

NEKTAR THERAPEUTICS
Form DEF 14A
April 30, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Nektar Therapeutics

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:

- (2) Aggregate number of securities to which transaction applies:

- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

- (4) Proposed maximum aggregate value of transaction:

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(3) Filing Party:

(4) Date Filed:

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NEKTAR THERAPEUTICS

455 Mission Bay Boulevard South

San Francisco, California 94158

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON JUNE 26, 2018

AT 2:00 P.M. PACIFIC TIME

Dear Stockholder:

You are cordially invited to attend the 2018 Annual Meeting of Stockholders of Nektar Therapeutics, a Delaware corporation. The 2018 Annual Meeting will be held on Tuesday, June 26, 2018, at 2:00 p.m. local time at Nektar Therapeutics, 455 Mission Bay Boulevard South, San Francisco, California 94158, for the following purposes:

1. To elect three directors with terms to expire at the 2021 Annual Meeting of Stockholders.
2. To approve an amendment and restatement of the 2017 Performance Incentive Plan to increase the aggregate number of shares of common stock authorized for issuance under the 2017 Performance Incentive Plan by 10,900,000 shares to a total reserve of 19,200,000 shares.
3. To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018.
4. To approve a non-binding advisory resolution regarding our executive compensation (a "say-on-pay" vote).
5. To conduct any other business properly brought before the 2018 Annual Meeting.

These items of business are more fully described in the Proxy Statement accompanying this Notice of Annual Meeting of Stockholders. The record date for the 2018 Annual Meeting is April 27, 2018. Only stockholders of record at the close of business on that date are entitled to notice of, and to vote at, the 2018 Annual Meeting or any adjournment thereof.

Your vote is very important. Whether or not you attend the 2018 Annual Meeting in person, it is important that your shares be represented. You may vote your proxy on the Internet, by phone or by mail in accordance with the instructions in the Notice of Availability of Proxy Materials.

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On behalf of the Board of Directors, thank you for your participation in this important annual process.

By Order of the Board of Directors

/s/ Mark A. Wilson

Mark A. Wilson

Senior Vice President, General Counsel and

Secretary

San Francisco, California

May 15, 2018

YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE VOTE ON THE INTERNET, BY PHONE OR BY MAIL AS INSTRUCTED IN THE NOTICE OF AVAILABILITY OF PROXY MATERIALS, AS PROMPTLY AS POSSIBLE IN ORDER TO ENSURE YOUR REPRESENTATION AT THE MEETING. EVEN IF YOU HAVE VOTED BY PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE ANNUAL MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE ANNUAL MEETING, YOU MUST OBTAIN A PROXY ISSUED IN YOUR NAME FROM THAT RECORD HOLDER.

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NEKTAR THERAPEUTICS

455 Mission Bay Boulevard South

San Francisco, California 94158

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON JUNE 26, 2018

AT 2:00 P.M. PACIFIC TIME

QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS AND VOTING PROCEDURES

WHY AM I RECEIVING THESE MATERIALS?

We sent you a Notice of Availability of Proxy Materials (the "Notice") because the board of directors of Nektar Therapeutics, a Delaware corporation (Nektar, the Company, we or us) is soliciting your proxy to vote at our 2018 annual meeting of stockholders (the "Annual Meeting") to be held on June 26, 2018 at 2:00 p.m. local time at Nektar Therapeutics, 455 Mission Bay Boulevard South, San Francisco, California 94158. We invite you to attend the Annual Meeting to vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, you may vote by proxy over the Internet or by phone by following the instructions provided in the Notice or, if you request printed copies of the proxy materials by mail, you may vote by mail.

The Notice was first sent or made available on or about May 15, 2018 to all stockholders of record entitled to vote at the Annual Meeting.

WHO CAN VOTE AT THE ANNUAL MEETING?

Only stockholders of record at the close of business on April 27, 2018 will be entitled to vote at the Annual Meeting. On this record date, there were 171,242,791 shares of common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If, on April 27, 2018, your shares were registered directly in your name with our transfer agent, Computershare Inc., then you are a stockholder of record. The Notice will be sent to you by mail directly by us. As a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to vote on the Internet or by phone as instructed in the Notice or by proxy by mail by requesting a paper copy of the proxy materials as instructed in the Notice to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker, Bank or Other Agent

If, on April 27, 2018, your shares were held in an account at a brokerage firm, bank or other agent, then you are the beneficial owner of shares held in "street name" and the Notice is being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker, bank or other agent on how to vote the shares in your account. Your brokerage firm, bank or other agent will not be able to vote in the election of directors unless they have your voting instructions, so it is very important that you indicate your voting instructions to the institution holding

your shares.

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You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid proxy from your broker, bank or other agent.

WHAT AM I VOTING ON?

There are five matters scheduled for a vote:

Proposal 1: To elect three directors with terms to expire at the 2021 Annual Meeting of Stockholders.

Proposal 2: To approve an amendment and restatement of the 2017 Performance Incentive Plan to increase the aggregate number of shares of common stock authorized for issuance under the 2017 Performance Incentive Plan by 10,900,000 shares to a total reserve of 19,200,000 shares.

Proposal 3: To ratify the selection of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2018.

Proposal 4: To approve a non-binding advisory resolution regarding our executive compensation (a "say-on-pay" vote).

HOW ARE PROXY MATERIALS DISTRIBUTED?

Under rules adopted by the Securities and Exchange Commission ("SEC"), we are sending the Notice to our stockholders of record and beneficial owners as of April 27, 2018. Stockholders will have the ability to access the proxy materials, including this proxy statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, on the Internet at www.nektar.com or to request a printed or electronic set of the proxy materials at no charge. Instructions on how to access the proxy materials over the Internet and how to request a printed copy may be found on the Notice.

In addition, any stockholder may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. Choosing to receive future proxy materials by email will save us the cost of printing and mailing documents to stockholders and will reduce the impact of annual meetings on the environment. A stockholder who chooses to receive future proxy materials by email will receive an email prior to next year's annual meeting with instructions containing a link to those materials and a link to the proxy voting website. A stockholder's election to receive proxy materials by email will remain in effect until the stockholder terminates it.

HOW DO I VOTE?

You may either vote "For" or "Against" or abstain from voting with respect to each nominee to the board of directors. For Proposals 2, 3, and 4, you may vote "For" or "Against" or abstain from voting. The procedures for voting are:

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record as of April 27, 2018, you may vote in person at the Annual Meeting, vote by proxy over the Internet or by phone by following the instructions provided in the Notice or, if you request printed copies of the proxy materials by mail, you may vote by mail. If your proxy is properly executed in time to be voted at the Annual Meeting, the shares represented by the proxy will be voted in accordance with the instructions you provide. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the Annual Meeting and vote in person if you have already voted by proxy.

1. To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive.

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2. To vote on the Internet, go to www.proxyvote.com to complete an electronic proxy card. You will be asked to provide the 16-digit control number from the Notice and follow the instructions. Your vote must be received by 11:59 p.m. Eastern Time on June 25, 2018 to be counted.

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3. To vote by phone, request a paper or email copy of the proxy materials by following the instructions on the Notice and call the number provided with the proxy materials to transmit your voting instructions. Your vote must be received by 11:59 p.m. Eastern Time on June 25, 2018 to be counted.
4. To vote by mail, request a paper copy of the proxy materials by following the instructions on the Notice and complete, sign and date the proxy card enclosed with the paper copy of the proxy materials and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, we will vote your shares as you direct.

Beneficial Owner: Shares Registered in the Name of a Broker, Bank or Other Agent

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received a Notice and voting instructions from that organization rather than from us. Simply follow the instructions to ensure that your vote is counted. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker, bank or other agent included with the Notice, or contact your broker, bank or other agent.

We provide Internet proxy voting to allow you to vote your shares on-line, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

HOW MANY VOTES DO I HAVE?

On each matter to be voted upon, you have one vote for each share of common stock you owned as of April 27, 2018.

WHAT IS THE QUORUM REQUIREMENT?

A quorum of stockholders is necessary to take any action at the meeting (other than to adjourn the meeting). The presence, in person or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote will constitute a quorum. On April 27, 2018, there were 171,242,791 shares outstanding and entitled to vote.

Your shares will be counted towards the quorum only if you submit a valid proxy or vote in person at the Annual Meeting. Even if your valid proxy card indicates that you abstain from voting or if a broker indicates on a proxy that it lacks discretionary authority to vote your shares on a particular matter, commonly referred to as broker non-votes, your shares will still be counted for purposes of determining the presence of a quorum at the Annual Meeting. If there is no quorum, the chairman of the Annual Meeting or a majority of the votes present at the Annual Meeting may adjourn the Annual Meeting to another date.

WHAT IF I RETURN A PROXY CARD BUT DO NOT MAKE SPECIFIC CHOICES?

If you are a stockholder of record and you return a proxy card without marking any voting selections, your shares will be voted:

1. Proposal 1: For election of all three nominees for director.
2. Proposal 2: For the amendment and restatement of the 2017 Performance Incentive Plan to increase the aggregate number of shares of common stock authorized for issuance under the 2017 Performance Incentive Plan by 10,900,000 shares to a total reserve of 19,200,000 shares.

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3. Proposal 3: For the ratification of the audit committee's selection of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2018.

4. Proposal 4: For the approval a non-binding advisory resolution regarding our executive compensation (a say-on-pay vote). If any other matter is properly presented at the meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his best judgment.

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, your shares are held by your broker, bank or other agent as your nominee (that is, in street name) and you will need to obtain a proxy form from the organization that holds your shares and follow the instructions included on that form regarding how to instruct the organization to vote your shares. If you do not give instructions to your broker, bank or other agent, it can vote your shares with respect to discretionary items but not with respect to non-discretionary items. Discretionary items are proposals considered routine under the rules of various national securities exchanges, and, in the absence of your voting instructions, your broker, bank or other agent may vote your shares held in street name on such proposals. Non-discretionary items are proposals considered non-routine under the rules of various national securities exchanges, and, in the absence of your voting instructions, your broker, bank or other agent may not vote your shares held in street name on such proposals and the shares will be treated as broker non-votes. Proposals 1, 2, and 4 are matters considered non-routine under the applicable rules. If you do not give your broker specific instructions, the broker will not vote your shares on Proposals 1, 2, and 4 and your shares will constitute broker non-votes which will be counted for purposes of determining whether a quorum exists but will not affect the outcome of these proposals. Proposal 3 involves a matter we believe to be routine and thus if you do not give instructions to your broker, the broker may vote your shares in its discretion on Proposal 3 and therefore no broker non-votes are expected to exist in connection with Proposal 3.

HOW ARE VOTES COUNTED?

Votes will be counted by the inspector of election appointed for the Annual Meeting, with respect to Proposal 1, For votes, Against votes, abstentions and broker non-votes for each nominee, with respect to each of Proposals 2 and 4, For votes, Against votes, abstentions and broker non-votes, and with respect to Proposal 3, For votes, Against votes and abstentions.

WHO WILL SERVE AS INSPECTOR OF ELECTIONS?

A representative of Broadridge Financial Solutions, Inc. will serve as the inspector of elections.

HOW MANY VOTES ARE NEEDED TO APPROVE EACH PROPOSAL?

For Proposal 1 electing three members of the board of directors, each director must receive a For vote from a majority of the votes cast in person or by proxy at the Annual Meeting on the election of the director. A majority of the votes cast shall mean that the number of shares voted For a director's election exceeds fifty percent (50%) of the number of the votes cast with respect to that director's election.

For Proposal 2 approving an amendment and restatement to the Nektar 2017 Performance Incentive Plan to increase the aggregate number of shares of common stock authorized for issuance under the plan, the proposal must receive a For vote from a majority of the votes cast either in person or by proxy at the Annual Meeting.

For Proposal 3 ratifying the audit committee's selection of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending December 31, 2018, the proposal must receive a For vote from a majority of the votes cast either in person or by proxy at the Annual Meeting.

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For Proposal 4 approving the resolution regarding executive compensation, the proposal must receive a For vote from a majority of the votes cast either in person or by proxy at the Annual Meeting.

For purposes of all proposals above, votes cast shall include any shares voted Against and shall exclude abstentions and, to the extent applicable, broker non-votes.

WHO IS PAYING FOR THIS PROXY SOLICITATION?

We will pay for the entire cost of soliciting proxies. In addition to the Notice and the proxy materials, our directors and employees may also solicit proxies in person, by telephone or by other means of communication. We will not pay our directors and employees any additional compensation for soliciting proxies. We may also reimburse brokerage firms, banks and other agents for the cost of forwarding the Notice and any other proxy materials to beneficial owners.

WHAT DOES IT MEAN IF I RECEIVE MORE THAN ONE NOTICE?

If you receive more than one Notice, your shares are registered in more than one name or are registered in different accounts. Please vote by proxy according to each Notice to ensure that all of your shares are voted.

CAN I CHANGE MY VOTE AFTER SUBMITTING MY PROXY?

Yes, you can revoke your proxy at any time before the final vote at the Annual Meeting. If you are a stockholder of record, you may revoke your proxy in any one of three ways:

1. A duly executed proxy card with a later date or time than the previously submitted proxy;
2. A written notice that you are revoking your proxy to our Secretary, care of Nektar Therapeutics, at 455 Mission Bay Boulevard South, San Francisco, California 94158; or
3. A later-dated vote on the Internet or by phone or a ballot cast in person at the Annual Meeting (simply attending the Annual Meeting will not, by itself, revoke your proxy).

If you are a beneficial owner, you may revoke your proxy by submitting new instructions to your broker, bank or other agent, or if you have received a proxy from your broker, bank or other agent giving you the right to vote your shares at the Annual Meeting, by attending the meeting and voting in person.

WHEN ARE STOCKHOLDER PROPOSALS DUE FOR NEXT YEAR'S ANNUAL MEETING?

Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the Exchange Act), some stockholder proposals may be eligible for inclusion in our 2019 proxy statement. Any such proposal must be submitted in writing by December 31, 2018, to our Secretary, care of Nektar Therapeutics, 455 Mission Bay Boulevard South, San Francisco, California 94158. If we change the date of our 2019 annual meeting by more than 30 days from the date of the previous year's annual meeting, the deadline shall be a reasonable time before we begin to print and send our proxy materials. Stockholders interested in submitting such a proposal are advised to contact knowledgeable counsel with regard to the detailed requirements of the applicable securities laws and our bylaws. The submission of a stockholder proposal does not guarantee that it will be included in our proxy statement.

Alternatively, under our bylaws, if you wish to submit a proposal that is not to be included in next year's proxy statement or nominate a director, you must provide specific information to us no earlier than March 28, 2019 and no later than the close of business on April 27, 2019. If we change the date of our 2019 annual meeting by more than 30 days from the date of the previous year's annual meeting, the deadline shall be changed to not later than the sixtieth day prior to such annual meeting and no earlier than the close of business on the ninetieth day prior to such annual meeting. In the event we provide less than 70 days' notice or prior public disclosure of

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the date of the annual meeting, the stockholder proposal or nomination must be received not later than the tenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. The public announcement of an adjournment or postponement of the 2019 annual meeting does not commence a new time period (or extend any time period) for the giving of a stockholder's notice as described in this proxy statement. You are advised to review our bylaws, which contain additional requirements with respect to advance notice of stockholder proposals and director nominees.

A stockholder's submission must include certain specific information concerning the proposal or nominee, as the case may be, and information as to the stockholder's ownership of our common stock. Proposals or nominations not meeting these requirements will not be entertained at any annual meeting.

In relation to stockholder proposals and nominations, in certain instances we may exercise discretionary voting authority under proxies held by the board of directors. For instance, if we do not receive a stockholder proposal by April 27, 2019, we may exercise discretionary voting authority under proxies held by the board of directors on such stockholder proposal. If we change the date of our 2019 annual meeting by more than 30 days from the date of the previous year's annual meeting, the deadline will change to a reasonable time before we begin to print and send our proxy materials. In addition, even if we are notified of a stockholder proposal within the time requirements discussed above, if the stockholder does not comply with certain requirements of the Exchange Act, we may exercise discretionary voting authority under proxies held by the board of directors on such stockholder proposal if we include advice in our proxy statement on the nature of the matter and how we intend to exercise our discretion to vote on the matter.

WHAT IS HOUSEHOLDING AND HOW DOES IT AFFECT ME?

We have adopted a procedure approved by the SEC called "householding." Under this procedure, stockholders who have the same address may receive only one copy of the Notice, unless one or more of these stockholders notifies us that they wish to receive individual copies of the Notice and, if requested, other proxy materials. This process potentially means extra convenience for stockholders and cost savings for companies.

If you are a beneficial owner of our common stock, once you receive notice from your broker, bank or other agent that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive separate Notices or other proxy materials, please notify your broker, bank or other agent, direct your written request to Nektar Therapeutics, Secretary, 455 Mission Bay Boulevard South, San Francisco, California 94158 or contact our Secretary at (415) 482-5300. Stockholders who currently receive multiple copies of the Notice or other proxy materials at their address and would like to request householding of their communications should contact their broker, bank or other agent.

HOW CAN I FIND OUT THE RESULTS OF THE VOTING AT THE ANNUAL MEETING?

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in a Current Report on Form 8-K filed with the SEC within four business days following the Annual Meeting.

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PROPOSAL 1

ELECTION OF DIRECTORS

Our board of directors is presently comprised of eight (8) directors and is divided into three (3) classes. Both Class II and Class III currently consist of three directors and Class I currently consists of two directors with one vacancy created with the passing away of Joseph Krivulka. Each class has a three (3) year term. The three (3) current directors in Class II are Jeff Ajer, Robert B. Chess, and Roy A. Whitfield, whose term expires in 2018. Each of the current directors in Class II has been nominated for reelection at the Annual Meeting. Messrs. Chess and Whitfield were both previously elected by the stockholders. Mr. Ajer was appointed to the board of directors in September 2017. Vacancies on the board, including vacancies created by an increase in the number of directors, are filled only by persons elected by a majority of the remaining directors. A director elected by the board to fill a vacancy in a class serves until the earlier of the remainder of the full term of that class, that director's successor is elected and qualified or their death, resignation or removal.

Directors are elected by a majority of the votes cast at the Annual Meeting on the election of directors. A majority of votes cast shall mean that the number of shares voted For a director's election exceeds fifty percent (50%) of the number of votes cast with respect to that director's election, with votes cast including votes Against in each case but excluding abstentions and broker non-votes with respect to that director's election. Shares represented by executed proxies by stockholders of record will be voted for the election of the three nominees named below, unless the Against or Abstain voting selection has been marked on the proxy card. Neither abstentions nor broker non-votes will have an effect on the outcome of the vote.

If any nominee becomes unavailable for election as a result of an unexpected occurrence, shares that would otherwise be voted for such nominee will be voted for the election of a substitute nominee proposed by the nominating and corporate governance committee and nominated by the board of directors. Each person nominated for election has agreed to serve if elected. Our management has no reason to believe that any nominee will be unable to serve. If elected at the Annual Meeting, each of the nominees will serve until the earliest of the 2021 annual meeting of our stockholders, his successor is elected and qualified or his death, resignation or removal.

The following is a brief biography of each nominee.

Jeff Ajer

Jeff Ajer, age 55, was appointed to the board of directors in September 2017. Mr. Ajer currently serves as Executive Vice President and Chief Commercial Officer at BioMarin Pharmaceutical Inc. (BioMarin) a global biotechnology company that develops and commercializes innovative therapies for people with serious and life-threatening rare disorders. From October 2012 to January 2014, Mr. Ajer served as Senior Vice President and Chief Commercial Officer of BioMarin. From April 2009 to October 2012, Mr. Ajer served as BioMarin's Vice President, Commercial Operations, The Americas, where he had responsibility for commercial operations throughout the Americas and led product marketing, reimbursement, and sales operations for BioMarin. Prior to joining BioMarin, Mr. Ajer served in various roles at Genzyme Corporation (Genzyme) beginning in November 2003, most recently as Vice President, Global Transplant Operations from December 2004 to August 2005. Mr. Ajer's experience prior to Genzyme includes roles in sales, marketing and operations at SangStat Medical Corporation and ICN Pharmaceuticals. Mr. Ajer received both a B.S. in chemistry and an M.B.A. from the University of California, Irvine.

Robert B. Chess

Robert B. Chess, age 61, is the Chairman of our board of directors and has served as a director since May 1992. From March 2006 until January 2007, Mr. Chess served as our Acting President and Chief Executive

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Officer, and from April 1999 to January 2007, served as Executive Chairman. He also served as our Co-Chief Executive Officer from August 1998 to April 2000, as President from December 1991 to August 1998, and as Chief Executive Officer from May 1992 to August 1998. Mr. Chess was previously the co-founder and President of Penederm, Inc., a publicly-traded dermatological pharmaceutical company that was sold to Mylan Laboratories. He has held management positions at Intel Corporation and Metaphor Computer Systems (now part of IBM), and was a member of the first President Bush's White House staff as a White House Fellow and Associate Director of the White House Office of Economic and Domestic Policy. From 1997 until his retirement in 2009, Mr. Chess served on the board of directors of the Biotechnology Industry Organization (BIO). Mr. Chess served as Chairman of BIO's Emerging Companies Section and Co-Chairman of BIO's Intellectual Property Committee. Mr. Chess was the initial Chairman of Bio Ventures for Global Health and continues to serve on its board. He also serves on the Board of Trustees of the California Institute of Technology where he chairs the Technology Transfer Committee. Mr. Chess is the co-founder and Chairman of Biota Technology, a private company developing industrial applications of the analysis of microbial communities, and also serves as a director of each of Pelvalon, Inc., a private medical device company, and Twist Bioscience, a private company in the synthetic DNA production field. He is currently a member of the faculty of the Stanford Graduate School of Business, where he teaches courses in the MBA program on starting technology-based businesses and the healthcare industry. Mr. Chess received his B.S. degree in Engineering with honors from the California Institute of Technology and an M.B.A. from Harvard University.

Roy A. Whitfield

Roy A. Whitfield, age 64, has served as our director since August 2000. Mr. Whitfield is the former Chairman of the Board and Chief Executive Officer of Incyte Corporation (Incyte), a drug discovery and development company he co-founded in 1991. From January 1993 to November 2001, Mr. Whitfield served as its Chief Executive Officer and from November 2001 until June 2003 as its Chairman. He also served as a director of Incyte from 1991 to January 2014. From 1984 to 1989, Mr. Whitfield held senior operating and business development positions with Technicon Instruments Corporation (Technicon), a medical instrumentation company, and its predecessor company, Cooper Biomedical, Inc., a biotechnology and medical diagnostics company. Prior to his work at Technicon, Mr. Whitfield spent seven years with the Boston Consulting Group's international consulting practice. He currently serves as a director of Illumina, Inc., a developer, manufacturer and marketer of integrated systems for analysis of genetic variations and biological functions, and Station X, Inc. a private company. Since February 2008, he has also served as Executive Chairman of the board of directors of Bioseek Inc. Mr. Whitfield received a B.S. in mathematics from Oxford University and an M.B.A. from Stanford University.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF EACH NAMED NOMINEE.

Table of Contents**PROPOSAL 2****APPROVAL OF AN AMENDMENT AND RESTATEMENT TO THE NEKTAR 2017 PERFORMANCE INCENTIVE PLAN**

At the Annual Meeting, our stockholders will be asked to approve an amendment and restatement to the Nektar Therapeutics 2017 Performance Incentive Plan (the 2017 Plan) to increase the available shares under the 2017 Plan by 10,900,000 shares for a total reserve of 19,200,000 shares under the 2017 Plan. In addition, the proposed amendment and restatement modified the 2017 Plan to reflect the repeal of the performance-based compensation exemption under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). The 2017 Plan was approved by our board of directors on March 28, 2017, subject to stockholder approval which was received on June 14, 2017.

Prior to the adoption of the 2017 Plan, the Company maintained the Nektar Therapeutics 2012 Plan, as amended (the 2012 Plan), the Nektar Therapeutics 2008 Equity Incentive Plan, as amended (the 2008 Plan), the Nektar Therapeutics 2000 Equity Incentive Plan, as amended (the 2000 Plan), and the Nektar therapeutics 2000 Non-Officer Equity Incentive Plan, as amended (the (2000 Non-Officer Plan)). The 2000 Non-Officer Plan together with the 2012 Plan, the 2008 Plan and 2000 Plan, are referred to as the Prior Plans. Following stockholder approval of the 2017 Plan, no further awards were made under the Prior Plans. As of April 1, 2018, 5,778,209 shares were subject to outstanding stock options and restricted stock units granted under the 2017 Plan and 2,517,726 shares remained available for future grants. In addition, under the terms of the 2017 Plan, the reserve pool under the 2017 Plan may be increased by shares subject to awards granted under the Prior Plans that were outstanding as of December 31, 2017 in the event that such awards expire, or for any reason are cancelled or terminated, without being exercised. As of April 1, 2018 12,800,666 shares remained subject to outstanding stock options and restricted stock units granted under the Prior Plans. If stockholders approve the amendment and restatement to the 2017 Plan, as of April 1, 2018, the number of shares available for future awards under the 2017 Plan will increase by 10,900,000 shares to 13,417,726 shares.

Additional Information on Outstanding Awards and Available Shares

The following provides additional information on the total equity compensation awards outstanding and available shares.

	As of April 1, 2018
Shares Outstanding and Available for Grant	
Total shares subject to outstanding stock options	16,313,741
Total shares subject to outstanding deferred restricted stock, restricted stock units, and performance restricted stock units	2,265,134
Weighted-average exercise price of outstanding stock options under all stock incentive plans	\$ 22.024
Weighted-average remaining term of outstanding stock options (years)	5.15
Total shares available for grant under all stock incentive plans but not yet granted ⁽¹⁾	2,517,726

(1) Excludes shares available for grant under ESPP (856,205)

Given the limited number of shares that currently remain available under the 2017 Plan, our board of directors and management believe it is important that this amendment and restatement be approved in order to maintain the Company's ability to retain employees and continue to provide them with strong incentives to contribute to the Company's future success. The Company believes that incentives and stock-based awards focus employees on the objective of creating stockholder value and promoting the success of the Company, and that incentive compensation plans like the 2017 Plan are an important attraction, retention and motivation tool for participants in the plan.

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All members of the board of directors and all of the Company's executive officers will be eligible for awards under the 2017 Plan and thus have a personal interest in the approval of the amendment and restatement to the 2017 Plan.

Stockholders are requested in this Proposal 2 to approve the amendment and restatement to the 2017 Plan. Approval of the amendment and restatement to the 2017 Plan requires the affirmative vote of a majority of the votes cast, in person or by proxy, and entitled to vote at the Annual Meeting. If stockholders do not approve this amendment and restatement the 2017 Plan will continue in accordance with its current terms.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 2.

The essential features of the 2017 Plan, as proposed to be amended, are outlined below:

The principal terms of the 2017 Plan are summarized below. The following summary is qualified in its entirety by the full text of the 2017 Plan, which appears as Exhibit 1 to this proxy statement.

Purpose. The purpose of the 2017 Plan is to promote the success of the Company and the interests of our stockholders by providing an additional means for us to attract, motivate, retain and reward directors, officers, employees and other eligible persons through the grant of awards. Equity-based awards are also intended to further align the interests of award recipients and our stockholders.

Administration. Our board of directors or one or more committees appointed by our board of directors will administer the 2017 Plan. Our board of directors has delegated general administrative authority for the 2017 Plan to the organization and compensation committee of our board of directors. The organization and compensation committee may delegate some or all of its authority with respect to the 2017 Plan to another committee of directors, and certain limited authority to grant awards to employees may be delegated to one or more officers of the Company. (The appropriate acting body, be it the board of directors, a committee within its delegated authority, or an officer within his or her delegated authority, is referred to in this proposal as the Administrator).

The Administrator has broad authority under the 2017 Plan with respect to award grants including, without limitation, the authority:

to select participants and determine the type(s) of award(s) that they are to receive;

to determine the number of shares that are to be subject to awards and the terms and conditions of awards, including the price (if any) to be paid for the shares or the award;

to cancel, modify, or waive the Company's rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding awards, subject to any required consents;

to accelerate or extend the vesting or exercisability or extend the term of any or all outstanding awards;

subject to the other provisions of the 2017 Plan, to make certain adjustments to an outstanding award and to authorize the termination, conversion, succession or substitution of an award; and

to allow the purchase price of an award or shares of the Company's common stock to be paid in the form of cash, check, or electronic funds transfer, by the delivery of already-owned shares of the Company's common stock or by a reduction of the number of shares deliverable pursuant to the award, by services rendered by the recipient of the award, by notice and third party payment or cashless exercise on such terms as the Administrator may authorize, or any other form permitted by law.

No Repricing. In no case (except due to an adjustment to reflect a stock split or other events referred to under Adjustments below, or any repricing that may be approved by stockholders) will the Administrator (1) amend an outstanding stock option or stock appreciation right to reduce the exercise price or base price of the

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award, (2) cancel, exchange, or surrender an outstanding stock option or stock appreciation right in exchange for cash or other awards for the purpose of repricing the award, or (3) cancel, exchange, or surrender an outstanding stock option or stock appreciation right in exchange for an option or stock appreciation right with an exercise or base price that is less than the exercise or base price of the original award.

Eligibility. Persons eligible to receive awards under the 2017 Plan include officers or employees of the Company or any of its subsidiaries, directors of the Company or any of its subsidiaries, and certain consultants and advisors to the Company or any of its subsidiaries. As of April 1, 2018, approximately 516 employees (including executive officers) and seven non-employee directors would be eligible to participate in the 2017 Plan.

Authorized Shares; Limits on Awards. Subject to the adjustment provisions included in the 2017 Plan, the maximum number of shares of the Company's common stock initially available for issuance may be issued or transferred pursuant to awards under the 2017 Plan equaled 8,300,000 shares of the Company's common stock (reduced by the number of shares of common stock subject to awards granted under the 2012 Plan on or after March 31, 2017). The proposed amendment and restatement would increase the available shares to 19,200,000. Shares issued in respect of any full-value award granted under the 2017 Plan will be counted against the share limit described in the preceding sentence as 1.50 shares for every one share actually issued in connection with the award. For example, if the Company granted 100 restricted stock units under the 2017 Plan, 150 shares would be charged against the share limit with respect to that award. For this purpose, a full-value award generally means any award granted under the plan other than a stock option or stock appreciation right.

The following other limits are also contained in the 2017 Plan:

The maximum number of shares that may be delivered pursuant to options qualified as incentive stock options granted under the plan is 19,200,000.

The maximum number of shares subject to options and stock appreciation rights that are granted during any calendar year to any individual under the plan is 3,000,000 shares.

Performance-based awards under Section 5.2 of the 2017 Plan granted to a participant in any one calendar year will not provide for payment of more than (1) in the case of awards payable only in cash and not related to shares, \$5,000,000, and (2) in the case of awards related to shares (and in addition to options and stock appreciation rights which are subject to the limit referred to above), 3,000,000 shares.

The aggregate value of cash compensation and the grant date fair value (computed in accordance with generally accepted accounting principles) of shares of common stock that may be paid or granted during any calendar year to any non-employee director shall not exceed \$1,200,000 for existing non-employee directors and \$2,200,000 for new non-employee directors.

Except as described in the next sentence, shares that are subject to or underlie awards which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under the 2017 Plan or the Prior Plans will again be available for subsequent awards under the 2017 Plan (with any such shares subject to full-value awards increasing the 2017 Plan's share limit based on the full-value award ratio described above or, in the case of an award granted under a Prior Plan, the full-value award ratio set forth in such Prior Plan). Shares that are exchanged by a participant or withheld by the Company to pay the exercise price of an award granted under the 2017 Plan, as well as any shares exchanged or withheld to satisfy the tax withholding obligations related to any award, will not be available for subsequent awards under the 2017 Plan. To the extent that an award granted under the 2017 Plan or a Prior Plan is settled in cash or a form other than shares, the shares that would have been delivered had there been no such cash or other settlement will again be available for subsequent awards under the 2017 Plan (with any such shares subject to full-value awards increasing the 2017 Plan's share limit based on the full-value award ratio described above or, in the case of an award granted under a Prior Plan, the full-value award ratio set forth in such Prior Plan). In the event that shares are delivered in respect of a dividend equivalent right, the actual number of shares delivered with respect to the award shall be counted against the share limits of the 2017 Plan. (For purposes of clarity, if 1,000 dividend

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equivalent rights are granted and outstanding when the Company pays a dividend, and 50 shares are delivered in payment of those rights with respect to that dividend, 75 shares (after adjustment for the full-value award share counting ratio described above) shall be counted against the share limits of the plan.) To the extent that shares are delivered pursuant to the exercise of a stock appreciation right or stock option, the number of underlying shares as to which the exercise related shall be counted against the applicable share limits, as opposed to only counting the shares actually issued. (For purposes of clarity, if a stock appreciation right relates to 100,000 shares and is exercised at a time when the payment due to the participant is 15,000 shares, 100,000 shares shall be charged against the applicable share limits with respect to such exercise.) In addition, the 2017 Plan generally provides that shares issued in connection with awards that are granted by or become obligations of the Company through the assumption of awards (or in substitution for awards) in connection with an acquisition of another company will not count against the shares available for issuance under the 2017 Plan. The Company may not increase the applicable share limits of the 2017 Plan by repurchasing shares of common stock on the market (by using cash received through the exercise of stock options or otherwise).

Types of Awards. The 2017 Plan authorizes stock options, stock appreciation rights, stock bonuses, restricted stock, performance stock, stock units, phantom stock or similar rights to purchase or acquire shares, whether at a fixed or variable price or ratio related to the common stock, upon the passage of time, the occurrence of one or more events or the satisfaction of performance criteria or other conditions, awards of any similar securities with a value derived from the value of or related to the common stock and/or returns thereon, or cash awards. The 2017 Plan retains flexibility to offer competitive incentives and to tailor benefits to specific needs and circumstances. Awards granted under the 2017 Plan will be subject to such terms and conditions as established by the Administrator and set forth in the underlying award agreement, including terms relating to the treatment of an award upon a termination of employment. Any award may be paid or settled in cash.

A stock option is the right to purchase shares of the Company's common stock at a future date at a specified price per share (the exercise price). The per share exercise price of an option may not be less than the fair market value of a share of the Company's common stock on the date of grant. The maximum term of an option is eight years from the date of grant. An option may either be an incentive stock option or a nonqualified stock option. Incentive stock option benefits are taxed differently from nonqualified stock options, as described under Federal Income Tax Consequences of Awards Under the 2017 Plan below. Incentive stock options are also subject to more restrictive terms and are limited in amount by the U.S. Internal Revenue Code and the 2017 Plan. Incentive stock options may only be granted to employees of the Company or a subsidiary.

A stock appreciation right is the right to receive payment of an amount equal to the excess of the fair market value of share of the Company's common stock on the date of exercise of the stock appreciation right over the base price of the stock appreciation right. The base price will be established by the Administrator at the time of grant of the stock appreciation right and may not be less than the fair market value of a share of the Company's common stock on the date of grant. Stock appreciation rights may be granted in connection with other awards or independently. The maximum term of a stock appreciation right is eight years from the date of grant.

Performance-Based Awards. The Administrator may grant performance-based awards under the 2017 Plan. Performance-based awards are in addition to any of the other types of awards that may be granted under the 2017 Plan. Performance-based awards may be in the form of restricted stock, performance stock, stock units, other rights, or cash bonus opportunities.

The vesting or payment of performance-based awards may depend on the absolute or relative performance of the Company on a consolidated, subsidiary, segment, division, or business unit basis. The Administrator will establish the criterion or criteria and target(s) on which performance will be measured. The criteria that the Administrator may use for this purpose may include, without limitation, any one or more of the following: earnings per share; cash flow (which means cash and cash equivalents derived from either net cash flow from operations or net cash flow from operations, financing and investing activities); working capital; stock price; total stockholder return; revenue; gross profit; operating income; net earnings (before or after interest, taxes,

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depreciation and/or amortization); gross margin; operating margin; net margin; return on equity or on assets or on net investment; cost containment or reduction; regulatory submissions or approvals; manufacturing production; completion of strategic partnerships; research milestones; any other measure selected by the Administrator or any combination thereof. As applicable, these terms are used as applied under generally accepted accounting principles or in the financial reporting of the Company or of its subsidiaries. The applicable performance goals may be applied on a pre- or post-tax basis and may be adjusted to include or exclude determinable components of any performance goal, including, without limitation, foreign exchange gains and losses, asset write-downs, acquisitions and divestitures, change in fiscal year, unbudgeted capital expenditures, special charges such as restructuring or impairment charges, debt refinancing costs, extraordinary or noncash items, unusual, infrequently occurring, nonrecurring or one-time events affecting the Company or its financial statements or changes in law or accounting principles.

The performance measurement period with respect to an award may range from three months to ten years. Performance-based awards may be paid in stock or in cash (in either case, subject to the limits described under the heading *Authorized Shares; Limits on Awards* above). The Administrator has discretion to determine the performance target or targets and any other restrictions or other limitations of performance-based awards and may reserve discretion to reduce payments below maximum award limits.

Dividend Equivalents; Deferrals. The Administrator may provide for the deferred payment of awards, and may determine the other terms applicable to deferrals. The Administrator may provide that awards under the 2017 Plan (other than options or stock appreciation rights), and/or deferrals, earn dividends or dividend equivalents based on the amount of dividends paid on outstanding shares of common stock, provided that as to any dividends or dividend equivalent rights granted in connection with an award granted under the 2017 Plan that is subject to vesting requirements, no dividends or dividend equivalent payments will be made unless the related vesting conditions of the award are satisfied.

Award Agreements. Each award shall be evidenced by either (1) a written award agreement in a form approved by the Administrator and executed by the Company by an officer duly authorized to act on its behalf, or (2) an electronic notice of award grant in a form approved by the Administrator. The award agreement shall set forth the material terms and conditions of the award as established by the Administrator consistent with the express limitations of the 2017 Plan. Notwithstanding anything in the 2017 Plan to the contrary, the Administrator may approve an award agreement that, upon the termination of a participant's employment or service, provides that, or may, in its sole discretion based on a review of all relevant facts and circumstances, otherwise take action regarding an award agreement such that (i) any or all outstanding stock options and stock appreciation rights will become exercisable in part or in full, (ii) all or a portion of the restriction or vesting period applicable to any outstanding award will lapse, (iii) all or a portion of the performance measurement period applicable to any outstanding award will lapse and (iv) the performance goals applicable to any outstanding award (if any) will be deemed to be satisfied at the target, maximum or any other interim level.

Assumption and Termination of Awards. Generally, and subject to limited exceptions set forth in the 2017 Plan, if the Company dissolves or undergoes certain corporate transactions such as a merger, share exchange, business combination, or similar corporate transactions, or a sale of substantially all of its assets, the Administrator may provide for the cash payment in settlement of, or for the termination, assumption, substitution or exchange of any or all outstanding awards granted under the 2017 Plan. To the extent the administrator does not provide for the assumption, substitution or other continuation of the awards, then all awards then-outstanding under the 2017 Plan will become fully vested or paid, as applicable, and will terminate or be terminated in such circumstances. The Administrator also has the discretion to establish other change in control provisions with respect to awards granted under the 2017 Plan. For example, the Administrator could provide for the acceleration of vesting or payment of an award in connection with a change in control and provide that any such acceleration shall be automatic upon the occurrence of any such event, including a termination of employment within a limited period of time following a corporate transaction.

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Transfer Restrictions. Subject to certain exceptions contained in the 2017 Plan, awards under the 2017 Plan generally are not transferable by the recipient other than by will or the laws of descent and distribution and are generally exercisable, during the recipient's lifetime, only by the recipient. Any amounts payable or shares issuable pursuant to an award generally will be paid only to the recipient or the recipient's beneficiary or representative. The Administrator has discretion, however, to establish written conditions and procedures for the transfer of awards to other persons or entities, provided that such transfers comply with applicable federal and state securities laws and are not made for value (other than nominal consideration, settlement of marital property rights, or for interests in an entity in which more than 50% of the voting securities are held by the award recipient or by the recipient's family members).

Adjustments. As is customary in incentive plans of this nature, each share limit and the number and kind of shares available under the 2017 Plan and any outstanding awards, as well as the exercise or purchase prices of awards, and performance targets under certain types of performance-based awards, are subject to adjustment in the event of certain reorganizations, mergers, combinations, recapitalizations, stock splits, stock dividends, or other similar events that change the number or kind of shares outstanding, and extraordinary dividends or distributions of property to the stockholders.

No Limit on Other Authority. The 2017 Plan does not limit the authority of the board of directors or any committee to grant awards or authorize any other compensation, with or without reference to the Company's common stock, under any other plan or authority.

Termination of or Changes to the 2017 Plan. The board of directors may amend or terminate the 2017 Plan at any time and in any manner. Stockholder approval for an amendment will be required only to the extent then required by applicable law or any applicable listing agency or required under Sections 422 or 424 of the U.S. Internal Revenue Code to preserve the intended tax consequences of the plan. Unless terminated earlier by the board of directors, the authority to grant new awards under the 2017 Plan will terminate on March 27, 2027. Outstanding awards, as well as the Administrator's authority with respect thereto, generally will continue following the expiration or termination of the plan. Generally speaking, outstanding awards may be amended by the Administrator (except for a repricing), but the consent of the award holder is required if the amendment (or any plan amendment) materially and adversely affects the holder.

Clawback Policy. The awards under the 2017 Plan are subject to the terms of the Company's clawback policy as it may be in effect from time to time.

Federal Income Tax Consequences of Awards under the 2017 Plan

The U.S. federal income tax consequences of the 2017 Plan under current federal law, which is subject to change, are summarized in the following discussion of the general tax principles applicable to the 2017 Plan. This summary is not intended to be exhaustive and, among other considerations, does not describe the deferred compensation provisions of Section 409A of the U.S. Internal Revenue Code to the extent an award is subject to and does not satisfy those rules, nor does it describe state, local, or international tax consequences.

With respect to nonqualified stock options, the Company is generally entitled to deduct, except to the extent limited by Section 162(m) of the Code, and the participant recognizes taxable income in an amount equal to the difference between the option exercise price and the fair market value of the shares at the time of exercise. With respect to incentive stock options, the Company is generally not entitled to a deduction nor does the participant recognize income at the time of exercise, although if the participant is subject to the U.S. federal alternative minimum tax, the difference between the option exercise price and the fair market value of the shares at the time of exercise is includible for purposes of such alternative minimum tax. If the shares acquired by exercise of an incentive stock option are held for at least two years from the date the option was granted and one year from the date it was exercised, any gain or loss arising from a subsequent disposition of those shares will be taxed as long-term capital gain or loss, and the Company will not be entitled to any deduction. If, however, such shares are

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disposed of within the above-described period, then in the year of that disposition the participant will recognize compensation taxable as ordinary income equal to the excess of the lesser of (i) the amount realized upon that disposition and (ii) the excess of the fair market value of those shares on the date of exercise over the purchase price, and the Company will be entitled to a corresponding deduction, except to the extent limited by Section 162(m) of the Code.

The current federal income tax consequences of other awards authorized under the 2017 Plan generally follow certain basic patterns: nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid (if any) only at the time the restrictions constituting a substantial risk of forfeiture lapse (unless the recipient elects to accelerate recognition as of the date of grant); bonuses, restricted stock units, stock appreciation rights, cash and stock-based performance awards, dividend equivalents, stock units, and other types of awards are generally subject to tax at the time of payment; and compensation otherwise effectively deferred is taxed when paid. In each of the foregoing cases, the Company will generally have a corresponding deduction at the time the participant recognizes income, except to the extent limited by Section 162(m) of the Code.

If an award is accelerated under the 2017 Plan in connection with a change in control (as defined in the 2017 Plan), the Company may not be permitted to deduct the portion of the compensation attributable to the acceleration (parachute payments) if it exceeds certain threshold limits under Section 280G of the U.S. Internal Revenue Code (and certain related excise taxes may be triggered). Furthermore, Section 162(m) of the Code limits to \$1 million the amount that a publicly held corporation is allowed each year to deduct for compensation paid to the corporation's covered employees. Covered employees include the corporation's chief executive officer, chief financial officer and three next most highly compensated executive officers. If an individual is determined to be a covered employee for any year beginning after December 31, 2016, then that individual will continue to be a covered employee for future years, regardless of changes in the individual's compensation or position..

Specific Benefits under the 2017 Plan

The Company has not approved any awards that are conditioned upon stockholder approval of the amendment and restatement to the 2017 Plan. The Administrator has the discretion to grant awards under the 2017 Plan and, therefore, it is not possible as of the date of this proxy statement to determine future awards that will be received by the Company's named executive officers or others under the 2017 Plan. Please see 2017 Grants of Plan-Based Awards for grants made to each of the Company's named executive officers under the 2017 Plan during 2017.

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The following table sets forth the number of equity awards granted over the lifetime of the 2017 Plan to the following individuals and groups:

Name and Position	Stock Options	Restricted Stock Units
Howard W. Robin		
President and Chief Executive Officer	302,500	121,000
John Nicholson		
Senior Vice President and Chief Operating Officer	130,000	52,000
Gil M. Labrucherie		
Senior Vice President and Chief Financial Officer	130,000	52,000
Stephen K. Doberstein, Ph.D.		
Senior Vice President and Chief Research & Development Officer	130,000	52,000
Maninder Hora, Ph.D.		
Senior Vice President and	75,000	30,000
All executive officers (6 persons)	821,000	327,800
All non-executive directors (persons other than Mr. Robin)	213,750	128,250
All employees (other than current executive officers) (approximately 426 persons)*	3,680,780	992,188

* As of April 1, 2018

The closing market price for a share of the Company's common stock as of April 27, 2018 was \$83.66 per share.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 2 FOR APPROVAL OF THE AMENDMENT AND RESTATEMENT TO THE NEKTAR 2017 PERFORMANCE INCENTIVE PLAN AS DESCRIBED ABOVE AND SET FORTH IN EXHIBIT A HERETO.

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PROPOSAL 3

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The audit committee of the board of directors has selected Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018, and has further directed that management submit the selection of our independent registered public accounting firm for ratification by the stockholders at the Annual Meeting. Ernst & Young LLP has audited our consolidated financial statements since our inception. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither our bylaws nor other governing documents or law require stockholder ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm. However, the audit committee is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the audit committee will reconsider whether or not to retain Ernst & Young LLP. Even if the selection is ratified, the audit committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if the committee determines that such a change would be in our best interests and our stockholders' best interest.

The affirmative vote of the holders of a majority of the votes cast in person or by proxy at the Annual Meeting will be required to ratify the selection of Ernst & Young LLP for our fiscal year ending December 31, 2018. Abstentions are treated as shares represented in person or by proxy and entitled to vote at the Annual Meeting and, therefore, will have the effect of a vote against the ratification of Ernst & Young LLP as our independent registered public accounting firm. No broker non-votes are expected to exist in connection with this proposal.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 3.

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PROPOSAL 4

ADVISORY VOTE ON EXECUTIVE COMPENSATION

The board of directors is committed to excellence in governance and is aware of the significant interest in executive compensation matters by investors and the general public.

We have designed our executive compensation program to attract, motivate, reward and retain the senior management talent required to achieve our corporate objectives and increase stockholder value. We believe that our compensation policies and procedures are centered on pay-for-performance principles and are strongly aligned with the long-term interests of our stockholders.

We urge you to carefully review the Compensation Discussion and Analysis section of this proxy statement for details on our executive compensation, including our compensation philosophy and objectives and the 2017 compensation of the named executive officers (NEOs) described in the section titled Compensation Program Objectives and Philosophy.

We are presenting this proposal, which gives you as a stockholder the opportunity to endorse or not endorse our compensation program for the NEOs by voting for or against the following resolution (a say-on-pay vote), as required pursuant to Section 14A of the Exchange Act:

RESOLVED, that the compensation paid to the Company's NEOs, as disclosed pursuant to Item 402 of Regulation S-K promulgated by the SEC, including the Compensation Discussion and Analysis, compensation tables and related narrative discussion contained in the proxy statement for the Company's 2018 Annual Meeting is hereby APPROVED.

While the vote on the resolution is advisory in nature and therefore will not bind us to take any particular action, our board of directors and our organization and compensation committee intend to carefully consider the stockholder vote resulting from the proposal in making future decisions regarding our compensation program.

The affirmative vote of a majority of the votes cast by holders of the shares of common stock present in person or represented by proxy at the Annual Meeting is required (on a non-binding advisory basis) for approval of this proposal. Abstentions are treated as shares represented in person or by proxy and entitled to vote at the Annual Meeting and, therefore, will have the effect of a vote against this proposal. Broker non-votes will have no effect on the outcome of the vote.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 4.

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The following table sets forth certain information regarding the ownership of our common stock as of April 27, 2018, by: (i) each director and nominee for director; (ii) each of our NEOs; (iii) all of our executive officers and directors as a group; and (iv) all those known by us to be beneficial owners of more than five percent of our common stock.

Unless otherwise noted below, the address of each beneficial owner listed in the table is c/o Nektar Therapeutics, 455 Mission Bay Boulevard South, San Francisco, California 94158.

Beneficial Owner	Beneficial Ownership **	
	Number of Shares	Percent of Total
PRIMECAP Management Company(1)	22,357,522	13.06%
BlackRock, Inc. and certain subsidiaries(2)	21,431,388	12.52%
FMR LLC(3)	19,690,476	11.50%
The Vanguard Group(4)	17,229,321	10.06%
OppenheimerFunds, Inc. and related entities(5)	14,604,569	8.53%
Jeff Ajer(6)	22,500	*
Robert B. Chess(7)	472,723	*
R. Scott Greer(8)	323,833	*
Christopher A. Kuebler(9)	194,000	*
Lutz Lingnau(10)	160,950	*
Howard W. Robin(11)	2,295,732	1.34%
Roy A. Whitfield(12)	355,500	*
Dennis Winger(13)	305,500	*
Stephen K. Doberstein Ph.D.(14)	524,099	*
Maninder Hora Ph.D.(15)	516,902	*
Gil M. Labrucherie(16)	885,652	*
John Nicholson(17)	916,426	*
All executive officers and directors as a group (13 persons)	7,381,347	4.31%

* Denotes ownership percentage less than 1%.

** This table is based upon information supplied by officers, directors and principal stockholders and Schedules 13G filed with the SEC. Unless otherwise indicated in the footnotes to this table, and subject to community property laws where applicable, we believe that each of the stockholders named in the table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 171,242,791 shares outstanding on April 27, 2018, adjusted as required by rules promulgated by the SEC.

- (1) Based solely on the Schedule 13G/A (Amendment No. 8) filed with the SEC on February 27, 2018 by PRIMECAP Management Company, a registered investment adviser under Section 203 of the Investment Advisers Act of 1940. PRIMECAP Management Company has the sole voting power with respect to 20,348,786 shares of our common stock and sole dispositive power with respect to 22,357,522 shares of our common stock. The address of PRIMECAP Management Company is 177 East Colorado Blvd., 11th floor, Pasadena, CA 91105.
- (2) Based solely on the Schedule 13G/A (Amendment No. 9) filed with the SEC on January 19, 2018 by BlackRock, Inc., a parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G). BlackRock, Inc. has the sole voting power with respect to 21,105,291 shares of our common stock and the sole dispositive power with respect to 21,431,388 shares of our common stock. The address of BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.
- (3) Based solely on the Schedule 13G/A (Amendment No. 1) filed with the SEC on March 12, 2018 by FMR, LLC., a parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G). FMR, LLC.

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- has the sole voting power with respect to 2,629,172 shares of our common stock and the sole dispositive power with respect to 19,690,476 shares of our common stock. The address of FMR, LLC, is 245 Summer Street, Boston, Massachusetts 02210.
- (4) Based solely on the Schedule 13G/A (Amendment No. 6) filed with the SEC on April 10, 2018 by The Vanguard Group, a registered investment adviser under Section 203 of the Investment Advisers Act of 1940. The Vanguard Group disclaims beneficial ownership as an investment adviser pursuant to Rule 13d-1(b)(1)(ii)(E). The Vanguard Group has the sole voting power with respect to 393,418 shares of our common stock, shared voting power with respect to 22,121 shares of our common stock, sole dispositive power with respect to 16,827,048 shares of our common stock and shared dispositive power with respect to 402,273 shares of our common stock. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 380,152 shares as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 35,387 shares as a result of its serving as investment manager of Australian investment offerings. The address of The Vanguard Group, Inc. 100 Vanguard Blvd., Malvern, PA 19355.
- (5) Based solely on the Schedule 13G/A (Amendment No. 21) filed with the SEC on February 6, 2018 by OppenheimerFunds, Inc., a registered investment adviser under Section 203 of the Investment Advisers Act of 1940. OppenheimerFunds, Inc. has shared voting and dispositive power with respect to the 14,604,569 shares of our common stock. OppenheimerFunds, Inc. disclaims beneficial ownership as an investment adviser pursuant to Rule 13d-1(b)(1)(ii)(E). The address of OppenheimerFunds, Inc. is Two World Financial Center, 225 Liberty Street, New York, NY 10281. The address of Oppenheimer Global Opportunities Fund is 6803 S. Tucson Way, Centennial, CO 80112.
- (6) Includes 22,500 shares issuable upon exercise of options exercisable within 60 days of April 27, 2018.
- (7) Includes 207,500 shares issuable upon exercise of options exercisable within 60 days of April 27, 2018.
- (8) Includes 202,500 shares issuable upon exercise of options exercisable within 60 days of April 27, 2018.
- (9) Includes 162,500 shares issuable upon exercise of options exercisable within 60 days of April 27, 2018.
- (10) Includes 142,500 shares issuable upon exercise of options exercisable within 60 days of April 27, 2018.
- (11) Includes (i) 2,186,092 shares issuable upon exercise of options exercisable within 60 days of April 27, 2018, (ii) and 15,833 shares from restricted stock unit awards that are scheduled to vest and be released within 60 days of April 27, 2018 and (iii) 410 shares owned by Mr. Robin s wife.
- (12) Includes (i) 172,500 shares issuable upon exercise of options exercisable within 60 days of April 27, 2018 and (ii) 20,000 shares held in trust for Mr. Whitfield s children under which Mr. Whitfield is the sole trustee.
- (13) Includes 232,500 shares issuable upon exercise of options exercisable within 60 days April 27, 2018 and (ii) 5,000 shares held in his revocable living trust.
- (14) Includes (i) 339,372 shares issuable upon exercise of options exercisable within 60 days of April 27, 2018, and (ii) 6,835 shares from restricted stock unit awards that are scheduled to vest and be released within 60 days of April 27, 2018.
- (15) Includes (i) 442,359 shares issuable upon exercise of options exercisable within 60 days of April 27, 2018, (ii) 8,082 shares from restricted stock unit awards that are scheduled to vest and be released within 60 days of April 27, 2018, (iii) 997 shares issued pursuant to our 401(k) Retirement Plan, and (iv) 6,500 shares issued pursuant to our Employee Stock Purchase Plan.
- (16) Includes (i) 836,248 shares issuable upon exercise of options exercisable within 60 days of April 27, 2018, (ii) 9,833 shares from restricted stock unit awards that are scheduled to vest and be released within 60 days of April 27, 2018, (iii) 997 shares issued pursuant to our 401(k) Retirement Plan, and (iv) 3,750 shares issued pursuant to our Employee Stock Purchase Plan..
- (17) Includes (i) 799,248 shares issuable upon exercise of options exercisable within 60 days of April 27, 2018, (ii) and 9,833 shares from restricted stock unit awards that are scheduled to vest and be released within 60 days of April 27, 2018.

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SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who beneficially own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Officers, directors and greater than ten percent beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on our review of Forms 3, 4 and 5, and any amendments thereto, furnished to us or written representations that no Form 5 was required, we believe that during the fiscal year ended December 31, 2017, all filing requirements applicable to our executive officers and directors under the Exchange Act were met in a timely manner.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We review all relationships and transactions between us and (i) any of our directors or executive officers, (ii) any nominee for election as a director, (iii) any security holder who is known to us to own beneficially or of record more than five percent of our common stock or (iv) any member of the immediate family of any of the foregoing. Our legal staff is primarily responsible for the development and implementation of processes and controls to obtain information with respect to related person transactions and for then determining, based on the facts and circumstances, whether the Company or a related person has a direct or indirect material interest in the transaction. In addition, the audit committee reviews and approves or ratifies any related person transaction that is required to be disclosed. In the course of its review and approval or ratification of a disclosable related party transaction, the committee considers:

the nature of the related person's interest in the transaction;

the material terms of the transaction, including, without limitation, the dollar amount and type of transaction;

the importance of the transaction to the related person;

the importance of the transaction to the Company;

whether the transaction would impair the judgment of a director or executive officer to act in the best interest of the Company; and

any other matters the committee deems appropriate.

Any member of the audit committee who is a related person with respect to a transaction under review may not participate in the deliberations or vote respecting approval or ratification of the transaction; however, such director may be counted in determining the presence of a quorum at a meeting where the audit committee reviews the transaction.

As required under SEC rules, related party transactions that are determined to be directly or indirectly material to us or the related party are disclosed in our proxy statement. Historically, we have not entered into transactions with related parties. Michael Robin, the son of Howard W. Robin, our President and Chief Executive Officer, is employed by the Company in a non-executive officer capacity as a director in our project management group. During 2017, Michael Robin's total compensation was approximately \$1,661,068 including base salary, bonus, spot awards, stock options (based on grant date fair value), restricted stock units and benefits. Michael Robin's 2017 compensation is comprised of 86% equity-based compensation which was driven by two factors (i) he was promoted as part of our annual year-end process, resulting in a promotional grant of stock options and (ii) the impact of the 137% increase in stock price from the start of our annual merit process to the grant date. Michael Robin's compensation was established by the Company in accordance with its compensation practices applicable to employees with equivalent qualifications and responsibilities and holding similar positions, without the direct involvement of Howard W. Robin. During the 2017 fiscal year, there were no other relationships or transactions between us and any related party for which disclosure is required under the rules of the SEC.

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INFORMATION ABOUT THE BOARD OF DIRECTORS

The following is a brief biography of each current director, including each nominee for reelection at the Annual Meeting to a new term of office and each director whose current term of office continues through the Annual Meeting. Joseph J. Krivulka, who had served as our director since March 2005, passed away on February 17, 2018, resulting in a vacancy on the board. The board has not yet nominated an individual to fill this vacancy.

THE BOARD OF DIRECTORS

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2019 ANNUAL MEETING

R. Scott Greer

R. Scott Greer, age 59, has served as our director since February 2010. Mr. Greer currently serves as Managing Director of Numenor Ventures, LLC, a venture capital firm. In 1996, Mr. Greer co-founded Abgenix, Inc. ("Abgenix"), a company that specialized in the discovery, development and manufacture of human therapeutic antibodies, and from June 1996 through May 2002, he served as its Chief Executive Officer. He also served as a director of Abgenix from 1996 and Chairman of the board of directors from 2000 until the acquisition of Abgenix by Amgen, Inc. in April 2006. Prior to Abgenix's formation, Mr. Greer held senior management positions at Cell Genesys, Inc., a biotechnology company, initially as Chief Financial Officer and Vice President of Corporate Development and later as Senior Vice President of Corporate Development, and various positions at Genetics Institute, Inc., a biotechnology research and development company. Mr. Greer currently serves as a member of the board of directors of Inogen, Inc., a medical device company that develops and markets oxygen therapy products, Sientra, Inc. a medical aesthetics company and Versartis, Inc., an endocrine focused biopharmaceutical company. Mr. Greer served as a member of the board of directors of Sirna Therapeutics, Inc., a biotechnology company, from 2003, and as its Chairman of the board of directors from 2005 through the closing of the acquisition of Sirna by Merck & Co., Inc. in December 2006. From 2015 through 2017 Mr. Greer served as the Chairman of the Board of Calimmune, Inc., a gene therapy company, which was acquired by CLS Behring in 2017; from May 2014 to May 2015, Mr. Greer served as director of Auspex Pharmaceuticals, a biopharmaceutical company developing drugs for patients with movement disorders and other rare diseases, which was acquired by Teva Pharmaceutical Industries in May 2015; from 2001 to 2005, he served as a member of the board of directors of Illumina, Inc., a provider of integrated systems for the analysis of genetic variation and biological function; and from 2001 to 2004, he served as member of the board of directors of CV Therapeutics, Inc., a biotechnology company. Mr. Greer also served as a member of the board of directors of StemCells, Inc., a biopharmaceutical company focused on stem cell therapeutics from 2010 to 2016. Mr. Greer received a B.A. in Economics from Whitman College and an M.B.A. degree from Harvard University. He also was a certified public accountant.

Christopher A. Kuebler

Christopher A. Kuebler, age 64, has served as our director since December 2001. Mr. Kuebler also currently serves on the board of directors of Waters Corporation, an analytical technologies products and services company where he serves as a member of both the audit committee and compensation committee. From January 1997 to December 2005, Mr. Kuebler served as Chairman of the Board of Covance Inc., a drug development services company, and from November 1994 to December 2004, served as its Chief Executive Officer. From March 1993 through November 1994, he was the Corporate Vice President, European Operations for Abbott Laboratories, a diversified health care company. From January 1986 until March 1993, Mr. Kuebler served in various commercial positions for Abbott Laboratories' Pharmaceutical Division and was that Division's Vice President, Sales and Marketing prior to taking the position of Corporate Vice President, European Operations. Before that, he held positions at Squibb Inc. and Monsanto Health Care. Mr. Kuebler holds a B.S. in Biological Science from Florida State University.

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Lutz Lingnau

Lutz Lingnau, age 75, has served as our director since August 2007. Mr. Lingnau retired from Schering AG Group, Germany, in December 2005 as a member of Schering AG's Executive Board and as Vice Chairman, President and Chief Executive Officer of Schering Berlin, Inc., a United States subsidiary. Prior to his retirement, Mr. Lingnau was responsible for Schering AG's worldwide specialized therapeutics and dermatology businesses. He joined Schering AG's business trainee program in 1966. Throughout his career at Schering AG, he served in various capacities and in a number of subsidiaries in South America and the United States, including his roles as President of Berlex Laboratories, Inc., from 1983 to 1985, as the Head of Worldwide Sales and Marketing in the Pharmaceutical Division of Schering AG, from 1985 to 1989, and as Chairman of Berlex Laboratories, Inc. from 1985 to 2005. Mr. Lingnau was a member of the Supervisory Board of LANXESS AG, a specialty chemicals company listed on the Frankfurt Stock Exchange from 2005 to May 2010. From December 2006 through September 2009, he served as Chairman of the board of directors of Micropharma Limited, a private biotechnology company, and was a member of the board of directors of Sirna Therapeutics, Inc., a biotechnology company, from February 2006 through the closing of the acquisition of Sirna by Merck & Co., Inc. in December 2006.

DIRECTORS CONTINUING IN OFFICE UNTIL THE 2020 ANNUAL MEETING

Howard W. Robin

Howard W. Robin, age 65, has served as our President and Chief Executive Officer since January 2007 and has served as a member of our board of directors since February 2007. Mr. Robin served as Chief Executive Officer, President and a director of Sirna Therapeutics, Inc., a biotechnology company, from July 2001 to November 2006 and from January 2001 to June 2001, served as their Chief Operating Officer, President and as a director. From 1991 to 2001, Mr. Robin was Corporate Vice President and General Manager at Berlex Laboratories, Inc. (Berlex), a pharmaceutical products company that is a subsidiary of Schering, AG, and from 1987 to 1991 he served as Vice President of Finance and Business Development and Chief Financial Officer. From 1984 to 1987, Mr. Robin was Director of Business Planning and Development at Berlex. He was a Senior Associate with Arthur Andersen & Co. prior to joining Berlex. He received his B.S. in Accounting and Finance from Fairleigh Dickinson University and serves as a member of its Board of Trustees.

Dennis L. Winger

Dennis L. Winger, age 70, has served as our director since December 2009. Mr. Winger was Senior Vice President and Chief Financial Officer of Applera Corporation, a life sciences company, from 1997 through December 2008. From 1989 to 1997, Mr. Winger served as Senior Vice President, Finance and Administration, and Chief Financial Officer of Chiron Corporation. From 1982 to 1989, Mr. Winger served various positions, including as the Chief Financial Officer of The Cooper Companies, Inc., Mr. Winger currently serves on the board of directors of Accuray Incorporated (NASDAQ: ARAY), a radiosurgery company. Mr. Winger recently served on the board of directors of each of Vertex Pharmaceuticals Incorporated, a pharmaceutical company, until May 2012, Cephalon, Inc. a pharmaceutical company, until its merger with Teva Pharmaceuticals Industry Limited in October 2011 and Cell Genesys, Inc. until its merger with BioSante Pharmaceuticals in October 2009. Mr. Winger received a B.A. from Siena College and an M.B.A. from the Columbia University Graduate School of Business.

CURRENT DIRECTORS NOMINATED FOR REELECTION TO SERVE UNTIL THE 2021 ANNUAL MEETING

Jeff Ajer

Jeff Ajer, age 55, was appointed to the board of directors of in September 2017. Mr. Ajer currently serves as Executive Vice President and Chief Commercial Officer at BioMarin Pharmaceutical Inc. (BioMarin), a global biotechnology company that develops and commercializes innovative therapies for people with serious and life-threatening rare disorders. From October 2012 to January 2014, Mr. Ajer served as Senior Vice President and Chief

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Commercial Officer of BioMarin. From April 2009 to October 2012, Mr. Ajer served as BioMarin's Vice President, Commercial Operations, The Americas, where he had responsibility for commercial operations throughout the Americas and led product marketing, reimbursement, and sales operations for BioMarin. Prior to joining BioMarin, Mr. Ajer served in various roles at Genzyme Corporation (Genzyme) beginning in November 2003, most recently as Vice President, Global Transplant Operations from December 2004 to August 2005. Mr. Ajer's experience prior to Genzyme includes roles in sales, marketing and operations at SangStat Medical Corporation and ICN Pharmaceuticals. Mr. Ajer also served on the board of directors of True North Therapeutics. Mr. Ajer received both a B.S. in chemistry and an M.B.A. from the University of California, Irvine.

Robert B. Chess

Robert B. Chess, age 61, is the Chairman of our board of directors and has served as a director since May 1992. From March 2006 until January 2007, Mr. Chess served as our Acting President and Chief Executive Officer, and from April 1999 to January 2007, served as Executive Chairman. He also served as our Co-Chief Executive Officer from August 1998 to April 2000, as President from December 1991 to August 1998, and as Chief Executive Officer from May 1992 to August 1998. Mr. Chess was previously the co-founder and President of Penederm, Inc., a publicly-traded dermatological pharmaceutical company that was sold to Mylan Laboratories. He has held management positions at Intel Corporation and Metaphor Computer Systems (now part of IBM), and was a member of the first President Bush's White House staff as a White House Fellow and Associate Director of the White House Office of Economic and Domestic Policy. From 1997 until his retirement in 2009, Mr. Chess served on the board of directors of the Biotechnology Industry Organization (BIO). Mr. Chess served as Chairman of BIO's Emerging Companies Section and Co-Chairman of BIO's Intellectual Property Committee. Mr. Chess was the initial Chairman of Bio Ventures for Global Health and continues to serve on its board. He also serves on the Board of Trustees of the California Institute of Technology where he chairs the Technology Transfer Committee. Mr. Chess is the co-founder and Chairman of Biota Technology, a private company developing industrial applications of the analysis of microbial communities, and also serves as a director of each of Pelvalon, Inc., a private medical device company, and Twist Bioscience, a private company in the synthetic DNA production field. He is currently a member of the faculty of the Stanford Graduate School of Business, where he teaches courses in the MBA program on starting technology-based businesses and the healthcare industry. Mr. Chess received his B.S. degree in Engineering with honors from the California Institute of Technology and an M.B.A. from Harvard University.

Roy A. Whitfield

Roy A. Whitfield, age 64, has served as our director since August 2000. Mr. Whitfield is the former Chairman of the Board and Chief Executive Officer of Incyte Corporation (Incyte), a drug discovery and development company he co-founded in 1991. From January 1993 to November 2001, Mr. Whitfield served as its Chief Executive Officer and from November 2001 until June 2003 as its Chairman. He also served as a director of Incyte from 1991 to January 2014. From 1984 to 1989, Mr. Whitfield held senior operating and business development positions with Technicon Instruments Corporation (Technicon), a medical instrumentation company, and its predecessor company, Cooper Biomedical, Inc., a biotechnology and medical diagnostics company. Prior to his work at Technicon, Mr. Whitfield spent seven years with the Boston Consulting Group's international consulting practice. He currently serves as a director of Illumina, Inc., a developer, manufacturer and marketer of integrated systems for analysis of genetic variations and biological functions, and Station X, Inc. a private company. Since February 2008, he has also served as Executive Chairman of the board of directors of Bioseek. Mr. Whitfield received a B.S. in mathematics from Oxford University and an M.B.A. from Stanford University.

MEETINGS OF THE BOARD OF DIRECTORS

The board of directors met eleven (11) times during 2017. Each board member, except Mr. Krivulka (who passed away on February 17, 2018), attended 75% or more of the aggregate of the meetings of the board and of the committees on which he or she served held during the period of the 2017 fiscal year for which he or she was a

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director or committee member, as applicable. All of our directors on our board, except Messrs. Greer, Krivulka, and Winger, attended our 2017 annual meeting of stockholders.

CORPORATE GOVERNANCE

The board of directors has documented our governance practices in our Corporate Governance Policy Statement to assure that the board will have the necessary authority and practices in place to review and evaluate our business operations as needed and to make decisions that are independent of our management. The guidelines are also intended to align the interests of directors and management with those of our stockholders. The Corporate Governance Policy Statement sets forth certain practices the board will follow with respect to board composition, board committees, board nomination, director qualifications and evaluation of the board and committees. The Corporate Governance Policy Statement, as well as the charters for each committee of the board, may be viewed at www.nektar.com.

BOARD LEADERSHIP STRUCTURE

The positions of Chief Executive Officer and Chairman of the board of directors are currently held by Howard W. Robin and Robert B. Chess, respectively. The board of directors believes at this time having a separate chairman provides a more effective channel for the board of directors to express its views on management, by enhancing the board's oversight of, and independence from, management, and allows the Chief Executive Officer to focus more on the strategy and operations of the Company.

RISK OVERSIGHT

The board of directors monitors and assesses key business risks directly through deliberations of the board of directors and also by way of delegation of certain risk oversight functions to be performed by committees of the board of directors. The board of directors regularly reviews and assesses, among other matters, the following important areas that present both opportunities and risk to the Company's business:

Review and approval of the Company's annual operating and capital spending plan and review of management's updates as to the progress against the plan and any related risks and uncertainties.

Periodic consideration of the balance of risk and opportunities presented by the Company's medium to long-term strategic plan and the potential implications of success and failure in one or more of the Company's key drug development programs.

Regular consideration of the risks and uncertainties presented by alternative clinical development strategies.

Periodic review and oversight of information technology (IT) risks and opportunities.

Regular review of the progress and results of the Company's clinical development programs and early research efforts including but not limited to the strengths, weaknesses, opportunities and threats for these programs.

Periodic review and oversight of material outstanding litigation or threatened litigation.

Review and approval of material collaboration partnerships for the further development and commercial exploitation of the Company's proprietary drug development programs and technologies.

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Regular review and approval of the annual corporate goals and an assessment of the Company's level of achievement against these established goals.

Regular review of the Company's financial position relative to the risk and opportunities for the Company's business.

Periodic review of the Company's intellectual property estate.

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Periodic review and assessment of CEO succession planning.

Periodic review of the Company's compensation programs.

The discussion above of risk oversight matters reviewed by the board of directors is intended to be illustrative only and not a complete list of all important matters reviewed and considered by the board of directors in providing oversight and direction for the Company's senior management and business.

The risk oversight function of the board of directors is also administered through various board committees. The audit committee oversees the management of financial, accounting, internal controls, disclosure controls and the engagement arrangement and regular oversight of the independent auditors. The audit committee also periodically reviews the Company's investment policy for its cash reserves, corporate insurance policies, information technology infrastructure and general fraud monitoring practices and procedures, including the maintenance and monitoring of a whistleblower hotline and the segregation of duties and access controls across various functions. To assist the audit committee in its risk management oversight function, the internal auditor has a direct reporting relationship to the audit committee. The Company's internal audit function is focused on internal control monitoring and activities in support of the audit committee's risk oversight function.

The organization and compensation committee is responsible for the design and oversight of the Company's compensation programs as well as succession planning for the chief executive officer position and other key executive positions. The organization and compensation committee regularly considers whether the Company's compensation policies and practices create risks that could have a material adverse impact on the Company and has concluded that they do not based on several design features of our compensation program that we believe reduces the likelihood of excessive risk-taking, including the following:

The compensation plan design provides a mix of base salary, short-term incentive compensation opportunity and equity compensation earned over multiple-year periods.

The determination of the corporate performance rating under the annual bonus plan is based on our achievement of a diversified mix of development, research, organizational and financial objectives. Thus, the achievement of any single corporate objective does not have a disproportionate impact on the aggregate annual bonus awarded.

Each employee's annual cash bonus is determined by a combination of the corporate performance rating and a subjective determination of individual performance.

The maximum payout levels for annual incentive bonuses are capped at 200% of each employee's annual target bonus.

A substantial portion of each executive's compensation opportunity is in the form of long-term equity incentives, which help to further align the long-term interests of our executives with those of our stockholders.

All employees are subject to our security trading policy which prohibits trading in derivative securities (i.e. puts or calls), short selling, and any trading in the Company's securities on margin.

Each executive officer is subject to our claw-back policy which provides that any compensation received by an executive officer based upon the achievement of financial results that are subsequently revised is subject to cancellation or a reimbursement obligation.

The nominating and corporate governance committee periodically reviews the Company's corporate governance practices, including certain risks that those practices are intended to address. This committee periodically reviews the composition of the board of directors to help ensure that a diversity of skills and experiences is represented by the members of the board of directors taking into account the stage of growth of the

Company and its strategic direction.

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In carrying out their risk oversight functions, the board of directors and its committees routinely request and review management updates, reports from the independent auditors and legal and regulatory advice from outside experts, as appropriate, to assist in discerning and managing important risks that may be faced by the Company. The board of directors is committed to continuing to ensure and evolve its risk oversight practices as appropriate given the stage of the Company's evolution as a research-based development stage biopharmaceutical company and the fast-paced changes in the biopharmaceutical industry. In that regard, in 2017 the Company maintained a risk management committee composed of senior managers in charge of important functional areas that regularly reported to the board of directors or one of its designated committees.

INDEPENDENCE OF THE BOARD OF DIRECTORS

As required under the NASDAQ Global Select Market listing standards, a majority of the members of a listed company's board of directors must qualify as independent, as affirmatively determined by the board of directors. Our board consults with counsel to ensure that its determinations are consistent with all relevant securities and other laws and regulations regarding the definition of independent, including those set forth in pertinent NASDAQ listing standards, as in effect from time to time.

Consistent with these standards, after review of all relevant transactions (if any) or relationships between each director, or any of his or her family members, and us, our senior management and our independent registered public accounting firm, the board has affirmatively determined that all of our directors are independent directors within the meaning of the applicable NASDAQ listing standards, except for Mr. Robin, our President and Chief Executive Officer.

As required under applicable NASDAQ listing standards, in the 2017 fiscal year, our independent directors met at least four times in regularly scheduled executive sessions at which only independent directors were present. The independent directors regularly rotate responsibility for presiding over the executive sessions.

INFORMATION REGARDING THE COMMITTEES OF THE BOARD OF DIRECTORS

The board of directors has three regularly constituted committees: an audit committee, an organization and compensation committee, and a nominating and corporate governance committee. The following table provides membership and meeting information as of December 31, 2017, for each of the board committees:

Name	Audit	Organization and Compensation	Nominating and Corporate Governance
Jeff Ajer(2)	X	X	
Robert B. Chess			
R. Scott Greer	X(1)	X	
Joseph J. Krivulka(3)	X	X	
Christopher A. Kuebler		X	X
Lutz Lingnau		X(1)	
Howard W. Robin			

For organizations supporting RIM Blackberry devices, the Web Messenger Mobile Server also interfaces with the Blackberry Enterprise Server (BES). Each mobile device must run the WebMessenger Mobile Client. The client communicates with the WebMessenger Mobile Server using a proprietary WebMessenger protocol (i.e. not SIP based). Information passed between the client and the server contains the IM and presence information available within OCS.

Our Legacy technology is delivered by our desktop based Phone Companion Software (PCS) through our proprietary Enhanced Services Platform. Our wholly owned subsidiary Liberty Telecom, a competitive local exchange carrier (CLEC), provides us with proprietary call routing and switching technology. We have designed our call-bridging software to be highly configurable and flexible, enabling us to deliver customized services to each of our subscribers through a common software platform, and to quickly add or enhance applications and features to meet the evolving needs of the mainstream market. Our Enhanced Services Platform intercepts inbound calls from traditional landline, wireless and IP-based networks, manages and filters calls and delivers calls to our subscribers on landline telephones, mobile phones and personal computers. Our platform contains a number of component applications, or communications applets, which we bundle into customized services to address

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the unique needs of our different target markets. For example, our software allows subscribers who are using their landline telephones for Internet access to screen and accept telephone calls on other devices such as a mobile or landline telephone.

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CallWave FUZE

We launched our new enterprise-class collaboration, presence and real time communications product called FUZE on September 17, 2008 in New York at the Web 2.0 Expo New York and Interop New York 2008 tradeshows. FUZE allows customers to meet online and bridges the gulf between the office and mobile devices. With FUZE, customers are now able to collaborate with clients and their teams instantly from anywhere and on any device. Meetings can be conducted from your desktop or mobile phone with High Definition (HD) quality and leverages proprietary synching technology that ensures that content is always in-sync across multiple connections and countries. Our new FUZE platform incorporates high fidelity conferencing and enterprise-class security and reliability. FUZE also integrates federated IM across all popular IM platforms, is presence enabled and syncs with Microsoft Outlook so meetings are easy to schedule and coordinate.

CallWave WebMessenger

CallWave acquired certain assets of WebMessenger in August 2008 for \$9.0 million. WebMessenger's presence engine and federated IM technology has been integrated into our FUZE web collaboration product line which was launched on September 17, 2008. The Web Messenger product line allows the FUZE platform to extend collaboration to the mobile phone. We believe that it will be critical for web meeting and content providers to have an enterprise class collaboration solution that can be extended to the mobile endpoint devices. WebMessenger will also be sold as a stand alone product line to small and medium sized companies as well as enterprise customers. We plan to offer the following WebMessenger product lines:

WebMessenger Message Alerts. WebMessenger Message Alerts allows end users and group administrators to define custom filters and alert rules that are automatically applied to all incoming email, SMS messages, and phone calls. Message Alerts manages and controls communications on mobile business devices. The WebMessenger Message Alerts product will be sold in a standard, enterprise and compliance package, at various pricing tiers depending upon the number of users and architecture requirements.

WebMessenger Mobile Voice. WebMessenger Mobile Voice works in conjunction with WebMessenger Mobile Enterprise Collaboration solutions to unify mobile (instant messaging) IM and (internet protocol) IP telephony within the enterprise environment, significantly enhancing real-time collaboration for mobile professionals, while dramatically reducing mobile phone costs. WebMessenger Mobile Voice simplifies IT deployment of mobile collaboration and IP telephony solutions. Mobile professionals can communicate from their mobile device in the same way they do from their desk. By combining mobile IM and voice in a single solution, an enterprise can extend its investment in real-time collaboration platforms from Microsoft, IBM and others, as well as investments in VoIP and IP PBX solutions. WebMessenger Mobile Voice will be sold as a premise, hosted and stand-alone package with various pricing tiers depending upon the number of users and architecture requirements.

WebMessenger Mobile. WebMessenger Mobile extends presence and secure enterprise class IM to the mobile phone. The solution is federated across all enterprise collaboration platforms and public IM networks including Microsoft OCS/LCS, IBM Lotus Sametime, Jabber/XMPP, Reuters Messaging, MSN Messenger, AOL IM, Yahoo IM, Google Talk, Skype and ICQ. The platform is optimized for all major mobile platforms including BlackBerry, Windows Mobile, Apple iPhone, Symbian and Palm. WebMessenger Mobile will be sold as both consumer and fully integrated enterprise solutions with various pricing packages depending on the number of users and the architecture requirements.

CallWave Internet Answering Machine

Our CallWave Internet Answering Machine services have historically generated most of our revenues. These services extend the functionality of our subscribers' existing telecommunications services by adding easy-to-use enhancements such as real-time voicemail, which allows subscribers to screen a message being left on their landline number from their mobile phone or their Internet-connected personal computer. Our landline services also include virtual telephone numbers that enable our subscribers to receive the benefits of a personalized or dedicated phone number routed to their existing telephone lines, without requiring additional physical phone lines to be installed. We do not plan to invest additional resources in this business. However, we view this business as a core asset that allows the Company to test new products and feature sets and importantly provides significant free cash flow that can be invested in our unified communications products.

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We offer three principal levels of CallWave service:

CallWave Alert (\$1.50 per month or \$17.95 per year). CallWave Alert is our lowest-priced subscription level. Our CallWave Alert service delivers notifications of calls placed to any of our subscribers' telephone numbers, even when those lines are not answered or are in use by sending a message to a device of our subscribers' choosing.

CallWave Messenger (\$5.95 per month). CallWave Messenger is our mid-level subscription, providing all of the features of CallWave Alert, as well as caller identification and delivery of voice messages, even when subscribers' lines are in use or are not answered.

CallWave Connect (\$7.95 per month). CallWave Connect is our most feature-rich and high-end service level currently offered. CallWave Connect service enables customers to screen, transfer or receive calls in real-time, and if they choose, interrupt the message to take the call. In addition, subscribers to CallWave Connect receive the benefits of a system that automatically creates a contact book based on the calls received and allows them to use our enhanced features to reply or call back to persons listed in their address book and to initiate text or voice communications to other persons as well.

CallWave Internet Fax

CallWave Fax utilizes the same Enhanced Services Platform to offer customers personalized fax numbers that send and receive faxes to the user's e-mail account. This provides greater flexibility to customers by allowing them to receive and print faxes from any location where they are connected to a personal computer and allows customers to keep an unlimited digital history of all faxes. We provide various pricing packages ranging from \$7.95-\$12.95 per month.

CallWave Voicemail-To-Text

CallWave Voicemail-To-Text, launched January 2007, enables users to manage calls from multiple sources (i.e. PCs, and mobile and home phones), making available unlimited, searchable, easily archived digital voicemail. Voicemail-to-Text sends a copy of mobile phone voicemail messages to users' email, enabling them to sort and prioritize, listen and respond to messages all from their email inbox. When not at the computer, users are notified of mobile voicemail messages via detailed text message, with the ability to sort messages, listen, pause, replay, save, delete or reply to the caller (via text or callback), all from their desktop. In January 2008, CallWave also launched Voicemail-to-Text for Apple products that have the look and feel of Apple operating systems. We provide various pricing packages ranging from \$14.95-\$49.95 per month.

CallWave Web 2.0 Widgets

Widgets are mini web applications that are very simple to download and highly cost-effective channels for delivering software and services to consumers whom we may not reach through other marketing channels. During the year, CallWave introduced SMS text messaging widgets in addition to the wireless industry's first visual voicemail widget. The visual voicemail widget enables users to view their list of wireless mobile voice messages on their desktop and then prioritize and listen to these messages. The SMS text widget allows desktop sending of text messages domestically within the United States. All widgets have access to a PhonePage described below. We distribute our widgets on popular galleries including Google, Apple, Yahoo!, Microsoft, and social networks. The widgets are currently free and will be used as a lead generation channel for our FUZE and WebMessenger products.

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Our Strategy

CallWave's business objective is to become a leading provider of software solutions to enterprises, SMEs and mobile professionals with differentiated technologies and products that address the high-growth collaboration and conferencing segment of the unified communications market. We plan to achieve this objective through the following strategies:

Leverage CallWave's first mover advantage with its unique WebMessenger and FUZE collaboration and conferencing platforms. The Company's product lines offer differentiated features and address major development hurdles in the collaboration and conferencing market including providing platform agnostic mobile collaboration capabilities across devices, high-def audio, video and document sharing. With this first mover advantage, CallWave believes it is well positioned to become a leader in the collaboration and conferencing market.

Extend FUZE to mobile devices – smartphones and business users. Integrating WebMessenger's presence-based technology with FUZE allows CallWave to offer FUZE to Mobile endpoint devices. With this unique capability, FUZE collaboration applications can be extended globally, securely and across platforms to mobile devices without downloading any software. FUZE is designed to work through any mobile endpoint device or personal computer (PC) screen and an IP connection, which means FUZE will be able to operate on most end-point devices including set-top boxes, gaming consoles and other platforms that are being developed and will be brought to market. CallWave plans to leverage FUZE's unique mobile extensibility, technology independence and platform agnostic abilities.

Establish global footprint through FUZE and WebMessenger rollout. CallWave's FUZE and WebMessenger product lines address growing global trends in collaboration and conferencing. With collaboration and conferencing solutions that extend RSA-encrypted, enterprise class applications to the mobile phone regardless of the platform, CallWave's products are designed to meet global demand.

Make strategic acquisitions that accelerate, enhance and/or defend CallWave's leadership position. CallWave's acquisition strategy is opportunistic and based on three criteria. The Company evaluates acquisition opportunities that it believes will generate additional subscribers or customers, provide unique technologies or capabilities, and/or help accelerate the Company's revenues and earnings growth.

Invest in future growth and current trends while controlling operating expense. In conjunction with its new product launches and to remain at the forefront of evolving technology, the Company expects to continue to invest in sales, marketing, and research and development in fiscal 2009. CallWave operates software teams in Silicon Valley, California and Sofia, Bulgaria.

Scale technology using cloud computing and virtualization. CallWave plans to use cloud computing to scale its business without incurring traditional costs that are associated with growth of operations. Cloud computing and virtualization provide computer networking and storage services for business customers. It can also eliminate a company's need for its own data center and allows business to pay for bandwidth on an on-demand basis.

Our historical business has been a traditional direct-to-consumer dial-up business with an Internet voicemail application that ensures subscribers won't miss calls while on line with their dial-up connection. Our legacy business includes approximately 361,000 subscribers as of December 31, 2008.

The customer base for our legacy products has been declining. At this time we do not plan to invest additional resources in our legacy business. However, we do expect to maintain the legacy infrastructure and limited advertising to drive profitable new subscribers to our legacy businesses. We view the legacy business as a core asset that allows us to test new products and feature sets and provide significant free cash flow that can be invested in our new line of unified communications products. We expect that over time sales of our new products will mitigate the impact of declining revenue from our legacy business.

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Critical Accounting Policies and the Use of Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to revenue recognition, allowances for doubtful accounts, accounting for income taxes, loss contingencies, marketable securities, stock-based compensation, and valuation of acquired intangible assets. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our Condensed Consolidated Financial Statements. Management has discussed the development and selection of the following critical accounting policies, estimates and assumptions with the Audit Committee of our Board of Directors and the Audit Committee has reviewed these disclosures.

Revenue recognition.

We earn revenues primarily from paid subscriber services and, to a lesser extent, from local exchange carrier call termination access charges and the offering of third-party products and services to our subscribers.

We recognize revenue in accordance with accounting principles generally accepted in the United States and with Securities and Exchange Commission Staff Accounting Bulletin 104 (SAB 104), *Revenue Recognition*, which clarifies certain existing accounting principles for the timing of revenue recognition and classification of revenues in the financial statements. We recognize revenue beginning when there is persuasive evidence of an arrangement, delivery has occurred or services have been rendered, the fees are fixed and determinable and collection is reasonably assured. Our subscriber revenues consist mainly of monthly recurring subscription fees. We recognize revenue ratably over the subscription period when the SAB 104 criteria are met. Revenues and associated expenses are deferred and recognized over the associated service period. Associated expenses are deferred only to the extent of such deferred revenue.

In addition to the direct relationship that we have with the majority of our paid subscribers, we also have indirect relationship agreements with Internet service providers (ISPs) and other companies whereby those companies' customers are offered a co-branded subscription service. When the agreement provides that we are the party responsible for providing the service, have control over the fees charged to customers and bear the credit risk, we record the gross amount billed as revenue in accordance with Emerging Issues Task Force 99-19 (EITF 99-19), *Reporting Revenues Gross as a Principal Versus Net as an Agent*. When the agreement provides that we receive a net payment from our co-branding partners based upon the number of their customers registered for our services, we record the net amount received as revenue in accordance with EITF 99-19.

Allowances for Doubtful Accounts

We record an allowance for doubtful accounts based on our historical experience with bad debts. We periodically review and evaluate bad debt reserves held by the local telephone companies and the third party that manages our billing relationship with the telephone companies. Judgment is required when we assess the realization of receivables, including assessing the probability of collection. Our allowance for doubtful accounts totaled \$235,000 as of December 31, 2008 and \$285,000 as of June 30, 2008. Our allowance for doubtful accounts is correlated with our aggregate billings through the local telephone companies.

Accounting for Income Taxes

We account for income taxes using the asset and liability method in accordance with SFAS No. 109, *Accounting for Income Taxes*, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of the assets and liabilities. At December 31, 2008, we had net deferred tax assets of \$12.6 million. Due to the uncertainty of realizing these net deferred tax assets, we have recorded a valuation allowance for the entire balance of the deferred tax assets. Such uncertainty primarily relates to the potential for net operating loss carryforwards and tax credits which begin to expire in 2010 and 2009, respectively, to be realized against future taxable income. We will continue to assess the likelihood of realization of these assets.

Loss Contingencies

We are subject to the possibility of various loss contingencies arising in the ordinary course of business. We consider the likelihood of loss or impairment of an asset or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss, in determining loss

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contingencies. An estimated loss contingency is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. We regularly evaluate current information available to us to determine whether such accruals should be adjusted and whether new accruals are required.

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Marketable securities

Marketable securities consist of investment grade government agency and corporate debt securities. Investments with maturities beyond one year are classified as short-term based on their highly liquid nature and because such investments represent the investment of cash that is available for current operations. All investments are classified as available-for-sale and are recorded at market value. Unrealized gains and losses are reflected in other comprehensive loss.

We have adopted SFAS No. 157 which establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are obtained from independent sources and can be validated by a third party whereas unobservable inputs reflect assumptions regarding what a third party would use in pricing an asset or liability. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. SFAS No. 157 establishes three levels of inputs that may be used to measure fair value:

Level 1 Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

In accordance with SFAS 157, the Company measures its cash equivalents and marketable securities at fair value within Level 1. Auction rate securities are measured at fair value within Level 3. Fair value measurements for auction rate securities have been estimated using an income approach (discounted cash-flow analysis). When estimating fair value, we consider both observable market data and non-observable factors, including credit quality, duration, insurance wraps, collateral composition, comparable trading instruments, and likelihood of redemption. Significant assumptions used in the analysis include estimates for interest rates, spreads, cash flow timing and amounts, and holding periods of the securities.

Both the Financial Accounting Standards Board (FASB) and the staff of the SEC have re-emphasized the importance of sound fair value measurement in financial reporting. In October 2008, the FASB issued FASB Staff Position No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*. This statement clarifies that determining fair value in an inactive or dislocated market depends on facts and circumstances and requires significant management judgment. This statement specifies that it is acceptable to use inputs based on management estimates or assumptions, or for management to make adjustments to observable inputs to determine fair value when markets are not active and relevant observable inputs are not available. Our fair value measurement policies are consistent with the guidance in FSP No. FAS 157-3.

Stock-Based Compensation

We account for stock-based compensation in accordance with the provisions of SFAS No. 123 (Revised 2004), *Share-Based Payment* (SFAS No. 123R). Under the fair value recognition provision of SFAS No. 123R, stock-based compensation cost is estimated at the grant date based on the fair value of the award. We estimate the fair value of stock options granted using the Black-Scholes-Merton option pricing model and a single option award approach. The fair value is amortized on a straight-line basis over the requisite service period of the awards, which is generally the vesting period.

Determining the appropriate fair value of stock-based awards at the grant date requires judgment, including estimating stock price volatility, forfeiture rates and expected term. We compute expected volatility based on a combination of both historical volatility and market-based implied volatility, as we believe that the combination provides a more accurate estimate of future volatility. The expected term represents the period of time that our stock-based awards are expected to be outstanding and is determined based on historical experience of similar awards. Due to the inherent uncertainty in valuing awards for publicly-traded stock as of the grant date, given that such awards will be exercised, purchased or sold at indeterminate future dates, the actual value realized by the recipients, if any, may vary significantly from the value of the awards estimated by us at the grant date.

Valuation of acquired intangible assets

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We have acquired intangible assets primarily via the acquisition of license agreements. These license agreements give us the right to practice and use certain technologies in the fax, voice and internet telephony space. These assets are accounted for under Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 requires us to record these assets at their fair value. Historically, we have used the cash purchase price at the time of acquisition as the best indicator of fair value. SFAS No. 142 also requires us to periodically evaluate the carrying value of intangible assets to determine if an impairment loss should be recorded under Statement of Financial Accounting Standards (SFAS) No. 144. In accordance with Statement 144, an impairment loss shall be recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its fair value.

SFAS No. 144 outlines the factors which individually or in combination could trigger an impairment review as follows:

A significant decrease in the market price of a long-lived asset (asset group)

A significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition

A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator

An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group)

A current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset (asset group)

A current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

If we determine that the carrying value of intangible assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, we would measure any impairment based on a projected discounted cash flow method using a discount rate commensurate with the risk inherent in our business.

Recent Accounting Pronouncements

A discussion of recent accounting pronouncements is included in Note 9 of the Notes to the Unaudited Condensed Consolidated Financial Statements.

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The following tables set forth our statement of operations data for each of the periods indicated (in thousands).

	Three Months Ended December 31, 2008		Six Months Ended December 31, 2008	
	2008	2007	2008	2007
Statement of Operations Data:				
Revenues	\$ 4,031	\$ 4,877	\$ 8,373	\$ 10,229
Cost of sales	1,858	1,807	3,636	3,739
Gross profit	2,173	3,070	4,737	6,490
Operating expenses:				
Sales and marketing	1,551	1,951	2,795	3,521
Research and development	1,331	1,448	2,958	3,050
General and administrative	1,622	1,766	3,283	3,946
Restructuring charges			787	1,095
Total operating expenses	4,504	5,165	9,823	11,612
Operating loss	(2,331)	(2,095)	(5,086)	(5,122)
Impairment loss on marketable securities	(2,500)		(2,500)	
Interest income	175	690	454	1,390
Loss before income taxes	(4,656)	(1,405)	(7,132)	(3,732)
Income tax expense				
Net loss	\$ (4,656)	\$ (1,405)	\$ (7,132)	\$ (3,732)

Three Months Ended December 31, 2008 and December 31, 2007

Revenues. Revenues were \$4,031,000 for the three months ended December 31, 2008, compared to \$4,877,000 for the three months ended December 31, 2007, a decrease of \$846,000, or 17%. Subscription revenues were \$4,016,000 for the three months ended December 31, 2008, representing 99% of revenues, compared to \$4,809,000 for the three months ended December 31, 2007, representing 99% of revenues, a decrease of \$793,000, or 16%. The decrease in our revenues was attributable primarily to a decrease in the number of paying subscribers from approximately 536,000 at December 31, 2007 to approximately 361,000 at December 31, 2008. The decrease in subscribers is driven by the migration of dial up users to broad band which is a trend we expect to continue. Revenues from our indirect channel distributors for the three months ended December 31, 2008, were \$524,000 or 13% of revenues compared to \$570,000 or 12% of revenues for the same period last year. Revenue from our new Unified Communications services did not contribute materially to our current quarter's performance and we do not expect a material contribution for the remainder of our fiscal year.

Cost of sales. Cost of sales was \$1,858,000 for the three months ended December 31, 2008, compared to \$1,807,000 for the three months ended December 31, 2007, an increase of \$51,000, or 3%. The significant increase as a percentage of sales is caused by the amortization of acquired intangible assets. The amortization expense incurred in the current quarter was \$527,000, or 13% of sales. This non-cash amortization expense will negatively impact our gross margin throughout the remainder of our current fiscal year and for approximately the next five years as we amortize the purchase price into cost of sales.

Sales and marketing. Sales and marketing expenses were \$1,551,000, or 38% of revenues, for the three months ended December 31, 2008, compared to \$1,951,000, or 40% of revenues, for the three months ended December 31, 2007, a decrease of \$400,000, or 21%. We have significantly reduced our advertising expense associated with our legacy services as we focus on bringing our new service offerings to market. In addition, headcount associated with the marketing and sales of our legacy products has been reduced. We expect sales and marketing expenses will increase in future quarters as we build out our sales force and expand our web based advertising associated with our new product lines.

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Research and development. Research and development expenses were \$1,331,000, or 33% of revenues, for the three months ended December 31, 2008, compared to \$1,448,000, or 30% of revenues, for the three months ended December 31, 2007. The decrease on an absolute dollar basis reflects the consolidation and migration of most of our research and development to Eastern Europe. The increase as a percentage of sales was driven by the decline in our legacy revenue which has not yet been offset by revenue from our new Unified Communications services. We believe it is essential to have a strong and efficient research and development team as we develop new products in the unified communications and collaboration market. We will be frequently adapting to new mobile device specifications and updating our existing product base because one of our key differentiators will be mobile collaboration. We will continue to invest in new technologies and will frequently upgrade our mobile collaboration and conferencing technologies in an effort to stay at the forefront of the Unified Collaboration and Conferencing market. We expect research and development costs to remain relatively flat throughout the remainder of our current fiscal year.

General and administrative. General and administrative expenses were \$1,662,000, or 40% of revenues for the three months ended December 31, 2008, compared to \$1,766,000, or 36% of revenues, for the three months ended December 31, 2007, a decrease of \$144,000, or 8%. The increase as a percentage of sales was driven by the decline in our legacy revenue which has not yet been offset by revenue from our new Unified Communications services. Overall, general and administrative expenses have declined due to reductions in headcount associated with our legacy lines of business, lower bad debt expense, and lower management incentive compensation. We expect general and administrative expenses to remain relatively flat for the remainder of the fiscal year as the majority of these expenses are fixed.

Impairment loss on marketable securities. Based on third party valuation models and an analysis of other-than-temporary impairment factors, we had previously determined that our auction rate securities were not permanently impaired. However, during the quarter ended December 31, 2008, one of the auction rate securities stopped paying interest. This particular security was a contingency fund for Financial Guarantee Insurance Company (FGIC), a bond insurer that has been substantially downgraded by ratings agencies due to financial hardship. FGIC removed the assets of the fund and replaced them with FGIC preferred stock. The lack of performance and the deterioration of FGIC have led us to conclude that this security is other than temporarily impaired. Accordingly, we have recorded a permanent impairment loss of \$2.5 million for the entire value of the security.

Income tax provision. No tax benefit was derived from the net loss recognized during the three months ended December 31, 2008 and 2007 due to the valuation allowance established to offset our deferred tax assets. Total deferred tax assets amount to \$12.6 million and have been fully offset by a valuation allowance reflecting the fact that we have not determined that it is more likely than not that we will be able to use our deferred tax assets to reduce income taxes. We will continue to assess the likelihood of realization of our net deferred tax assets and will adjust the balance accordingly.

Net loss. Net loss was \$4,656,000 for the three months ended December 31, 2008, compared to net loss of \$1,405,000 for the three months ended December 31, 2007. The increase in the net loss is due primarily to the impairment of marketable securities, lower interest income, and increased amortization of purchased intangibles.

Six Months Ended December 31, 2008 and December 31, 2007

Revenues. Revenues were \$8,373,000 for the six months ended December 31, 2008, compared to \$10,229,000 for the six months ended December 31, 2007, a decrease of \$1,856,000, or 18%. Subscription revenues were \$8,337,000 for the six months ended December 31, 2008, representing 99% of revenues, compared to \$10,133,000 for the six months ended December 31, 2007, representing 99% of revenues, a decrease of \$1,796,000, or 18%. The decrease in our revenues was attributable primarily to a decrease in the number of paying subscribers from approximately 536,000 at December 31, 2007 to approximately 361,000 at December 31, 2008. The decrease in subscribers is driven primarily from the migration of dial up users to broad band which is a trend we expect to continue. Revenues from our indirect channel distributors for the six months ended December 31, 2008, were \$992,000 or 12% of revenues compared to \$1,190,000 or 12% of revenues for the same period last year. Revenue from our new Unified Communications services did not contribute materially to our performance during the six months ended December 31, 2008, and we do not expect a material contribution for the remainder of our fiscal year.

Cost of sales. Cost of sales was \$3,636,000 for the six months ended December 31, 2008, compared to \$3,739,000 for the six months ended December 31, 2007. The significant increase as a percentage of sales is caused by the amortization of acquired intangible assets. The amortization expense incurred in six months ended December 31, 2008 was \$923,000, or 11% of sales. This non-cash amortization expense will negatively impact our gross margin throughout the remainder of our current fiscal year and for approximately the next five years as we amortize the purchase price into cost of sales.

Sales and marketing. Sales and marketing expenses were \$2,795,000, or 33% of revenues, for the six months ended December 31, 2008, compared to \$3,521,000, or 34% of revenues, for the six months ended December 31, 2007. We have significantly reduced our advertising expense associated with our legacy services as we focus on bringing our new service offerings to market. In addition, headcount associated with the marketing and sales of our legacy products has been reduced. We expect sales and marketing expenses will increase in future quarters as we

build out our sales force and expand our web based advertising associated with our new product lines.

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Research and development. Research and development expenses were \$2,958,000, or 35% of revenues, for the six months ended December 31, 2008, compared to \$3,050,000, or 30% of revenues, for the six months ended December 31, 2007. The decrease on an absolute dollar basis reflects the consolidation and migration of most of our research and development to Eastern Europe. The increase as a percentage of sales was driven by the decline in our legacy revenue which has not yet been offset by revenue from our new Unified Communications services. We believe it is essential to have a strong and efficient research and development team as we develop new products in the unified communications and collaboration market. We will be frequently adapting to new mobile device specifications and updating our existing product base because one of our key differentiators will be mobile collaboration. We will continue to invest in new technologies and will be frequently upgrading our mobile collaboration and conferencing technologies in an effort to stay at the forefront of the Unified Collaboration and Conferencing market. We expect research and development costs to remain relatively flat throughout the remainder of our current fiscal year.

General and administrative. General and administrative expenses were \$3,283,000, or 39% of revenues for the six months ended December 31, 2008, compared to \$3,946,000, or 39% of revenues, for the six months ended December 31, 2007, a decrease of \$663,000, or 17%. General and administrative expenses have declined due to reductions in headcount associated with our legacy lines of business, lower bad debt expense, and lower management incentive compensation. We expect general and administrative expenses to remain relatively flat for the remainder of the fiscal year as the majority of these expenses are fixed.

Impairment loss on marketable securities. Based on third party valuation models and an analysis of other-than-temporary impairment factors, we had previously determined that our auction rate securities were not permanently impaired. However, during the quarter ended December 31, 2008, one of the auction rate securities stopped paying interest. This particular security was a contingency fund for Financial Guarantee Insurance Company (FGIC), a bond insurer that has been substantially downgraded by ratings agencies due to financial hardship. FGIC removed the assets of the fund and replaced them with FGIC preferred stock. The lack of performance and the deterioration of FGIC have led us to conclude that this security is other than temporarily impaired. Accordingly, we have recorded a permanent impairment loss of \$2.5 million for the entire value of the security.

Restructuring charges. During the quarter ended September 30, 2007, we announced a reorganization and reduction in force and the termination of our Chief Executive Officer. As a result of the reorganization we incurred a charge of approximately \$1.1 million associated primarily with severance, health insurance, and accelerated stock option compensation expense. The entire charge was recognized in the quarter ended September 30, 2007.

On August 28, 2008, the Company announced a third reorganization and reduction in workforce. As a result of the reorganization the Company incurred a charge of approximately \$800,000 associated primarily with severance, health insurance, facilities consolidation, and accelerated stock option compensation expense. The entire charge was recognized in the quarter ended September 30, 2008. We do not expect further restructuring charges during our fiscal year ending June 30, 2009.

Income tax provision. No tax benefit was derived from the net loss recognized during the six months ended December 31, 2008 and 2007 due to the valuation allowance established to offset our deferred tax assets. Total deferred tax assets amount to \$12.6 million and have been fully offset by a valuation allowance reflecting the fact that we have not determined that it is more likely than not that we will be able to use our deferred tax assets to reduce income taxes. We will continue to assess the likelihood of realization of our net deferred tax assets and will adjust the balance accordingly.

Net loss. Net loss was \$7,132,000 for the six months ended December 31, 2008, compared to net loss of \$3,732,000 for the six months ended December 31, 2007. The increase in the net loss is due primarily to the impairment of marketable securities, lower interest income, and increased amortization of purchased intangibles.

Liquidity and Capital Resources

At December 31, 2008, our principal sources of liquidity were cash and cash equivalents of \$21,643,000, marketable securities of \$4,345,000, and accounts receivable net of allowance for doubtful accounts of \$1,384,000. We do not expect cash flow from operations to be positive in the current fiscal year. Although we expect losses from operations as we migrate our business from our legacy dial-up line of business to our current unified communications product suite, we believe our current cash reserves are adequate to cover the anticipated losses over the next twelve months. We reexamine our cash requirements periodically in light of changes in our business.

Cash and cash equivalents and marketable securities declined from \$38.6 million at June 30, 2008 to \$26.0 million at December 31, 2008. This decrease is primarily due to the purchase of technology from WebMessenger for \$9.0 million, cash used in operations of \$2.3 million, and the repayment of short term debt of \$1.0 million.

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During the quarter ended December 31, 2007, the Company's auction rate securities began to fail auction due to sell orders exceeding buy orders. Of our \$7.7 million marketable securities portfolio at December 31, 2008, \$3.3 million is currently associated with failed auctions. The funds associated with failed auctions will not be accessible until a successful auction occurs or a buyer is found outside of the auction process. All of the auction rate securities were AAA quality and were in compliance with our investment policy at the time of acquisition. We currently have the ability and intent to hold these investments until a recovery of the auction process or until maturity. Auction failures related to this type of security are symptomatic of current conditions in the broader debt markets and are not unique to CallWave.

Based on third party valuation models and an analysis of other-than-temporary impairment factors, we had previously determined that these securities were not permanently impaired. However, during the quarter ended December 31, 2008, one of our auction rate securities stopped paying interest. The lack of performance on this security has led us to conclude that it is other than temporarily impaired. Accordingly, we have recorded a permanent impairment loss of \$2.5 million for the entire value of the security.

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The remaining auction rate securities are still rated as investment grade and continue to pay interest. It is our opinion that liquidity will eventually be restored and the par value of these securities will be recovered. However, we have recorded accumulated unrealized losses within other comprehensive loss of approximately \$4.2 million pre-tax as of December 31, 2008, related to a temporary impairment of these auction rate securities.

We are uncertain when liquidity will be restored to these securities. Accordingly, the remaining auction rate securities have been classified as non-current assets. These securities are being analyzed each reporting period for impairment, including other-than-temporary impairment factors.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign currency exchange risk. We do not currently hedge foreign currency exposures. We believe that a sudden or significant change in foreign exchange rates would not have a material impact on future net income or cash flows.

Interest rate sensitivity. We had cash and cash equivalents totaling \$21.6 million and marketable securities totaling \$8.0 million (including auction rate securities) at December 31, 2008, and cash and cash equivalents totaling \$29.8 million and marketable securities totaling \$16.3 million (including auction rate securities) at June 30, 2008. Cash and cash equivalents were held for working capital purposes in depository accounts at FDIC-regulated banking institutions. Marketable securities consist of investment grade securities, including auction-rate securities, which carry interest or dividend rates that reset every seven to 28 days, corporate bonds, and government and agency securities. We do not enter into investments for trading or speculative purposes. Declines in interest rates, however, will reduce our future interest income. If interest rates were to decline by 3.0% as compared to the rates at December 31, 2008, our interest income would decrease by approximately \$227,000 on a quarterly basis based on the outstanding balance of our marketable securities and money market funds at September 30, 2008. A decline in market value of 3.0% would reduce the value of our marketable securities by approximately \$230,000.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 (Exchange Act) Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this quarterly report, have concluded that our disclosure controls and procedures are effective based on their evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls. Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A determination that we have infringed the intellectual property rights of a third party could expose us to substantial damages, restrict our operations or require us to procure costly licenses to the intellectual property that is the subject of the infringement claims. Such a license may not be available to us on acceptable terms or at all. Any effort to defend ourselves from assertions of infringement or misappropriation of a third party's intellectual property rights, whether or not we are successful, would be expensive and time-consuming and would divert management resources. Any adverse determination that we have infringed the intellectual property rights of a third party, or the costs we incur to defend ourselves against such claims, whether or not we are successful, would have a material adverse impact on our business and results of operations.

Our customers or other companies with whom we have a commercial relationship could also become the target of litigation relating to the patent and other intellectual property rights of others. This could trigger support and indemnification obligations, which could result in substantial expenses, including the payment by us of costs and damages relating to patent infringement. In addition to the time and expense that could be required for us to meet our support and indemnification obligations, any such litigation could hurt our relations with our customers and other companies. Thus, the sale of our services could decrease. Claims for indemnification may be made by third parties with whom we do business and such claims may harm our business, prospects, financial condition and results of operations.

From time to time, we may be subject to litigation, such as class action lawsuits, that could negatively affect our business operations and financial position. Such disputes could cause us to incur unforeseen expenses, could occupy a significant amount of our management's time and attention, and could negatively affect our business operations and financial condition.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors set forth under the caption "Risk Factors" in Part I, Item 1A, of our Annual Report on Form 10-K, for our fiscal year ended June 30, 2008. The risks discussed in our Annual Report on Form 10-K could materially affect our business, financial condition and future results. The risks described in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition or operating results. Other than those described below, there have been no material changes to the Risk Factors as previously disclosed in our Form 10-K for the fiscal year ended June 30, 2008.

We are subject to risks relating to currency rate fluctuations and we do not hedge this risk.

Although our Bulgarian operation does not generate revenue, approximately 5 percent of our costs are denominated in Leva, the Bulgarian currency. Any movement in the exchange rate for the Leva may adversely affect our cash flows, operating results, and financial position. We do not currently hedge against this risk.

In some foreign jurisdictions, our rights may not be as strong as the rights we enjoy in the U.S.

The legal systems of many foreign countries do not protect or honor intellectual property rights to the same extent as the legal system of the United States. It may be difficult, time-consuming and costly for us to attempt to enforce our intellectual property rights in these jurisdictions.

As the number of individuals whom we employ in our Finance Department decreases, there is a risk that we will not have sufficient individuals to enable us to segregate duties among our employees.

A fundamental objective of effective internal controls is to segregate duties among responsible individuals so that no single person can inflict financial damage by reason of possessing unsupervised control over significant portions of the business' financial or accounting functions. Over the past year, we have implemented several reductions in force, and the number of individuals whom we employ in our finance function has been reduced significantly. We believe that we currently have segregated duties among our employees on an acceptable basis, and that the integrity of our internal controls has not been impaired by the reductions in the number of our finance employees. However, if we realize any additional reductions in the number of our finance employees, then the effectiveness of our internal controls, and the integrity of our financial reporting, may be adversely affected.

Table of Contents**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***Sales of Unregistered Securities*

None.

Use of Proceeds

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At our 2008 Annual Meeting of Stockholders held on December 15, 2008 (the Annual Meeting), our stockholders: (i) elected seven directors to serve until the 2009 Annual Meeting (Proposal No. 1); and (ii) ratified the appointment of Mayer Hoffman McCann P.C. as independent auditors for the fiscal year ending June 30, 2009 (Proposal No. 2). The tabulation of votes for each of the proposals is set forth below:

Proposal No. 1

Election of seven directors to serve until the 2009 Annual Meeting:

FOR	AGAINST
14,366,766	4,040,267

Proposal No. 2

Ratification of the appointment of Mayer Hoffman McCann P.C. as independent auditors of the Company for the 2009 fiscal year:

FOR	AGAINST	ABSTAIN
16,815,491	1,409,669	181,873

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit

Number	Description
3.1 ⁽¹⁾	Amended and Restated Certificate of Incorporation of the Registrant.
3.2 ⁽²⁾	Certificate of Amendment to Amended and Restated Certificate of Incorporation.
3.3 ⁽³⁾	Certificate of Amendment to Amended and Restated Certificate of Incorporation.
3.4 ⁽⁴⁾	Bylaws of the Registrant.
10.1	Fourth Amendment to 2004 Stock Incentive Plan.
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(1) Previously filed in the Registrant's Registration Statement Amendment No. 5 on Form S-1 (File No. 333-115438) filed on September 27, 2004 and incorporated herein by reference.

(2) Previously filed in the Registrant's Quarterly Report on Form 10-Q filed on February 14, 2006 and incorporated herein by reference.

(3) Previously filed in the Registrant's Quarterly Report on Form 10-Q filed on February 13, 2007 and incorporated herein by reference.

(4) Previously filed in the Registrant's Registration Statement on Form S-1 (File No. 333-115438) on May 13, 2004 and incorporated herein by reference.

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SIGNATURES

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

CALLWAVE, INC.,

Date: February 13, 2009

By: /s/ Jeffrey Cavins
Jeffrey Cavins

President and Chief Executive Officer

Date: February 13, 2009

By: /s/ Mark Stubbs
Mark Stubbs

Chief Financial Officer

(principal financial and accounting officer)