333-115187, 333-121496, 333-126513, and 333-134528) and Form S-3 (No.'s 33-83602, 333-2898, 333-87033, 333-33340, 333-61144, 333-75066, 333-101278, 333-108008, 333-111086, 333-115509, 333-127949, 333-127950, 333-132730, and 333-136860), of our reports dated February 23, 2007, with respect to the consolidated financial statements and schedule of Amylin Pharmaceuticals, Inc., management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting of Amylin Pharmaceuticals, Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 2006.

/s/ ERNST & YOUNG LLP

San Diego, California
February 23, 2007

Exhibit 31.1

CERTIFICATIONS

I, Mark G. Foletta, certify that:

1. I have reviewed this annual report on Form 10-K of Amylin Pharmaceuticals, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared; and

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2007

By: /S/ MARK G. FOLETTA
Senior Vice President, Finance and Chief Financial Officer

Exhibit 31.2

CERTIFICATIONS

I, Ginger L. Graham, certify that:

1. I have reviewed this annual report on Form 10-K of Amylin Pharmaceuticals, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared; and

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2007

By: /S/ GINGER L. GRAHAM
Chief Executive Officer

Exhibit 32.1

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350, as adopted), Ginger L. Graham, the Chief Executive Officer of Amylin Pharmaceuticals, Inc. (the "Company"), and Mark G. Foletta, the Senior Vice President and Chief Financial Officer of the Company, each hereby certifies that, to the best of his or her knowledge:

1. The Company's Annual Report on Form 10-K for the period ended December 31, 2006, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the Company at the end of the period covered by the Periodic Report and results of operations of the Company for the period covered by the Periodic Report.

Dated: February 26, 2007

/s/ GINGER L. GRAHAM
Ginger L. Graham
Chief Executive Officer

/s/ MARK G. FOLETTA
Mark G. Foletta
Senior Vice President, Finance and Chief Financial Officer