
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 17, 2006

NEKTAR THERAPEUTICS

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-24006
(Commission File Number)

94-3134940
(IRS Employer
Identification No.)

150 Industrial Road
San Carlos, California 94070
(Address of principal executive offices and Zip Code)

Registrant's telephone number, including area code: (650) 631-3100

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement.

(a) Executive Officer Compensation Plan

On March 17, 2006, the Board of Directors of Nektar Therapeutics (the "Board") approved the 2006 Executive Compensation Plan (the "2006 Executive Plan"). The Company's executive officers are eligible to participate in the 2006 Executive Plan.

Each participant in the 2006 Executive Plan (an "Executive") has his or her total target cash compensation established by the Company's Organization and Compensation Committee, with such total target cash compensation equal to such Executive's salary and a target bonus. Executives may earn their bonuses based on corporate performance goals as stated in the 2006 Executive Plan. Corporate performance goals are based upon four broad categories: building product pipeline; building a long term business; organizational capabilities and infrastructure; and financial performance.

Under the 2006 Executive Plan, the target bonus payment for the Company's named executive officers, as a percentage of such executive officer's total target cash compensation, are: (i) Chief Executive Officer and Executive Chairman each at 33 1/3%, (ii) Chief Scientific Officer at 30%, and (iii) Senior Vice President, Finance, Chief Financial Officer, Senior Vice President, Research and Development, and Senior Vice President, Corporate Operations and General Counsel each at 25%. The actual bonuses payable to the Chief Executive Officer and Executive Chairman may range, at the discretion of the Organization and Compensation Committee, from 0% to 50% of the target bonus percentage of total target cash compensation. The actual bonuses payable to the other executive officers may range, at the discretion of the Organization and Compensation Committee, from 0% to 45% of the target bonus percentage of total target cash compensation.

The 2006 Executive Plan also provides that executive officers, including the Chief Executive Officer, would receive annual option grants or restricted stock awards and in the case of an option grant, shall vest monthly over five years commencing on the date of grant and in the case of a restricted stock award, shall vest according to either specific performance milestones determined by the Organization and Compensation Committee or based upon period of service.

The above summary description of the 2006 Executive Plan is qualified in its entirety by reference to the 2006 Executive Plan attached hereto as Exhibit 10.1 and by this reference made a part hereof.

(b) Compensation Plan for Non-Employee Directors

On March 17, 2006, the Board approved the Compensation Plan for Non-Employee Directors (the "Director Plan"). Only the Company's non-employee directors are eligible to participate in the Director Plan.

Each participant in the Director Plan is eligible to receive an annual retainer for their service on the Company's board, including compensation for each board meeting and committee meeting which each Director attends; reimbursements for customary expenses for attending board, committee and stockholder meetings; and the compensation for the chairperson of each committee. The Director Plan also sets forth the equity compensation methodology for the Directors.

The above summary description of the Director Plan is qualified in its entirety by reference to the Director Plan attached hereto as Exhibit 10.2 and by this reference made a part hereof.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits:

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|----------------------------------------------|
| 10.1 | 2006 Executive Compensation Plan |
| 10.2 | Compensation Plan for Non-Employee Directors |

SIGNATURES

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

By: /s/ Nevan C. Elam
Nevan C. Elam
*Senior Vice President Corporate
Operations and General Counsel*

Date: March 23, 2006

2006 EXECUTIVE COMPENSATION PLAN

On March 17, 2006, the Board of Directors of Nektar Therapeutics (the “Company”), approved the following 2006 Executive Compensation Plan (the “Plan”).

COMPENSATION PHILOSOPHY

The primary goals of the Plan are to help drive the attainment of key business objectives while enabling the Company to attract, retain, and reward capable executives who can contribute to the Company’s continued success. Equity participation and a strong alignment to stockholders’ interests are key elements of the Company’s compensation philosophy. Four key goals form the basis for compensation decisions for all executives:

1. To attract and retain the most highly qualified executive management team;
2. To emphasize sustained performance by aligning rewards with stockholder interests, especially through the use of equity participation programs;
3. To pay competitively compared to similar biopharmaceutical companies and to provide appropriate reward opportunities for achieving high levels of performance with regards to business objectives and to similar organizations in the marketplace; and
4. To motivate executive officers to achieve the Company’s annual and long-term business goals.

To meet these goals, the Organization and Compensation Committee of the Board of Directors (the “Committee”) has adopted a mix of compensation elements, including salary, stock options, restricted stock awards and other incentives such as the Company’s Variable Compensation Plan.

BASE SALARY

The Committee recognizes the importance of maintaining compensation practices and levels of compensation competitive with biopharmaceutical companies in comparable stages of development. Base salary represents the fixed component of the Plan. The philosophy regarding base salaries is conservative, maintaining salaries approximately at the competitive industry median. Base salary levels are established based on an annual review of marketplace competitiveness and on the basis of individual performance. In this context base salaries for executives were increased for fiscal 2006 to a level consistent with the industry median.

BONUSES (VARIABLE COMPENSATION PLAN)

Bonus awards are another component of the Plan. Bonuses, if any, are linked to the achievement of specified corporate goals. Corporate performance goals on which 2006 bonuses are based center upon four broad corporate categories:

1. building product pipeline;

2. building a long term business;
3. organizational capabilities and infrastructure; and
4. financial performance.

For executive officers, the target bonus for 2006 is set at (i) 25% for each of our Senior Vice President, Finance and Chief Financial Officer, Senior Vice President, Research and Development and our Senior Vice President Corporate Operations and General Counsel; and (ii) 30% for our Chief Scientific Officer, of total target cash compensation (total target cash compensation is the executive's salary plus the target bonus as set by the Committee). Actual bonuses paid may range from 0% to 45% of total target cash compensation based on the achievement of corporate performance goals.

EQUITY COMPENSATION

The equity incentive plans offered by the Company have been established to provide all executive officers with an opportunity to share, along with stockholders, of increasing the value of the Company. The Committee strongly believes that a goal of the Plan should be to provide executive officers who have significant responsibility for driving the Company's success with an opportunity to increase their ownership and potentially gain financially from stock price increases. The interests of stockholders, executives and employees are thereby closely aligned. Executive officers and other employees receive stock options at time of hire and are further eligible to receive equity compensation awards, including stock options and restricted stock unit awards, based on annual performance and compensation reviews. All equity compensation awards must be exercised according to the provisions of the equity compensation notices and agreements as well as the terms and conditions of our equity incentive plans.

As the base salaries for the executive officers are in the mid-range for comparable companies, the Committee has used equity compensation as a primary incentive to attract and retain executive officers. Equity compensation awards are based on an executive officer's level within the Company's salary structure and the individual's performance. After considering the criteria relating to equity awards, the Committee determined that executive officers would be granted stock options and restricted stock awards, as the case may be, for fiscal 2006. The stock options that have been granted to executive officers in fiscal 2006 vest monthly over five years and the restricted stock awards vest on the attainment of corporate milestones. The restricted stock unit awards may vest either based on time or the achievement of corporate performance milestones.

Section 162(m) of the Code limits deduction for federal income tax purposes of no more than \$1 million of compensation paid to certain Named Executive Officers in a taxable year. Compensation above \$1 million may be deducted if it is "performance-based compensation"

within the meaning of the Code. The Committee has determined that stock awards granted under the 2000 Equity Incentive Plan with an exercise price at least equal to the fair market value of the common stock on the date of grant shall be treated as performance-based compensation.

CHIEF EXECUTIVE OFFICER AND EXECUTIVE CHAIRMAN COMPENSATION

The Committee recommends to the Board of Directors the appropriate compensation for the Chief Executive Officer and Executive Chairman analyzing the same factors and criteria upon which other comparable executive officers' compensation is based. The independent members of the Board of Directors ultimately determine the compensation of the Chief Executive Officer and Executive Chairman. Under the Plan, the total compensation mix for senior executives, including the Company's Chief Executive Officer and Executive Chairman, emphasizes longer-term rewards in the form of equity compensation. We granted our interim Chief Executive Officer stock options and restricted stock units for his service. Upon the hiring of our new Chief Executive Officer, we will grant this person an equity compensation package including stock options and/or restricted stock units.

Target bonuses for the Chief Executive Officer and Chairman are set at 33 1/3% of total target cash compensation (total target cash compensation is the executive's salary plus the target bonus set by the Committee). Actual bonuses paid may range from 0% to 50% of total target cash compensation based on the achievement of corporate performance goals.

COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

This is the Compensation Plan (the "Plan") for Non-Employee Directors (each a "Non-Employee Director") of Nektar Therapeutics (the "Company"). This Plan is effective immediately following the Annual Meeting of the Stockholders to be held on June 1, 2006. The terms and conditions of the Plan are described below:

- An annual retainer of \$25,000 for serving on the Board of Directors, payable in equal quarterly installments;
- An annual retainer of \$7,500 for serving on the Company's Audit Committee, payable in equal quarterly installments;
- An annual retainer of \$5,000 for serving on a any other committee of the Board, payable in equal quarterly installments;
- An annual retainer of \$7,500 for serving as the Chair of the Company's Audit Committee, payable in equal quarterly installments;
- An annual retainer of \$5,000 for serving as Chair of any other committee established by the Board of Directors, payable in equal quarterly installments;
- If a Non-Employee Director attends more than four (4) regularly scheduled board meetings and four (4) telephonic board meetings, such Non-Employee Director shall receive an additional \$1,000 per telephonic meeting and \$2,000 for attending a board meeting in person;
- If a Non-Employee Director attends more than four (4) regularly scheduled committee meetings and four (4) telephonic committee meetings, such Non-Employee Director shall receive an additional \$500 per telephonic meeting and \$1,000 for attending a committee meeting in person;
- Each Non-Employee Director shall be reimbursed for customary expenses for attending Board of Director, committee and stockholder meetings;
- In September of each year, each Non-Employee Director shall receive equity compensation composed of (i) fifty percent (50%) stock options at an exercise price equal to the closing price of the Company's common stock as reported by the Nasdaq National Market on the grant date and (ii) fifty percent (50%) restricted stock unit awards, each under the Company's 2000 Equity Incentive Plan. This annual equity compensation award will be based on the approximate aggregate value of the median equity compensation for non-employee directors of comparable companies as determined annually by the Board of Directors in consultation with its professional advisors. For purposes of the foregoing, the value of stock options will be determined based on the Black-Scholes valuation

methodology and the value of restricted stock units will be based on the value of the Company's common stock on the grant date; and

- Non-Employee Directors are also eligible for discretionary grants of options or restricted stock units under the Company's 2000 Equity Incentive Plan. All Non-Employee Directors recognize and acknowledge that they are not entitled to any future grants pursuant to the Company's 1997 Non-Employee Director Stock Option Plan.

Options granted to a Non-Employee Director for their service on the Board of Directors shall vest monthly over a period of one year. Restricted stock unit awards granted to a Non-Employee Director shall vest monthly over a period of one year. The exercise price of options granted to a Director shall be equal to 100% of the fair market value of the Company's common stock on the grant date. The term of options granted to a Non-Employee Director is eight years. In the event of a change of control, the vesting of each option or restricted stock unit award shall accelerate in full as of the closing of such transaction.