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

FORM 10-Q

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

For the quarterly period ended March 28, 2009

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 Number: 000-04829

Nabi Biopharmaceuticals

(Exact name of registrant as specified in its charter)

Delaware	**59-1212264**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

12276 Wilkins Avenue, Rockville, MD 20852
(Address of principal executive offices, including zip code)

(301) 770-3099
(Registrant's telephone number, including area code)

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐

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

The number of shares outstanding of the registrant's common stock, par value $.10 per share, at April 24, 2009 was 51,476,214 shares.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Nabi Biopharmaceuticals

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands)

	March 28, 2009	December 27, 2008 (as adjusted)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 114,190	$ 106,438
Marketable securities	9,135	23,900
Prepaid expenses and other current assets	1,464	1,430
Assets of discontinued operations (including restricted cash)	10,358	10,409
Total current assets	135,147	142,177
Property and equipment, net	1,200	1,315
Other assets	756	730
Total assets	$ 137,103	$ 144,222
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,486	$ 1,226
Accrued expenses and other current liabilities	2,225	3,030
Current liabilities of discontinued operations	3,358	3,381
Total current liabilities	7,069	7,637
2.875% convertible senior notes, net	15,423	15,202
Total liabilities	22,492	22,839
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock	—	—
Common stock	6,247	6,239
Capital in excess of par value	363,705	363,001
Treasury stock	(42,598)	(42,187)
Other comprehensive income	1	60
Accumulated deficit	(212,744)	(205,730)
Total stockholders' equity	114,611	121,383
Total liabilities and stockholders' equity	$ 137,103	$ 144,222

See accompanying notes to condensed consolidated financial statements.

Nabi Biopharmaceuticals

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share amounts)

	For the Three Months Ended	
	March 28, 2009	March 29, 2008 (as adjusted)
Operating expenses:		
General and administrative expenses	$ 3,090	$ 5,133
Research and development expenses	3,766	3,205
Operating loss	(6,856)	(8,338)
Interest income	187	2,038
Interest expense	(361)	(1,552)
Other income (expense), net	(16)	131
Loss from continuing operations before income taxes	(7,046)	(7,721)
Benefit from income taxes	—	195
Loss from continuing operations	(7,046)	(7,526)
Discontinued operations:		
Income from discontinued operations, net of tax provision	—	299
Income from discontinued operations	—	299
Net loss	$ (7,046)	$ (7,227)
Basic and diluted (loss) income per share:		
Continuing operations	$ (0.14)	$ (0.14)
Discontinued operations	0.00	0.01
Basic and diluted (loss) income per share	$ (0.14)	$ (0.13)
Basic and diluted weighted average shares outstanding	51,130	52,973

See accompanying notes to condensed consolidated financial statements.

Nabi Biopharmaceuticals

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	For the Three Months Ended	
	March 28, 2009	March 29, 2008 (as adjusted)
Cash flow from operating activities:		
Loss from continuing operations	$ (7,046)	$ (7,526)
Adjustments to reconcile loss from continuing operations to net cash used in operating activities from continuing operations:		
Depreciation and amortization	135	148
Non-cash intra-period tax allocation	—	(195)
Accretion of discount on convertible senior notes	221	900
Non-cash compensation	452	1,307
Other	—	66
Changes in assets and liabilities:		
Prepaid expenses and other assets	(80)	196
Accounts payable, accrued expenses and other	(214)	(210)
Total adjustments	514	2,212
Net cash used in operating activities from continuing operations	(6,532)	(5,314)
Net cash provided by operating activities from discontinued operations	28	2,838
Net cash used in operating activities	(6,504)	(2,476)
Cash flow from investing activities:		
Proceeds from sales and maturities of marketable securities, net	14,737	1,600
Capital expenditures	—	(20)
Proceeds from sales of assets	—	91
Net cash provided by investing activities from continuing operations	14,737	1,671
Net cash provided by investing activities from discontinued operations	—	—
Net cash provided by investing activities	14,737	1,671
Cash flow from financing activities:		
Proceeds from issuances of common stock for employee benefit plans	262	3
Purchase of common stock for treasury	(743)	(18,658)
Other financing activities	—	(82)
Net cash used in financing activities from continuing operations	(481)	(18,737)
Net cash used in financing activities from discontinued operations	—	(340)
Net cash used in financing activities	(481)	(19,077)
Net increase (decrease) in cash and cash equivalents	7,752	(19,882)
Cash and cash equivalents at beginning of period	106,438	217,606
Cash and cash equivalents at end of period	$ 114,190	$ 197,724

See accompanying notes to condensed consolidated financial statements.

Nabi Biopharmaceuticals

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 COMPANY OVERVIEW

We are a biopharmaceutical company focused on the development of products that address unmet medical needs in the areas of nicotine addiction and infectious disease. We leverage our experience and knowledge in powering the human immune system to target serious medical conditions in these areas. Our products in development are NicVAX® [*Nicotine Conjugate Vaccine*], an innovative and proprietary investigational vaccine for treatment of nicotine addiction and prevention of smoking relapse, and PentaStaph™ [*Pentavalent S.aureus Vaccine*], a new pentavalent vaccine designed to prevent *S.aureus* infections including those infections caused by the most dangerous antibiotic-resistant strains of *S.aureus*. We were incorporated in Delaware in 1969 and our operations are located in Rockville, Maryland.

Products in Development

NicVAX is an investigational vaccine based on patented technology. Nicotine, a non-immunogenic small molecule, can cross the blood-brain barrier and reach specific receptors in the brain, thereby leading to the highly addictive pleasure sensation experienced by smokers and users of nicotine products. NicVAX is designed to stimulate the immune system to produce highly specific antibodies that bind to nicotine. A nicotine molecule attached to an antibody is too large to cross the blood-brain barrier, and thus is unable to reach the receptors in the brain and trigger pleasure sensations. In November 2007, we announced the successful completion of a Phase IIb “proof-of-concept” clinical trial for NicVAX that showed statistically significant rates of smoking cessation and continuous long-term smoking abstinence at 6 and 12 months for subjects injected with NicVAX as compared with subjects injected with placebo. In October 2008, we announced the results of a Phase II schedule optimization immunogenicity study assessing the antibody response and safety of a six-dose immunization schedule. This study showed that significantly higher antibody levels can be generated earlier in a higher percentage of subjects than in previous studies and that the revised dose regimen continued to be well-tolerated. These key results have confirmed the basis of our design for the NicVAX Phase III trials. In December 2008, we announced that we had reached agreement with the U.S. Food and Drug Administration, or FDA on a Special Protocol Assessment, or SPA for the pivotal Phase III clinical trials for NicVAX, which we are in a position to initiate in 2009. The SPA forms the foundation to support approval of a New Drug Application, or NDA. We are seeking a partner who will assist in further development of the vaccine including the Phase III trials and future commercialization.

PentaStaph is an investigational vaccine based on patented technology, including technology that we have licensed on an exclusive basis from the National Institute of Health, or NIH. We are developing PentaStaph for use in patients who are at high risk of *S.aureus* infection and who are able to respond to a vaccine by producing their own antibodies. PentaStaph requires additional development, including preclinical testing and human studies, as well as regulatory approvals before it can be marketed. We announced two significant events in 2008 that will help advance the development of PentaStaph. In September 2008, we entered into a collaboration agreement with the National Institute of Allergy and Infectious Diseases, or NIAID to conduct pre-clinical toxicology evaluations of two new antigens designed to protect against two of the most virulent and debilitating toxins produced by the bacteria. This testing which is funded by the NIAID will enable the initiation of Phase I clinical trials for these new antigens in 2009. Additionally, in December 2008, we entered into a research and development agreement with the U.S. Department of Defense to conduct a series of collaborative clinical trials for PentaStaph. The U.S. Department of Defense will be responsible for certain aspects of the trial including clinical site costs. With these agreements in place, we will be able to advance the development of PentaStaph much further and faster than we could on our own. Further clinical development of PentaStaph and its components beyond that contemplated by our collaborations with NIAID and with the U.S. Department of Defense will require additional commercialization and development partners or additional commitments from existing partners.

Strategic Initiatives

In 2006, we began to explore strategic initiatives to enhance shareholder value. In November 2006, we sold our PhosLo (calcium acetate) product and the product’s related assets to a U.S. subsidiary of Fresenius Medical Care, or Fresenius. Under the sale agreement, we received $65.0 million in cash at closing and received an additional $13.0 million of milestones as of March 28, 2009. We can also receive up to $72.5 million in milestone payments and royalties. The royalties relate to sales of a new product formulation over a base amount for 10 years after the closing date. In June 2007, we sold certain assets related to our product Aloprim (allopurinol sodium for Injection) of $3.7 million. On December 4, 2007, we sold our Biologics SBU and certain corporate shared services assets to Biotest Pharmaceuticals Corporation, or Biotest, for $185.0 million ($10.0 million of which has been escrowed for indemnification claims—see Note 4 for further discussion of Biotest claims). As a result of these strategic actions, as of December 29, 2007 we had sold all of our marketed products, moved our corporate headquarters to Rockville, Maryland and focused our efforts on developing and partnering our NicVAX and PentaStaph products.

In 2008, we announced that we had retained a prominent investment bank to assist with our continued exploration of the full range of strategic alternatives available to us to further enhance shareholder value. These alternatives may include, but are not limited to, licensing or development arrangements, joint ventures, strategic alliances, a recapitalization, and the sale or merger of all or part of the company. In addition, we have engaged several other life science strategic advisors to assist with the process.

NOTE 2 RETROSPECTIVE APPLICATION OF FSP APB 14-1 TO PRIOR PERIOD CONSOLIDATED FINANCIAL STATEMENTS

In May 2008, the FASB issued FASB Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)," ("FSP 14-1"). FSP 14-1 clarifies that (1) convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement, are not considered debt instruments within the scope of APB Opinion No. 14, "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants," ("APB 14") and (2) issuers of such instruments should separately account for the liability and equity components of those instruments by allocating the proceeds from issuance of the instrument between the liability component and the embedded conversion option (i.e., the equity component). FSP 14-1 is effective for fiscal years beginning after December 15, 2008 and is required to be applied retrospectively to convertible debt instruments that are within the scope of this guidance and were outstanding during any period presented in the financial statements. We adopted FSP 14-1 in the first quarter 2009 and it had a material impact on our prior and current period financial statements, as presented below.

(In thousands, except per share amounts)	As Previously Reported	FSP APB 14-1 Adoption Adjustments	After Retrospective Application
For the Three Months Ended March 29, 2008:			
Interest expense	$ (565)	$ (987)	$ (1,552)
Loss from continuing operations before income taxes	(6,734)	(987)	(7,721)
Loss from continuing operations	(6,539)	(987)	(7,526)
Net loss	$ (6,240)	$ (987)	$ (7,227)
Basic and diluted loss per share			
Continuing operations	$ (0.13)	$ (0.01)	$ (0.14)
Basic and diluted loss per share	$ (0.12)	$ (0.01)	$ (0.13)
At December 27, 2008:			
Other assets	$ 657	$ 72	$ 729
Total assets	144,149	72	144,221
2.875% convertible senior notes, net	16,024	(822)	15,202
Total liabilities	23,661	(822)	22,839
Capital in excess of par	336,691	26,312	363,003
Accumulated deficit	(180,315)	(25,418)	(205,733)
Total stockholders' equity	120,488	894	121,382
Total liabilities and stockholders' equity	$ 144,149	$ 72	$ 144,221

The cumulative effect of the adoption of FSP 14-1 as of December 30, 2007 (the first day of our 2008 fiscal year) was a $25.4 million increase in capital in excess of par, a $17.4 million increase in accumulated deficit, a $7.3 million net increase in the convertible note balance and a $0.7 million net increase in other assets with no effect on our net consolidated cash and cash equivalents or our cash interest payments for the period. The effect of the adoption on the three months ended March 28, 2009 was a $0.2 million increase in interest expense.

NOTE 3 BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, which are necessary to present fairly our financial position, results of operations and cash flows. The condensed consolidated balance sheet at December 27, 2008 has been derived from audited consolidated financial statements at that date, and has been revised to reflect the retrospective application of FSP 14-1. The interim results of operations are not necessarily indicative of the results that may occur for the full fiscal year. These statements should be read in conjunction with the Consolidated Financial Statements and Notes included in our Annual Report on Form 10-K for the year ended December 27, 2008 filed with the Securities and Exchange Commission.

Principles of consolidation and presentation: The consolidated financial statements include the accounts of Nabi Biopharmaceuticals and our wholly-owned subsidiaries (referred to as “Nabi,” the “Company,” “us,” or “we” throughout this report). All significant inter-company accounts and transactions are eliminated in consolidation. All our wholly-owned subsidiaries are dormant or are otherwise non-operative. Our fiscal quarter ended on the last Saturday of March. Certain prior period amounts have been reclassified to conform to the current year’s presentation.

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period, including such amounts related to discontinued operations. Actual results could differ from those estimates.

Collaborative arrangements: We are an active participant with exposure to significant risks and rewards of commercialization relating to the development of several of our pipeline products. For costs incurred and revenues generated from third parties where we are deemed to be the principal participant, we recognize revenues and costs using the gross basis of accounting; otherwise we use the net basis of accounting.

Research and development expenses: Except for advance payments, research and development costs are expensed as incurred. We use our research and development resources, including employees, equipment and facilities, across multiple drug development programs. Research and development expenses include direct labor costs as well as the costs of contractors and other direct and indirect expenses (including an allocation of the costs of facilities). We expense amounts payable to third parties under collaborative product development agreements at the earlier of the milestone achievement or as payments become contractually due. In circumstances where we receive grant income (which is a reimbursement to research and development costs incurred), we record the income as an offset to the related expense.

Comprehensive income (loss): We calculate comprehensive income (loss) as the total of our net income (loss) and all other changes in equity (other than transactions with owners), including foreign currency translation adjustments and unrealized gains (losses) on our available for sale marketable securities.

Income (loss) per share: Basic income (loss) per share is computed by dividing consolidated net income (loss) by the weighted average number of common shares outstanding during the year, excluding unvested restricted stock. For the periods presented in the accompanying Consolidated Statements of Operations, diluted income (loss) per share is calculated similarly because the impact of all potentially dilutive securities is anti-dilutive due to our net loss from continuing operations each year. When the effects are not anti-dilutive, diluted earnings per share is computed by dividing our net income (loss) by the weighted average number of shares outstanding and the impact of all potentially dilutive securities, consisting primarily of stock options, restricted stock grants and the common shares underlying our Convertible Senior Notes.

Financial instruments: The carrying amounts of financial instruments including cash equivalents, marketable securities, accounts receivable and accounts payable approximated fair value as of March 28, 2009 and December 27, 2008, because of the relatively short-term maturity of these instruments. The carrying value of our Convertible Senior Notes, at March 28, 2009 and December 27, 2008 was $15.4 million and $15.2 million, respectively, compared to the approximate fair value of $15.2 million and $14.2 million, respectively, based on quoted market prices. Subsequent to quarter end through April 24, 2009, we have repurchased an additional $10.4 million of our Convertible Senior Notes; we paid $10.1 million for the notes.

Cash, cash equivalents and marketable securities: Cash equivalents consist of investments in highly liquid securities with original maturities of three months or less. Marketable securities consist of short-term available-for-sale securities. Our cash equivalents and marketable securities are carried at market values using quoted market prices. We have investment policies and procedures that are reviewed periodically to minimize credit risk.

Restricted cash: Restricted cash related to discontinued operations at both March 28, 2009 and December 27, 2008 of $10.2 million relates to cash held in escrow plus interest to support any valid indemnification claims that may be made by Biotest related to the 2007 sale of our Biologics SBU. On March 31, 2009, Biotest asserted certain indemnification claims; see Note 4 for more information regarding the Biotest claims.

Equity-based compensation: We currently account for equity-based compensation under the fair value recognition provisions of SFAS No. 123R, "Share-Based Payment," which establish accounting for share-based awards in exchange for employee services and require companies to expense the estimated fair value of these awards over the requisite employee service period. Under SFAS No. 123R, share-based compensation cost is determined at the grant date using an option pricing model. The value of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the employee's requisite service period.

Income taxes: We follow SFAS No. 109, "Accounting for Income Taxes," or SFAS 109, which requires, among other things, recognition of future tax benefits and liabilities measured at enacted rates attributable to temporary differences between financial statement and income tax bases of assets and liabilities and to tax net operating loss carryforwards to the extent that realization of these benefits is more likely than not. We periodically evaluate the realizability of our net deferred tax assets. A valuation allowance is established when the Company believes that it is more likely than not that its deferred tax assets will not be realized. Changes in valuation allowances from period to period are included in the Company's tax provision in the period of change. We consider discontinued operations for purposes of determining the amount of tax benefits that results from a loss from continuing operations.

Segment information: We currently operate in a single business segment.

New accounting pronouncements:

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141R, "Business Combinations," ("SFAS 141R"). SFAS 141R requires the acquiring entity in a business combination to record all assets acquired and liabilities assumed at their fair values, changes the recognition of assets acquired and liabilities assumed arising from contingencies, changes the recognition and measurement of contingent consideration, and requires the expensing of acquisition-related costs as incurred. SFAS 141R also requires additional disclosure of information surrounding a business combination, so that users of the financial statements can fully understand the nature and financial impact of the business combination. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. SFAS 141R will only impact our financial statements if we are a party to a business combination.

Recently Adopted Accounting Pronouncements:

We adopted FSP 14-1 in the first quarter 2009 and it had a material impact on our prior and current period financial statements. See Note 2 for further discussion.

In June 2008, the EITF issued EITF Issue No. 07-5, "Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock," ("EITF 07-5"). EITF 07-5 applies to any freestanding financial instrument or embedded feature that has all the characteristics of a derivative pursuant to SFAS 133, for purposes of determining whether that instrument or embedded feature qualifies for the first part of the scope exception in SFAS 133. EITF 07-5 also applies to any freestanding financial instrument that is potentially settled in an entity's own stock, regardless of whether the instrument has all the characteristics of a derivative, for purposes of determining whether the instrument is within the scope of EITF Issue No. 00-19. We adopted EITF 07-5 in the first quarter 2009 and it did not have a material impact on our financial statements.

In November 2007, the EITF issued EITF Issue No. 07-1, "Accounting for Collaborative Arrangements," ("EITF 07-1"). EITF 07-1 defines collaborative arrangements and establishes reporting requirements for transactions between participants in a collaborative arrangement and between participants in the arrangement and third parties. We adopted EITF 07-1 in the first quarter 2009 and it did not have a material impact on our financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies to other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. In February 2008, the FASB issued FSP No. 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13," ("FSP 157-1") and FSP No. 157-2, "Effective Date of FASB Statement No. 157," ("FSP 157-2"), as amendments to SFAS No. 157. FSP 157-1 and FSP 157-2 exclude lease transactions from the scope of SFAS No. 157 and also defer the effective date of the adoption of SFAS 157 for certain non-financial assets and non-financial liabilities. In October of 2008, the FASB issued FSP No. 157-3, "Determining the Fair Value of Financial Assets When the Market for That Asset is Not Active," ("FSP 15-3") as an amendment to SFAS No. 157, clarifying the application of SFAS No. 157 in a non-active market. We adopted FSP 157-1 and FSP 157-3 in the first quarter 2009 and they did not have a material impact on our financial statements, other than additional disclosure. See Note 6 for further discussion.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements — An Amendment of ARB No. 51," ("SFAS 160"). SFAS No. 160 amends APB's Accounting Research Bulletin No. 51 and establishes accounting and reporting standards for non-controlling interests (i.e., minority interests) in a subsidiary and for the deconsolidation of a subsidiary. We adopted SFAS No. 160 in the first quarter 2009 and it did not have a material impact on our financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities—an Amendment of FASB Statement No. 133," ("SFAS 161"). SFAS 161 states that entities are required to provide enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," ("SFAS 133") and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. We adopted SFAS 161 in the first quarter 2009 and it did not have a material impact on our financial statements.

NOTE 4 COMMITMENTS AND CONTINGENCIES

Litigation

We are parties to legal proceedings that we believe to be ordinary, routine litigation incidental to the business of present or former operations. It is management's opinion, based on the advice of counsel, that the ultimate resolution of such litigation will not have a material adverse effect on our financial condition, results of operations or cash flows.

Medicare/Medicaid Contingencies

During 2006, we engaged an outside consultant to assess our pricing programs under Medicare/Medicaid and other governmental pricing programs during the period from 2002 through the second quarter of 2006. In connection with this review, we identified additional liabilities related to discontinued operations for possible overbilling under Medicare/Medicaid and other governmental pricing programs, of which the remaining amounts due were approximately $2.1 million at March 28, 2009 and December 27, 2008, which are included in the amounts recorded as accrued rebates. We are paying these obligations as they are rebilled to us. The calculated amount due assumes that we will be successful in rebilling ineligible entities that improperly received best prices.

Biotest Claims

On March 31, 2009, we received a notice of indemnification claims from Biotest seeking indemnification for losses relating to alleged breaches of representations and warranties under the terms of the Asset Purchase Agreement dated as of September 11, 2007 between us and Biotest. In the notice, Biotest estimated that its losses may total approximately $56 million under certain circumstances. Biotest seeks indemnification for losses in connection with two alleged breaches by Nabi of representations in the Asset Purchase Agreement. The first alleged breach relates to a contract we assigned to Biotest. After consultation with legal counsel, we believe that Biotest's indemnification claims based on this alleged breach, which account for approximately $50.4 million of Biotest's estimated losses, are without merit. The second alleged breach relates to local permits for construction of our manufacturing facility in Boca Raton, which was transferred to Biotest. To date, Biotest has not produced information substantiating this second claim, which accounts for approximately $5.6 million of Biotest's estimate. After consultation with legal counsel, we believe that Biotest's estimated losses based on the permit-related claim are speculative and appear to be based on claimed delays that have yet to occur. Biotest's claims notice had the effect of preventing the April 15, 2009 scheduled release of the $10 million in cash sale proceeds that was escrowed to support our indemnification obligations. As a result of Biotest's claims notice, release of the escrowed funds is now dependent upon resolution of those claims. We have responded to Biotest by denying any liability with respect to the claims, demanding that Biotest provide us with information related to its claims, reserving all of our available remedies and counterclaims against Biotest, and demanding that the $10 million in escrowed funds be released to us immediately. Under the Asset Purchase Agreement with Biotest our maximum liability for indemnification claims relating to breaches of representations and warranties is capped at 25% of the purchase price paid to us, or approximately $46 million. Our agreement with Biotest requires that any disputes between us will be subject to binding arbitration. To date, no arbitration proceeding has been commenced. We intend to vigorously contest and defend against Biotest's claims and seek release of the escrowed funds in their entirety.

NOTE 5 INCOME TAXES

We file income tax returns in the U.S. federal jurisdiction, with various states and with various foreign jurisdictions. We are subject to tax audits in all jurisdictions for which we file tax returns. Tax audits by their very nature are often complex and can require several years to complete. As of March 28, 2009 we have recorded a valuation allowance against all of our deferred tax assets. As a result of this valuation allowance, we expect our full year effective tax rate for 2009 to be 0%.

NOTE 6 FAIR VALUE DISCLOSURES

SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. The Company adopted the provisions of

SFAS 157 in 2008 and adopted the provisions of FSP 157-2 in the first quarter 2009. Although the adoption of SFAS 157 did not materially impact the Company's financial position or results of operations, the Company is now required to provide additional disclosures as part of its financial statements.

SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include (i) Level 1, defined as observable inputs such as quoted prices in active markets for identical assets, (ii) Level 2, defined as observable inputs other than Level 1 prices such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and (iii) Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

All cash and cash equivalents are recorded at fair market value at March 28, 2009. The inputs used in measuring the fair value of these instruments are considered to be Level 1 in accordance with the SFAS 157 fair value hierarchy. The fair market values are based on period-end statements supplied by the various banks and brokers that held the majority of the Company's funds deposited in institutional money market mutual funds with the remainder held in regular interest bearing and non-interest bearing depository accounts with commercial banks.

NOTE 7 TREASURY STOCK

In 2007 our Board of Directors approved the repurchase of up to $65 million of our common stock in the open market or in privately negotiated transactions. In the first quarter 2009 the Company purchased 127,742 shares for $411 thousand at an average cost per share of $3.22. Since the inception of the program through March 28, 2009 we have acquired a total of 10.2 million shares for a total cost of $37.3 million. Repurchased shares have been accounted for as treasury stock using the cost method.

NOTE 8 STOCK BASED COMPENSATION

Stock Options

A summary of option activity under our stock compensation plans as of March 28, 2009, and the changes during the first three months of 2009 is presented below:

Options	Number of Options
Outstanding at December 27, 2008	4,140,204
Granted	1,000
Exercised	(91,873)
Forfeited	(95,297)
Expired	(130,000)
Outstanding at March 28, 2009	3,824,034
Exercisable at March 28, 2009	3,037,231

We recognized $0.3 million and $0.7 million of expense related to stock option awards in the first quarters 2009 and 2008, respectively. We granted options to purchase 1,000 shares at an exercise price of $3.83 during the first quarter 2009, with an average fair value of $2.37. These grants become exercisable over four years in equal annual installments after the date of grant. We estimated the fair value of each stock option on the date of grant using a Black-Scholes option-pricing formula, applying the following assumptions and amortize expense over the option's vesting period using the straight-line attribution approach:

Expected Term: The expected term represents the period over which the share-based awards are expected to be outstanding based on the historical experience of our employees. We used an expected term of 4.5 years.

Risk-Free Interest Rate: The Company based the risk-free interest rate used in the assumptions on the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equivalent to the stock option award's expected term. We used a risk-free interest rate of 1.45% per annum.

Expected Volatility: The volatility factor used in the assumptions is based on the historical price of our stock over the most recent period commensurate with the expected term of the stock option award. We used an expected volatility of 80.33%.

Expected Dividend Yield: We do not intend to pay dividends on common stock for the foreseeable future. Accordingly, we used a dividend yield of zero in the assumptions.

Restricted Stock

A summary of our restricted stock awards as of March 28, 2009 and the changes during the first quarter 2009 is presented below:

	Number of Shares
Nonvested at December 27, 2008	386,627
Granted	—
Vested	(102,299)
Forfeited	(21,313)
Nonvested at March 28, 2009	263,015

We recognized $0.1 million and $0.6 million of expense related to restricted stock awards in the first quarters of 2009 and 2008, respectively. We granted no restricted shares during the first quarter 2009.

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

FORWARD LOOKING STATEMENTS

Statements in this quarterly report that are not strictly historical are forward-looking statements and include statements about products in development, results and analyses of clinical trials and studies, research and development expenses, cash expenditures, licensure applications and approvals, and alliances and partnerships, among other matters. You can identify these forward-looking statements because they involve our expectations, intentions, beliefs, plans, projections, anticipations, or other characterizations of future events or circumstances. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that may cause actual results to differ materially from those in the forward-looking statements as a result of any number of factors. These factors include, but are not limited to, risks relating to our ability to: successfully partner with third parties to fund, develop, manufacture and/or commercialize our products in development; defend against indemnification claims by Biotest; initiate and conduct clinical trials and studies; raise sufficient new capital resources to fully develop and commercialize our products in development; attract, retain and motivate key employees; collect further milestone and royalty payments under the PhosLo Agreement; obtain regulatory approval for our products in the U.S. or other markets; successfully contract with third party manufacturers for the manufacture and supply of NicVAX and PentaStaph; and comply with reporting and payment obligations under government rebate and pricing programs. Some of these factors are more fully discussed, as are other factors, in our Annual Report on Form 10-K for the fiscal year ended December 27, 2008 filed with the Securities and Exchange Commission and under "Risk Factors" in this Quarterly Report. We do not undertake to update any of these forward-looking statements or to announce the results of any revisions to these forward-looking statements except as required by law.

The following is a discussion and analysis of the major factors contributing to our financial condition and results of operations for the three months ended March 28, 2009 and March 29, 2008. The discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto.

OVERVIEW

We are a biopharmaceutical company focused on the development of products that address unmet medical needs in the areas of nicotine addiction and infectious disease. We leverage our experience and knowledge in powering the human immune system to target serious medical conditions in these areas. Our products in development are NicVAX [*Nicotine Conjugate Vaccine*], an innovative and proprietary investigational vaccine for treatment of nicotine addiction and prevention of smoking relapse, and PentaStaph [*Pentavalent S.aureus Vaccine*], a new pentavalent vaccine designed to prevent *S.aureus* infections including those infections caused by the most dangerous antibiotic-resistant strains of *S.aureus*. We were incorporated in Delaware in 1969 and our operations are located in Rockville, Maryland.

Products in Development

NicVAX is an investigational vaccine based on patented technology. Nicotine, a non-immunogenic small molecule, can cross the blood-brain barrier and reach specific receptors in the brain, thereby leading to the highly addictive pleasure sensation experienced by smokers and users of nicotine products. NicVAX is designed to stimulate the immune system to produce highly specific antibodies that bind to nicotine. A nicotine molecule attached to an antibody is too large to cross the blood-brain barrier, and thus is unable to reach the receptors in the brain and trigger pleasure sensations. In November 2007, we announced the successful completion of a Phase IIb "proof-of-concept" clinical trial for NicVAX that showed statistically significant rates of smoking cessation and continuous long-term smoking abstinence at 6 and 12 months for subjects injected with NicVAX as compared with subjects injected with placebo. In October 2008, we announced the results of a Phase II schedule optimization immunogenicity study assessing the antibody response and safety of a six-dose immunization schedule. This study showed that significantly higher antibody levels can be generated earlier in a higher percentage of subjects than in previous studies and that the revised dose regimen continued to be well-tolerated. These key results have confirmed the basis of our design for the NicVAX Phase III trials. In December 2008, we announced that we had reached agreement with the FDA on a SPA for the pivotal Phase III clinical trials for NicVAX, which we are in a position to initiate in 2009. The SPA forms the foundation to support approval of a NDA. We are seeking a partner who will assist in further development of the vaccine including the Phase III trials and future commercialization.

PentaStaph is an investigational vaccine based on patented technology, including technology that we have licensed on an exclusive basis from NIH. We are developing PentaStaph for use in patients who are at high risk of *S.aureus* infection and who are able to respond to a vaccine by producing their own antibodies. PentaStaph requires additional development, including preclinical testing and human studies, as well as regulatory approvals before it can be marketed. We announced two significant events in 2008 that will help advance the development of PentaStaph. In September 2008, we entered into a collaboration agreement with the NIAID to conduct pre-clinical toxicology evaluations of two new antigens designed to protect against two of the most virulent and debilitating toxins produced by the bacteria. This testing which is funded by the NIAID will enable the initiation of Phase I clinical trials for these new antigens in 2009. Additionally, in December 2008, we entered into a research and development agreement with the U.S. Department of Defense to conduct a series of collaborative clinical trials for PentaStaph. The U.S. Department of Defense will be responsible for certain aspects of the trial including clinical site costs. With these agreements in place, we will be able to advance the development of PentaStaph much further and faster than we could on our own. Further clinical development of PentaStaph and its components beyond that contemplated by our collaborations with NIAID and with the U.S. Department of Defense will require additional commercialization and development partners or additional commitments from existing partners.

Strategic Initiatives

In 2006, we began strategic initiatives to enhance shareholder value. In November 2006, we sold our PhosLo (calcium acetate) product and the product's related assets to a U.S. subsidiary of Fresenius Medical Care, or Fresenius. Under the sale agreement, we received $65.0 million in cash at closing and received an additional $13.0 million of milestones as of March 11, 2009. We can also receive up to $72.5 million in milestone payments and royalties. The royalties relate to sales of a new product formulation over a base amount for 10 years after the closing date. In June 2007, we sold certain assets related to our product Aloprim (allopurinol sodium for Injection) of $3.7 million. On December 4, 2007, we sold our Biologics SBU and certain corporate shared services assets to Biotest for $185.0 million ($10.0 million of which has been escrowed for indemnification claims asserted on or before March 31, 2009: see Note 4 of the condensed consolidated financial statements for further discussion). As a result of these strategic actions, as of December 29, 2007 we had sold all of our marketed products, moved our corporate headquarters to Rockville, Maryland and focused our efforts on developing and partnering our NicVAX and PentaStaph products.

In 2008, we announced that we had retained a prominent investment bank to assist with our continued exploration of the full range of strategic alternatives available to us to further enhance shareholder value. These alternatives may include, but are not limited to, licensing or development arrangements, joint ventures, strategic alliances, a recapitalization, and the sale or merger of all or part of the company. In addition, we have engaged several other life science strategic advisors to assist with the process.

RESULTS OF OPERATIONS - FOR THE THREE MONTHS ENDED MARCH 28, 2009 AND MARCH 29, 2008

In May 2008, the FASB issued FASB Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)," ("FSP 14-1"). FSP 14-1 clarifies that (1) convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement, are not considered debt instruments within the scope of APB Opinion No. 14, "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants," ("APB 14") and (2) issuers of such instruments should separately account for the liability and equity components of those instruments by allocating the proceeds from issuance of the instrument between the liability component and the embedded conversion option (i.e., the equity component). FSP 14-1 is effective for fiscal years beginning after December 15, 2008 and is required to be applied retrospectively to convertible debt instruments that are within the scope of this guidance and were outstanding during any period

presented in the financial statements. We adopted FSP 14-1 in the first quarter 2009 and it had a material impact on our prior and current period financial statements; see Note 2 to our condensed consolidated financial statements for further discussion. We also adopted several other new accounting pronouncements in the first quarter 2009, none of which had a material impact on our condensed consolidated financial statements; see Note 3 to our condensed consolidated financial statements for further discussion.

General and administrative expenses. General and administrative expenses were $3.1 million for the first quarter of 2009 compared to $5.1 million for the first quarter of 2008. The decrease of $2.0 million reflects our continued efforts to reduce overall infrastructure costs, principally including legal and accounting costs. We expect our full-year 2009 general and administrative expenses to be comparable to or slightly below 2008 levels.

Research and development expenses. Research and development expenses were $3.8 million for the first quarter of 2009 compared to $3.2 million for the first quarter of 2008. Research and development increased approximately $0.6 million in 2009 as a result of an increase in focus on our current product candidates. Our research and development costs will increase significantly during the rest of 2009 if we initiate our Phase III NicVAX trials, which we are in a position to initiate this year. We are currently seeking a strategic partner for NicVAX. If we are successful in obtaining a partner for these trials, any payments received from the partner will offset these costs.

Interest income. Interest income was $0.2 million and $2.0 million for the first quarters of 2009 and 2008, respectively. Interest income in the first quarter 2008 related to interest earnings on investments of our cash which averaged over $200 million for the quarter. During 2008, we repurchased some of our outstanding common shares and convertible senior notes, resulting in a significantly lower average balance of our outstanding investments during the first quarter 2009. The prevailing interest rates in money market funds were also lower in the first quarter of 2009 as compared to the first quarter of 2008.

Interest expense. Interest expense was $0.4 million and $1.6 million for the first quarters of 2009 and 2008, respectively. The decrease in interest expense reflects the impact of the repurchase of over $57 million of our Convertible Senior Notes in 2008.

Income taxes. During 2009 and consistent with 2008, we recorded a full valuation allowance against all net deferred tax assets. As a result of this valuation allowance, the effective tax rate for continuing operations for both years is approximately 0%. Because of the intra-period income tax allocation requirements, we recorded a benefit for income taxes from continuing operations of $195 thousand in the first quarter of 2008 offset in total by an identical income tax provision from discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

Our cash, cash equivalents and marketable securities at March 28, 2009 totaled $123.3 million as compared to $130.3 million at December 27, 2008. This decline is primarily the result of our net cash flows used in operations along with the payments of approximately $0.7 million for the repurchases of shares of our common stock. At March 28, 2009, we had restricted cash of $10.2 million related to discontinued operations that is held in escrow subject to valid indemnification claims by Biotest related to the sale of our Biologics SBU; in the first quarter 2009 Biotest asserted indemnification claims against us (see Note 4 of the condensed consolidated financial statements for further discussion).

Cash used in operating activities from continuing operations for the three months ended March 28, 2009 was $6.5 million, compared to $5.3 million for the three months ended March 29, 2008. The increase in cash used was primarily associated with the continued development of our current products. Cash provided by investing activities from continuing operations for the three months ended March 28, 2009 was $14.7 million, consisting largely of net proceeds from the sales and maturities of our marketable securities.

In 2007, our Board of Directors approved the repurchase of up to $65 million of our common stock in the open market or in privately negotiated transactions. In the first quarter of 2009, we acquired a total of 127,742 shares for a total cost of $0.4 million under the program. As purchases of treasury shares are accounted for on the trade date, the settlement of trades executed in the fourth quarter of 2008 which were settled in the first quarter of 2009 increased the cash used to purchase treasury shares in the first quarter by $0.3 million to $0.7 million as reported in the Condensed Consolidated Statement of Cash Flows. At March 28, 2009, $27.7 million remains available for share repurchase under the current authorization. Repurchased shares have been accounted for as treasury stock using the cost method.

In 2005, we issued $112.4 million of Convertible Senior Notes through a private offering to qualified institutional buyers as defined under Rule 144A of the Securities Act of 1933, as amended, the Securities Act. Net cash proceeds from the offering totaled $108.7 million. In 2007 we repurchased $38.8 million of our Convertible Senior Notes and in 2008 we repurchased an additional $57.3 million of our Convertible Senior Notes. Interest on our Convertible Senior Notes is payable on each April 15 and October 15, beginning October 15, 2005. We can redeem our Convertible Senior Notes at 100% of their principal amount, plus accrued and unpaid interest, any time on or after April 18, 2010. Holders of our Convertible Senior Notes may require us to repurchase our Convertible Senior Notes for 100% of their principal amount, plus accrued and unpaid interest, on April 15, 2010, April 15, 2012, April 15, 2015 and April 15, 2020, or following the occurrence of a change in control as defined in the indenture agreement

governing the Notes. We may continue to repurchase our Convertible Senior Notes in the open market or in privately negotiated transactions. Subsequent to quarter end through April 24, 2009, we have repurchased an additional $10.4 million of our Convertible Senior Notes; we paid $10.1 million for the notes.

We believe cash, cash equivalents and marketable securities on hand at March 28, 2009 will be sufficient to meet our anticipated cash requirements for operations and debt service for at least the next 12 months.

CRITICAL ACCOUNTING POLICIES

Note 3 to our condensed consolidated financial statements includes a discussion of our significant accounting policies. We believe that the following policies and estimates are critical because they involve significant judgments, assumptions and estimates. We have discussed the development and selection of our critical accounting estimates with the Audit Committee of our Board of Directors and the Audit Committee has reviewed the disclosures presented below relating to those policies and estimates:

Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period, including such amounts related to discontinued operations. Actual results could differ from those estimates.

Research and development expenses: Except for advance payments, research and development costs are expensed as incurred. We use our research and development resources, including employees, equipment and facilities, across multiple drug development programs. Research and development expenses include direct labor costs as well as the costs of contractors and other direct and indirect expenses, (including an allocation of the costs of facilities). We expense amounts payable to third parties under collaborative product development agreements at the earlier of the milestone achievement or as payments become contractually due. In circumstances where we receive grant income (which is a reimbursement to research and development costs incurred), we record the income as an offset to the related expense.

Equity-based compensation: We currently account for equity-based compensation under the fair value recognition provisions of SFAS No. 123R, “Share-Based Payment,” which establish accounting for share-based awards in exchange for employee services and require companies to expense the estimated fair value of these awards over the requisite employee service period. Under SFAS No. 123R, share-based compensation cost is determined at the grant date using an option pricing model. The value of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the employee’s requisite service period.

NEW ACCOUNTING PRONOUNCEMENTS

In December 2007, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 141R, “Business Combinations,” (“SFAS 141R”). SFAS 141R requires the acquiring entity in a business combination to record all assets acquired and liabilities assumed at their fair values, changes the recognition of assets acquired and liabilities assumed arising from contingencies, changes the recognition and measurement of contingent consideration, and requires the expensing of acquisition-related costs as incurred. SFAS 141R also requires additional disclosure of information surrounding a business combination, so that users of the financial statements can fully understand the nature and financial impact of the business combination. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. SFAS 141R will only impact our financial statements if we are a party to a business combination.

Item 4. Controls and Procedures

Our Chief Executive Officer currently serves as acting Chief Financial Officer and we rely on external financial consultants to provide the majority of our internal accounting functions.

As of the end of the period covered by this Quarterly Report, management performed, with the participation of our Chief Executive Officer and Chief Accounting Officer, an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act of 1934, as amended, or the Exchange Act, Rules 13a-15(e) and 15d-15(e)). Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Accounting Officer, to allow timely decisions regarding required disclosures. Based on this evaluation, management, including our Chief Executive Officer and Chief Accounting Officer, has concluded that as of March 28, 2009, the Company’s disclosure controls and procedures were effective.

There has been no change in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during our fiscal quarter ended March 28, 2009 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met, and therefore, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. We do not expect that our disclosure controls and procedures or our internal control over financial reporting are able to prevent all errors and all fraud.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

On March 31, 2009, we received a notice of indemnification claims from Biotest seeking indemnification for losses relating to alleged breaches of representations and warranties under the terms of the Asset Purchase Agreement dated as of September 22, 2007 between us and Biotest. In the notice, Biotest estimated that its losses may total approximately $56 million under certain circumstances. Biotest seeks indemnification for losses in connection with two alleged breaches by Nabi of representations in the Asset Purchase Agreement. The first alleged breach relates to a contract we assigned to Biotest. After consultation with legal counsel, we believe that Biotest's indemnification claims based on this alleged breach, which account for approximately $50.4 million of Biotest's estimated losses, are without merit. The second alleged breach relates to local permits for construction of our manufacturing facility in Boca Raton, which was transferred to Biotest. To date, Biotest has not produced information substantiating this second claim, which accounts for approximately $5.6 million of Biotest's estimate. After consultation with legal counsel, we believe that Biotest's estimated losses based on the permit-related claim are speculative and appear to be based on claimed delays that have yet to occur. Biotest's claims notice has the effect of preventing the April 15, 2009 scheduled release of the $10 million in cash sale proceeds that was escrowed to support our indemnification obligations. As a result of Biotest's claims notice, release of the escrow funds is now dependent upon resolution of those claims. We have responded to Biotest by denying any liability with respect to the claims, demanding that Biotest provide us with information related to its claims, reserving all of our available remedies, and demanding that the $10 million in escrowed funds be released to us immediately. Under the Asset Purchase Agreement with Biotest our maximum liability for indemnification claims relating to breaches of representations and warranties is capped at 25% of the purchase price paid to us, or approximately $46 million. Our agreement with Biotest requires that any disputes between us will be subject to binding arbitration. To date, no arbitration proceeding has been commenced. We intend to vigorously contest and defend against Biotest claims and seek release of the escrowed funds in their entirety.

We are parties to legal proceedings that we believe to be ordinary, routine litigation incidental to the business of present or former operations. It is management's opinion, based on the advice of counsel, that the ultimate resolution of such litigation will not have a material adverse effect on our financial condition, results of operations or cash flows.

Item 1A. Risk Factors

The following risk factor titled "Under the Biologics strategic business unit asset purchase agreement, we will have continuing obligations to indemnify Biotest, and may be subject to other liabilities" appearing in our Annual Report on Form 10-K for the year ended December 27, 2008 has changed materially and is updated as follows:

We *have continuing obligations to indemnify Biotest under the Biologics strategic business unit asset purchase agreement which could adversely affect our business.*

In connection with the sale of our Biologics SBU and certain corporate shared services assets to Biotest, we agreed to indemnify Biotest for a number of specified matters including for losses in connection with the breach of our representations, warranties and covenants contained in the asset purchase agreement. Under the Asset Purchase Agreement with Biotest, our maximum liability for indemnification claims for breaches of representations and warranties is capped at 25% of the purchase price paid to us, or approximately $46 million. In addition, $10.0 million of the total cash consideration from the sale was deposited into an escrow account to secure our indemnification obligations to Biotest following the closing. The escrow was scheduled to be released to Nabi on April 15, 2009, subject to any pending indemnification claims.

On March 31, 2009, we received a claim notice from Biotest seeking indemnification for losses estimated by Biotest to be approximately $56 million in connection with our alleged breach of representations and warranties under the terms of the Asset Purchase Agreement with Biotest. We have denied Biotest's claims. Biotest alleges that we breached representations and warranties in the agreement relating to an assigned contract and local permitting on the construction of our manufacturing facility in Boca Raton, Florida. Pending resolution of these claims, the $10 million in escrowed proceeds will continue to be held in escrow.

If Biotest is successful in prevailing on some or all of its indemnification claims, this could have a material adverse effect on our financial position and continuing business.

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

We had no unregistered sales of equity securities in the First Quarter of 2009. The following table presents our stock repurchase program during the quarter.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
Month #1 (December 28, 2008 through January 31, 2009)	127,742	$ 3.22	127,742	$ 27.7 million
Month #2 (February 1, 2009 through February 28, 2009)	—	—	—	—
Month #3 (March 1, 2009 through March 28, 2009)	—	—	—	—
Total	127,742	$ 3.22	127,742	$ 27.7 million

Item 6. Exhibits

10.1 Employment Agreement between Nabi Biopharmaceuticals and Matthew Kalnik, Ph.D. dated as of March 17, 2009

10.2 Change of Control Severance Agreement between Nabi Biopharmaceuticals and Matthew Kalnik, Ph.D. dated as of March 17, 2009

31 Rule 13a-14(a)/15d-14(a) Certification

32 Section 1350 Certification

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SIGNATURES

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

Nabi Biopharmaceuticals

Date: May 6, 2009

By: /s/ Raafat E.F. Fahim, Ph.D.
Raafat E.F. Fahim, Ph.D.
President, Chief Executive Officer and acting Chief Financial Officer

By: /s/ Ronald B. Kocak
Corporate Controller and Chief Accounting Officer

EXHIBIT INDEX

Exhibit No.	Description
10.1	Employment Agreement between Nabi Biopharmaceuticals and Matthew Kalnik, Ph.D. dated as of March 17, 2009
10.2	Change of Control Severance Agreement between Nabi Biopharmaceuticals and Matthew Kalnik, Ph.D. dated as of March 17, 2009
31	Rule 13a-14(a)/15d-14(a) Certification
32	Section 1350 Certification

Exhibit 10.1

NABI BIOPHARMACEUTICALS
12276 WILKINS AVENUE
ROCKVILLE, MD 20852

Dated Effective as of March 17, 2009

Matthew W. Kalnik, Ph.D.
7620 Old Georgetown Road
Bethesda, MD 20814

Dear Matt:

You have agreed to serve as Senior Vice President of Strategic Planning & Business Operations of Nabi Biopharmaceuticals ("Nabi"), which term for purposes of this Agreement shall include controlled affiliates of Nabi Biopharmaceuticals. This Agreement supersedes and replaces your Letter Offer of Employment between you and Nabi dated June 29, 2007, as amended by the letter agreement dated July 16, 2008, and your Special Severance Agreement between you and Nabi dated October 3, 2008. The following are the terms of such employment:

1. **TERM:** You will serve as Senior Vice President of Strategic Planning & Business Operations for a period beginning on the date hereof and ending on March 17, 2012, or the date on which your employment is sooner terminated as provided below (the "Employment Period"). Upon expiration of the Employment Period or any extension pursuant to this sentence, it shall be automatically extended for an additional three-year period unless either party gives to the other written notice not less than thirty (30) days prior to the end of the Employment Period that it or he does not wish to extend the term of this Agreement. In the event that your employment by Nabi continues beyond the Employment Period, the terms and conditions of this Agreement shall continue except that your continued employment by Nabi may be terminated by either party upon thirty (30) days' prior notice unless you and Nabi shall have entered into a written agreement to the contrary.

2. **SALARY:** Your salary will be $300,000 per year, payable in accordance with the usual payroll practices of Nabi during the Employment Period. Your salary will be subject to discretionary annual increases as determined by Nabi's Board of Directors or the Compensation Committee thereof.

3. **BONUS:**

(A) You will be entitled to participate in Nabi's VIP Management Incentive Program or any comparable bonus plan maintained by Nabi (the "Bonus Plan"). Your target bonus under the plan will be at least fifty-five percent (55%) of your base salary as of the end of the end of the applicable Bonus Plan year. Your participation in the Bonus Plan shall be subject to the terms and conditions of the Bonus Plan. Payments, if applicable, under the Bonus Plan shall be payable by the fifteenth (15^{th}) day of the third month after the end of the relevant calendar year.

(B) In addition, Nabi will pay you a cash bonus in the indicated amount if any of the occur of any of the following events occur during the Employment Period: (i) you will receive a one-time bonus of $10,000 upon the execution of a definitive licensing and partnering agreement by Nabi pursuant to which all or substantially all of Nabi's rights and assets with respect to PentaStaph are successfully out-licensed to another company; (ii) you will receive a one-time bonus of $40,000 upon the execution of a definitive licensing and partnering agreement by Nabi pursuant to which all or substantially all of Nabi's rights and assets with respect to NicVAX are successfully out-licensed to another company; and (iii) you will receive a one-time bonus of $50,000 upon the occurrence of a Change of Control (as defined in Sections 4(d)(i), (ii) and (iii) of your Amended and Restated Change of Control Severance Agreement with Nabi dated March 17, 2009 (the "Change of Control Agreement")). Any bonus payable pursuant to this Section 3(B) shall be paid notwithstanding, and in addition to, the payment of any Change of Control compensation pursuant to the Change of Control Agreement. Notwithstanding any provision to the contrary in this Agreement, in no event shall the aggregate amount of bonuses paid pursuant to this Section 3(B) exceed $50,000, and the amount of any bonus payable under this Section 3(B) shall be reduced to the extent necessary so that such bonus, when added to any other bonus previously paid under this Section 3(B), would not exceed $50,000 in the aggregate.

4. **SERP; LIFE INSURANCE:** Annually before July 1 during each full year period during the Employment Period, Nabi shall pay you $12,000, grossed up for taxes, so that you can make a contribution to your Supplemental Executive Retirement Plan. Nabi also will provide you at Nabi's cost with term life insurance of $500,000 in excess of the term life insurance coverage Nabi provides to its employees generally.

5. **DUTIES AND EXTENT OF SERVICES:**

(A) During the Employment Period, you agree to devote substantially all of your working time, and such energy, knowledge, and efforts as is necessary to the discharge and performance of your duties provided for in this Agreement and such other reasonable duties and responsibilities consistent with your position as are assigned to you from time to time by the person to whom you report. You shall be located primarily in Nabi's Maryland headquarters facilities, but shall travel to other locations from time to time as shall be reasonably required in the course of performance of your duties.

(B) You shall have such duties as are delegated to you by the person to whom you report provided that such duties shall be reasonably consistent with those duties assigned to executive officers having similar titles in organizations comparable to Nabi.

6. **TERMINATION:**

(A) You may terminate the Employment Period (a) thirty (30) days after you provide written notice of termination to Nabi, (b) by your death or (c) upon your written notice to Nabi that of "Good Reason," which is defined as any material breach of this Agreement by Nabi, or the occurrence of any one or more of the following without your prior express written consent: (i) a material diminution in your authority, duties or responsibilities, (ii) a requirement that you report to any person or entity other than Nabi's Chief Executive Officer, or (iii) a change of more than twenty-five (25) miles in your primary office location from Nabi's Rockville, Maryland facility; provided, however, that a termination for Good Reason by you can occur only if (x) you have given Nabi written notice of the existence of a condition giving rise to Good Reason within ninety (90) days after you learn of such condition, (y) Nabi not fully cured the condition giving rise to Good Reason within thirty (30) days after receipt of such notice, and (z) you provide written notice to Nabi of your termination for Good Reason within ninety (90) days after the end of such 30-day period.

(B) Nabi may terminate the Employment Period (a) in the event Nabi reasonably determines that you are unable to perform the essential functions of your position, with or without reasonable accommodation, for any three (3) consecutive months as the result of mental or physical incapacity or (b) for "Cause," which is defined as (i) acts of fraud or embezzlement or other felonious acts by you, (ii) your refusal to comply with reasonable directions in connection with the performance of your duties as provided for in Section 5 of this Agreement after notice of such failure is delivered to you, (iii) failure to comply with the provisions of Section 8 or 9 of this Agreement or (iv) your gross negligence or intentional misconduct in connection with the performance of your duties as provided for in this Agreement including your failure to comply with the written policies of Nabi, provided that, in the event of a proposed termination under clause (ii) or clause (iv) of this clause (B), you shall receive ten (10) days' prior written notice of such proposed termination and within such period you shall be afforded an opportunity to be heard by Nabi's Board of Directors or a duly appointed committee of the Board as to whether grounds for termination under these clauses exists.

(C) Nabi may otherwise terminate the Employment Period upon thirty (30) days' prior notice to you.

(D) Your confidentiality and non-competition agreements set forth in Sections 8 and 9 below and your agreement to cooperate set forth in Section 10 below shall survive the termination of your employment regardless of the reasons therefor.

7. **SEVERANCE:**

(A) In the event that your employment terminates (a) pursuant to Section 6(C) (termination without Cause), (b) pursuant to Section 6(A)(c) (termination for Good Reason) or (c) upon or following the expiration of the Employment Period if Nabi has given notice of non-extension pursuant to Section 1, you shall receive the benefits set forth in Sections 7(B), 7(C), 7(D) and 7(E). In the event your employment terminates pursuant to Section 6(B)(a) (incapacity), or as a result of your death, you or your estate shall receive the benefits set forth in Section 7(E). Notwithstanding the foregoing provisions of this Section 7(A), in the event your employment terminates under circumstances that entitle you to receive compensation and other benefits pursuant to your Change of Control Agreement, you shall not receive the benefits set forth in Section 7(B), 7(C), 7(D) and 7(E).

(B) Subject to Section 7(A), Nabi will pay you your base salary as of the effective date of such termination ("Severance Pay") and maintain in effect your benefits under Section 4 of this Agreement and such other benefits provided by Nabi to you as of the

effective date of such termination to the extent that Nabi continues to maintain those benefits for other similarly situated employees (to the extent allowed under, and subject to the limitations of, applicable plans) for eighteen (18) months. Severance Pay shall be made in accordance with the usual payroll practices of Nabi.

(C) Subject to Section 7(A), Nabi shall pay for executive outplacement services up to $18,000 by an organization selected by Nabi in its sole discretion.

(D) Subject to Section 7(A), if the Employment Period ends during a calendar year, Nabi shall pay you incentive compensation under the Bonus Plan for such calendar year pro rated based upon the number of days you were employed during the calendar year and the amount of bonus compensation that would have been payable with respect to such year pursuant to the Bonus Plan.

(E) Subject to Section 7(A), all of your non-vested stock options, restricted stock or similar incentive equity instruments (collectively, "Equity Awards") shall immediately vest, except any Equity Awards under Nabi's 2000 Employee Stock Purchase Plan which shall vest in accordance with their terms and not the terms of this Agreement. All vested Equity Awards (including those with accelerated vesting pursuant to the preceding sentence) shall be exercisable for twelve (12) months past your termination date, except that no Equity Award shall be exercisable beyond the original Equity Award's expiration date. To the extent the terms of any Equity Award are inconsistent with this Agreement, the terms of this Agreement shall control.

(F) All payments or benefits to you under this Section 7 (other than payments or benefits already accrued and otherwise due under Nabi's employee benefit plans or programs, or as a result of your death) will not be given unless you execute (and do not rescind) a written employment termination agreement in a form prescribed by Nabi, containing terms consistent with this Agreement as well as a general release of all claims against Nabi and related parties with respect to all matters occurring prior to or on the date of the release, including (but not limited to) employment matters or matters in connection with your termination.

(G) Notwithstanding the foregoing, to the extent that the payments to be provided under this Section 7 constitute deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), payable on account of your separation from service within the meaning of Code Section 409A(a)(2)(A)(i), and you are a "specified employee" within the meaning of Code Section 409A(a)(2)(B)(i) determined in accordance with Treasury Reg. § 1.409-1(i) (or its successor provisions), such payments otherwise due during the six-month period commencing on your separation shall be accumulated and paid on the first regular payroll date for employees following such six-month period; provided, however, that no amount payable only upon an "involuntary separation from service" within the meaning of Treasury Reg. § 1.409A-1(n) that does not exceed the dollar limit set forth in Treasury Reg. §1.409A-1(b)(9)(iii) shall be subject to such six-month deferral.

8. **CONFIDENTIALITY:**

(A) You acknowledge that your duties with Nabi will give you access to trade secrets and other confidential information of Nabi (which for purposes of this Section 8 shall be deemed to include its subsidiaries), including but not limited to information concerning production and marketing of their respective products, customer lists, and other information relating to their present or future operations (all of the foregoing, whether or not it qualifies as a "trade secret" under applicable law, is collectively called "Confidential Information"). You recognize that Confidential Information is proprietary to Nabi and gives Nabi significant competitive advantage.

(B) Accordingly, you shall not use or disclose any of the Confidential Information during or after the Employment Period, except for the sole and exclusive benefit of the relevant company. Upon any termination of the Employment Period, you will return to Nabi's offices all documents, computer electronic information and files, e.g., diskettes, floppies etc. and other tangible embodiments of any Confidential Information. You agree that Nabi would be irreparably injured by any breach of your confidentiality agreement, that such injury would not be adequately compensable by monetary damages, and that, accordingly, Nabi may specifically enforce the provisions of this Section by injunction or similar remedy by any court of competent jurisdiction without affecting any claim for damages.

9. **NON-COMPETITION:**

(A) You acknowledge that your services to be rendered are of a special and unusual character and have a unique value to Nabi the loss of which cannot adequately be compensated by damages in an action at law. In view of the unique value of the services, and because of the Confidential Information to be obtained by or disclosed to you, and as a material inducement to Nabi to enter into this Agreement and to pay to you the compensation referred to above and other consideration provided, you covenant and agree that, while you are employed by Nabi and for a period of one (1) year after termination of such employment for any reason whatsoever, you will not, directly or indirectly, (a) engage or become interested, as owner, employee, consultant, partner, through stock ownership (except ownership of less than five percent of any class of equity securities which are publicly traded), investment of capital, lending of money or property, rendering of services, or otherwise, either alone or in association with others, in the operations, management or supervision of any type of business or enterprise engaged in any business which is competitive with any business of Nabi (a "Competitive Business"), (b) solicit or accept orders from any current or past customer of Nabi for products or services offered or sold by, or competitive with products or services offered or sold by, Nabi, (c) induce or attempt to induce any such customer to reduce such customer's purchase of products or services from Nabi, (d) disclose or use for the benefit of any Competitive Business the name and/or requirements of any such customer or (e) solicit any of Nabi's employees to leave the employ of Nabi or hire or negotiate for the employment of any employee of Nabi. By way of clarification, a "Competitive Business" is not any business or enterprise in the health care industry; it is only a business or enterprise in the health care industry that is competitive with any business of Nabi. Notwithstanding anything express or implied in the foregoing provisions of this Section 9(A) to the contrary, nothing contained in this Section 9(A) shall be deemed to prohibit you from being employed by or providing services to a Competitive Business following a "Change of Control" (as defined in the Change of Control Agreement) and termination of your employment if (i) the nature of such employment or services do not involve or compete with any business engaged in by Nabi immediately prior to the Change of Control

or (ii) such employment or services are rendered to the company that was involved in the Change of Control by acquiring stock or assets of Nabi or merging or consolidating with Nabi or any Affiliate (as defined below) of that company. As used in this Agreement, an "Affiliate" of a company means an entity controlled by, controlling or under common control with that company.

(B) You have carefully read and considered the provisions of this Section 9 and Section 8 and having done so, agree that the restrictions set forth (including but not limited to the time period of restriction and the world wide areas of restriction) are fair and reasonable (even if termination is at our request and without cause) and are reasonably required for the protection of the interests of Nabi, its officers, directors, and other employees. You acknowledge that upon termination of this Agreement for any reason, it may be necessary for you to relocate to another area, and you agree that this restriction is fair and reasonable and is reasonably required for the protection of the interests of Nabi, their officers, directors, and other employees. You have the right to request a waiver of Section 9(A)(a) from Nabi to the extent that Section 9(A)(a) would prevent you from being employed by or performing services for the business of a division or a subsidiary that does not compete with Nabi even though it is part of or affiliated with a larger entity that does compete with the Nabi's business. Nabi may grant or deny such any such waiver in its sole discretion.

(C) In the event that, notwithstanding the foregoing, any of the provisions of this Section 9 or Section 8 shall be held to be invalid or unenforceable, the remaining provisions thereof shall nevertheless continue to be valid and enforceable as though invalid or unenforceable parts had not been included therein. In the event that any provision of this Section 9 relating to time period and/or areas of restriction shall be declared by a court of competent jurisdiction to exceed the maximum time period or areas such court deems reasonable and enforceable, said time period and/or areas of restriction shall be deemed to become, and thereafter be, the maximum time period and/or area which such court deems reasonable and enforceable.

(D) With respect to the provisions of this Section 9, you agree that damages, by themselves, are an inadequate remedy at law, that a material breach of the provisions of this Section 9 would cause irreparable injury to the aggrieved party, and that provisions of this Section 9 may be specifically enforced by injunction or similar remedy in any court of competent jurisdiction without affecting any claim for damages.

10. **LITIGATION AND REGULATORY COOPERATION:** During and after your employment with Nabi, you shall reasonably cooperate with Nabi in the defense or prosecution of any claims now in existence or which may be brought in the future against or on behalf of Nabi which relate to events or occurrences that transpired while you were employed by Nabi; provided, however, that such cooperation shall not materially and adversely affect you or expose you to an increased probability of civil or criminal litigation. Your cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of Nabi at mutually convenient times. During and after your employment with Nabi, you also shall cooperate fully with Nabi in connection with any investigation or review of any federal, state or local regulatory authority as any such investigation or review relates to events or occurrences that transpired while

you were employed by Nabi. Nabi shall reimburse you for all out-of-pocket costs and expenses incurred in connection with your performance under this Section 10, including, but not limited to, reasonable attorneys' fees and costs.

11. **MISCELLANEOUS:**

(A) This Agreement and the rights and obligations of the parties pursuant to it and any other instruments or documents issued pursuant to it shall be construed, interpreted and enforced in accordance with the laws of the State of Maryland, exclusive of its choice-of-law principles. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns. The provisions of this Agreement shall be severable and the illegality, unenforceability or invalidity of any provision of this Agreement shall not affect or impair the remaining provisions hereof, and each provision of this Agreement shall be construed to be valid and enforceable to the full extent permitted by law. In any suit, action or proceeding arising out of or in connection with this Agreement, the prevailing party shall be entitled to receive an award of the reasonable related amount of attorneys' fees and disbursements incurred by such party, including fees and disbursements on appeal. This Agreement, together with the Change of Control Agreement, the Indemnification Agreement dated of even date herewith and the Invention, Non-Competition and Non-Disclosure Agreement dated June 30, 2007 (the "Invention Agreement") are a complete expression of all agreements of the parties relating to the subject matter hereof, and all prior or contemporaneous oral or written understandings or agreements shall be null and void except to the extent set forth in this Agreement. In the event of any conflict between this Agreement and the Invention Agreement, this terms of this Agreement shall control. This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together shall constitute one and the same instrument. All references to genders or number in this Agreement shall be deemed interchangeably to have a masculine, feminine, neuter, singular or plural meaning, as the sense of the context required

(B) It is the intent of you and Nabi that the provisions of this Agreement and all amounts payable to you hereunder meet the requirements of Section 409A of the Code, to the extent applicable to this Agreement and such payments, and the Agreement shall be interpreted and construed in a manner consistent with such intent.

(C) This Agreement cannot be amended orally, or by any course of conduct or dealing, but only by a written agreement signed by the party to be charged therewith. No waiver of any provision hereof shall be effective unless made in writing and signed by the waiving party. The failure of either party to require the performance of any term or obligation of this Agreement, or the waiver by either party of any breach of this Agreement, shall not prevent any subsequent enforcement of such term or obligation or be deemed a waiver of any subsequent breach.

(D) All notices required and allowed hereunder shall be in writing, and shall be deemed given upon deposit in the Certified Mail, Return Receipt Requested, first-class postage and registration fees prepaid, and correctly addressed to the party for whom intended at its address set forth under its name below, or to such other address as has been most recently specified in a notice by such party.

(Signature Page to Follow)

If the foregoing confirms your understanding of our agreements, please so indicate by signing in the space provided below and returning a signed copy to us.

NABI BIOPHARMACEUTICALS

By: /s/ Raafat Fahim, Ph.D.
Raafat Fahim, Ph.D.
Chief Executive Officer and President

Date: March 17, 2009

Accepted and agreed to:

/s/ Matthew W. Kalnik, Ph.D.
Matthew W. Kalnik, Ph.D.
7620 Old Georgetown Road
Bethesda, MD 20814

Date: March 17, 2009

Exhibit 10.2

T 301 770 3099
F 301 770 3097
www.nabi.com

Nabi Biopharmaceuticals
12276 Wilkins Avenue
Rockville, MD 20852

March 17, 2009

Matthew W. Kalnik, Ph.D.
21 Berkshire Court
Bedminister, NJ 07921

Dear Matt:

The Board of Directors of Nabi Biopharmaceuticals (the "Corporation") and the Compensation Committee (the "Committee") of the Board have determined that it is in the best interests of the Corporation and its shareholders for the Corporation to agree, as provided herein, to pay you termination compensation in the event you should leave the employ of the Corporation under the circumstances described below.

The Board and the Committee recognize that the continuing possibility of a sale or change of control of the Corporation is unsettling to you and other key employees of the Corporation. Therefore, these arrangements are being made to help assure a continuing dedication by you to your duties to the Corporation by diminishing the inevitable distraction to you from the personal uncertainties and risks created by the potential of a change of control of the Corporation. In particular, the Board and the Committee believe it important, should the Corporation receive proposals from third parties with respect to its future, to enable you, without being influenced by the uncertainties of your own situation, to assess and advise the Board whether such proposals would be in the best interests of the Corporation and its shareholders and to take such other action regarding such proposals as the Board might determine to be appropriate, including being available to assist in any transition should there be a change of control of the Corporation.

1. In view of the foregoing and in further consideration of your continued employment with the Corporation, the Corporation will pay you as termination compensation an amount, determined as provided below, in the event that within twelve months following a Change of Control (as defined below) (a) you terminate your employment with the Corporation for Good Reason (as defined below) or (b) your employment with the Corporation is terminated by the Corporation for any reason other than Cause (as defined below), death or disability. The compensation so payable (hereinafter referred to as the "Severance Amount") shall be an amount equal to two times the sum of (a) the higher of (i) your current annual base salary or (ii) your base salary immediately prior to the Change of Control plus (b) the target bonus you could have earned for the fiscal year in which the Change of Control occurred. The Severance

Amount shall be paid to you ratably over the twenty-four month period commencing on the date of the termination of your employment with the Corporation (the "Termination Date") in accordance with the normal payroll practices of the Corporation, but in any event no less frequently than semimonthly. Notwithstanding the foregoing, to the extent that the payments to be provided under this Section 8 constitute deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), payable on account of your separation from service within the meaning of Code Section 409A(a)(2)(A)(i), and you are a "specified employee" within the meaning of Code Section 409A(a)(2)(B)(i) determined in accordance with Treasury Reg. § 1.409-1(i) (or its successor provisions), such payments otherwise due during the six-month period commencing on your separation shall be accumulated and paid on the first regular payroll date for employees following such six-month period; provided, however, that no amount payable only upon an "involuntary separation from service" within the meaning of Treasury Reg. § 1.409A-1(n) that does not exceed the dollar limit set forth in Treasury Reg. §1.409A-1(b)(9)(iii) shall be subject to such six-month deferral.

2. In addition, in the event your employment with the Corporation terminates under circumstances entitling you to receive the Severance Amount:

(a) Any compensation and other amounts previously deferred by you, to which you are entitled, and any accrued vacation pay and accrued paid leave bank amounts not yet paid by the Corporation, shall be paid to you within five business days of the Termination Date.

(b) All other amounts accrued or earned by you through the date of such termination and amounts otherwise owing under the Corporation's plans and policies shall be paid to you in accordance with the terms of those plans and policies.

(c) The Corporation shall maintain in full force and effect, for the continued benefit of you and/or your family for twelve months after the Termination Date, all employee welfare benefit plans and any other employee benefit programs or arrangements (including, without limitation, medical and dental insurance plans and disability and life insurance plans) in which you were entitled to participate immediately prior to the Change of Control, provided that your continued participation is possible under the general terms and provisions of such plans and programs.

(d) All outstanding stock options which you hold shall vest immediately upon a Change of Control and shall be exercisable for (i) the remainder of the option term(s) or (ii) a period of two years from the Termination Date, whichever is shorter.

(e) The Corporation shall provide outplacement services for you by its designated organization at a level consistent with the Corporation's career transition policy.

(f) You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for in this Agreement be reduced by any compensation earned by you as the result of employment by another employer after the Termination Date, or otherwise.

3. Any termination by you for Good Reason shall be communicated by a written notice given within 120 days of your having actual notice of the events giving rise to a right to terminate for Good Reason and which (i) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination for Good Reason and (ii), if the Termination Date is other than the date of receipt of such notice, specifies the Termination Date (which date shall not be more than 15 days after the giving of such notice). Your failure to set forth in the notice of termination any fact or circumstance which contributes to a showing of Good Reason shall not waive any right of yours hereunder or preclude you from asserting such fact or circumstance in enforcing your rights hereunder.

4. Anything in this Agreement not withstanding, you and the Corporation agree that you will not terminate your employment with the Corporation for Good Reason within 12 months following a Change of Control and seek, obtain or retain any compensation pursuant to Sections 1 and 2 of this Agreement if during the 12 months following the Change of Control you become employed by or otherwise provide services on a full time basis to the company or any Affiliate of that company that caused the Change of Control of the Corporation by acquiring assets or securities of the Corporation or merging or consolidating with the Corporation.

5. For purposes of this Agreement:

(a) “Bonus” means annual bonus or incentive compensation payable by the Corporation to you pursuant to plans which the Corporation now, or hereafter, maintains.

(b) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(c) “Cause” means (i) any act of fraud or embezzlement or other felonious act by you, (ii) your refusal to comply with reasonable directions in connection with the performance of your duties after notice of such failure is delivered to you, (iii) your failure to comply with the material provisions of any employment-related agreement between you and the Corporation or any of the Corporation’s policies applicable to you or (iv) your gross negligence or intentional misconduct in connection with the performance of your duties.

(d) A “Change of Control” shall be deemed to have taken place if (i) any “person” (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Corporation representing 50% or more of the combined voting power of the Corporation’s then outstanding securities; (ii) (A) a reorganization, merger or consolidation, in each case, with respect to which persons who were shareholders of the Corporation immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company’s then outstanding voting securities or (B) a liquidation or dissolution of the Corporation approved by the shareholders of the Corporation in accordance with Delaware law; (iii) as the result of a tender offer, exchange offer, merger, consolidation, sale of assets or contested solicitation of proxies or stockholder consents or any combination of the foregoing

transactions (a “Transaction”), the persons who were directors of the Corporation immediately before the Transaction shall cease to constitute a majority of the Board of Directors of the Corporation or of any parent of or successor to the Corporation immediately after the Transaction occurs; or (iv) the execution of an exclusive out-licensing and partnering arrangement with one or more partners involving all or substantially all of the Corporation’s NicVAX® rights and assets.

(e) “Good Reason” means:

(i) The assignment to you of any duties inconsistent in any material adverse respect with your position (including status, offices, titles and reporting requirements) as in effect on the date of the Change of Control, or any other action by the Corporation which results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial or inadvertent action not taken in bad faith and which is remedied by the Corporation promptly after receipt of notice from you;

(ii) Any reduction of your base salary or the failure by the Corporation to provide you with a compensation program, welfare benefits, retirement benefits and other benefits which in the aggregate are no less favorable than the benefits to which you were entitled prior to the Change of Control; or

(iii) The Corporation’s requiring you to be based at any office or location more than fifty (50) miles from that location at which you are employed on the date of the Change of Control, except for travel reasonably required in the performance of your responsibilities.

6. Anything in this Agreement to the contrary notwithstanding, if your employment with the Corporation is terminated by the Corporation prior to the date on which a Change of Control occurs, and such termination (a)(i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in anticipation of a Change of Control and not for reasons unrelated to the Change of Control and (b) such termination occurs within six (6) months of the occurrence of a Change of Control, then for purposes of Section 1 of this Agreement your termination of employment will be deemed to have occurred immediately following the Change of Control.

7. This Agreement shall be binding upon and inure to the benefit of you, your estate and the Corporation and any successor or assign of the Corporation, but neither this Agreement nor any rights arising hereunder may be assigned or pledged by you. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee, or other designee or, if there be no such designee, to your estate.

8. For purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed, in your case, to the address set forth on the first page of this Agreement and, in the Corporation’s case, to the

address of its principal office (all notices to the Corporation to be directed to the attention of the President of the Corporation) or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

9. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by you and such officer as may be specifically designed by the Board of Directors of the Corporation. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the time or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Maryland without regard to principles of conflicts of laws.

10. The Corporation will require any purchaser of or successor to (whether direct or indirect, by purchase or otherwise) all or substantially all of the business and/or assets of the Corporation (other than a purchaser or successor which assumes the obligations of the Corporation by operation of law) to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform it if no such succession had taken place. As used in this Agreement, “Corporation” shall mean the Corporation as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

11. Nothing in this Agreement shall prevent or limit your continuing or future participation in any benefit plan or program provided by the Corporation in which you may continue to participate under the terms of such plan or program notwithstanding the termination of your employment, nor shall anything herein limit or otherwise prejudice such rights as you may have under any other agreements with the Corporation, provided, however, that if the Severance Amount is payable under the terms of this Agreement, the only severance pay and benefits that you shall be entitled to receive from the Corporation are those provided under this Agreement and no other severance pay or benefits will be provided to you under any other agreement, plan or program of the Corporation. To the extent the terms of any other agreements you may have with the Corporation are inconsistent with this Agreement, the terms of this Agreement shall control. This Agreement is a complete expression of all agreements of the parties relating to the subject matter hereof, and all prior or contemporaneous oral or written understandings or agreements shall be null and void, including, without limitation the Change of Control Severance Agreement between the parties dated July 19, 2007, as amended.

12. If you assert any claim in any contest (whether initiated by you or by the Corporation) as to the validity, enforceability or interpretation of any provision of this Agreement and you prevail on at least one material claim, the Corporation shall reimburse your legal expenses (or cause such expenses to be paid), including, without limitation, your reasonable attorneys’ fees, upon presentation of proof of such expenses in a form reasonably acceptable to the Corporation, plus simple interest thereon at the 90-day United States Treasury Bill rate as in effect from time to time, compounded annually.

13. All payments and benefits to you under this Agreement (other than payments and benefits already due to you other than pursuant to the terms of this Agreement) will not be given unless you execute (and do not rescind) a written employment termination agreement in a form prescribed by the Corporation, containing terms consistent with this Agreement as well as a general release of all claims against the Corporation and related parties with respect to all matters occurring prior to or on the date of the release, including (but not limited to) employment matters or matters in connection with your termination.

14. The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

15. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

If you are in agreement with the foregoing, please so indicate by signing and returning to the Corporation the enclosed copy of this letter, whereupon this letter shall constitute a binding agreement under seal between you and the Corporation.

Sincerely yours,

/s/ Raafat Fahim, Ph.D.
Raafat Fahim, Ph.D.
President and Chief Executive Officer

Agreed:

/s/ Matthew W. Kalnik, Ph.D.
Matthew W. Kalnik, Ph.D.

Exhibit 31

CERTIFICATIONS

Rule 13a-14(a)/15d-14(a) CERTIFICATION

I, Raafat E.F. Fahim, Ph.D., certify that:

1. I have reviewed this report on Form 10-Q of Nabi Biopharmaceuticals;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. 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 registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which could 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: May 6, 2009

By: /s/ Raafat E.F. Fahim, Ph.D.

Raafat E.F. Fahim, Ph.D.
President, Chief Executive Officer and acting Chief Financial Officer

Exhibit 32

SECTION 1350 CERTIFICATION

The undersigned officer of Nabi Biopharmaceuticals, or the Company, hereby certifies that, as of the date of this statement, the Company's report on Form 10-Q for the quarter ended March 28, 2009, or the Report, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that, to the best of his knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition of the Company as of March 28, 2009 and the results of operations of the Company for the three months ended March 28, 2009.

The purpose of this certification is solely to comply with Title 18, Chapter 63, Section 1350 of the United States Code, as amended by Section 906 of the Sarbanes-Oxley Act of 2002. This statement is not "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Act or any other federal or state law or regulation.

Date: May 6, 2009

By: /s/ Raafat E.F. Fahim, Ph.D.
Name: Raafat E.F. Fahim, Ph.D.
Title: President, Chief Executive Officer and acting Chief Financial Officer