NEKTAR THERAPEUTICS
Form 10-Q
November 07, 2008

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

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2008
or

o **TRANSITION REPORTS PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
Commission File Number: 0-24006

NEKTAR THERAPEUTICS
(Exact name of registrant as specified in its charter)

Delaware	**94-3134940**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

201 Industrial Road
San Carlos, California 94070
(Address of principal executive offices)
650-631-3100
(Registrant s telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes o No þ
The number of outstanding shares of the registrant s Common Stock, $0.0001 par value, was 92,445,985 on October 31, 2008.

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Forward-Looking Statements

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the 1933 Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements other than statements of historical fact are forward-looking statements for purposes of this Quarterly Report on Form 10-Q, including any projections of earnings, revenue or other financial items, any statements of the plans and objectives of management for future operations, any statements concerning proposed new products or services, any statements regarding future economic conditions or performance any statements regarding the closing of the proposed sale of assets to Novartis as well as expected benefits there from, and any statements of assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as may, will, expects, plans, anticipates, estimates, potential or continue, or the neg other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, there can be no assurance that such expectations or any of the forward-looking statements will prove to be correct and actual results could differ materially from those projected or assumed in the forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including, but not limited to, the risk factors set forth in Part II, Item 1A Risk Factors below and for the reasons described elsewhere in this Quarterly Report on Form 10-Q. All forward-looking statements and reasons why results may differ included in this report are made as of the date hereof and we do not intend to update any forward-looking statements except as required by law or applicable regulations. Except where the context otherwise requires, in this Quarterly Report on Form 10-Q, the Company, Nektar, we, us and our refer to Nektar Therapeutics, a Delaware corporation, and, where appropriate, its subsidiarie

Trademarks

All Nektar brand and product names, including, but not limited to, Nektar®, contained in this document are trademarks, registered trademarks or service marks of Nektar Therapeutics in the United States (U.S.) and certain other countries. This document also contains references to trademarks, registered trademarks and service marks of other companies that are the property of their respective owners.

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PART I: FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements Unaudited

NEKTAR THERAPEUTICS

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share information)

	September 30, 2008 Unaudited	December 31, 2007 (1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 63,713	$ 76,293
Short-term investments	280,803	406,060
Accounts receivable, net of allowance of $92 and $33 at September 30, 2008 and December 31, 2007, respectively	8,515	21,637
Inventory	9,861	12,187
Assets held for sale	42,975	
Other current assets	4,420	7,106
Total current assets	$ 410,287	$ 523,283
Property and equipment, net	73,641	114,420
Goodwill	78,431	78,431
Other intangible assets, net	1,971	2,680
Other assets	4,022	6,289
Total assets	$ 568,352	$ 725,103
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 2,113	$ 3,589
Accrued compensation	14,723	14,680
Accrued expenses to contract manufacturers		40,444
Accrued expenses	15,715	12,446
Interest payable	85	2,638
Capital lease obligations, current portion	1,401	2,335
Deferred revenue, current portion	11,970	19,620
Other current liabilities	2,515	2,340
Total current liabilities	$ 48,522	$ 98,092
Convertible subordinated notes	315,000	315,000
Capital lease obligations	20,689	21,632
Deferred revenue	57,027	61,349
Deferred gain	7,323	8,680
Other long-term liabilities	11,159	5,911
Total liabilities	$ 459,720	$ 510,664
Commitments and contingencies		
Stockholders equity:		
Preferred stock		

Common stock, $0.0001 par value; 300,000 authorized; 92,443 shares and 92,301 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	9	9
Capital in excess of par value	1,309,973	1,302,541
Accumulated other comprehensive income	(478)	1,643
Accumulated deficit	(1,200,872)	(1,089,754)
Total stockholders equity	108,632	214,439
Total liabilities and stockholders equity	$ 568,352	$ 725,103

(1) Derived from audited consolidated financial statements at this date.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NEKTAR THERAPEUTICS
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share information)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30	
	2008	**2007**	**2008**	**2007**
Revenue:				
Product sales and royalties	$ 9,474	$ 37,497	$ 28,855	$ 159,818
Contract research	11,965	18,824	32,977	47,436
Total revenue	21,439	56,321	61,832	207,254
Operating costs and expenses:				
Cost of goods sold	5,349	27,457	18,020	123,469
Cost of idle Exubera manufacturing capacity			6,821	
Research and development	38,265	35,773	109,138	114,265
General and administrative	12,149	12,426	36,951	42,339
Amortization of other intangible assets	237	237	710	710
Total operating costs and expenses	56,000	75,893	171,640	280,783
Loss from operations	(34,561)	(19,572)	(109,808)	(73,529)
Non-operating income (expense):				
Interest income	2,375	5,519	10,578	16,444
Interest expense	(3,988)	(4,773)	(11,835)	(14,408)
Loss on equity investment	(705)		(705)	
Other income (expense), net	117	206	1,188	189
Total non-operating income (expense)	(2,201)	952	(774)	2,225
Loss before provision for income taxes	(36,762)	(18,620)	(110,582)	(71,304)
Provision for income taxes	276		536	500
Net loss	$ (37,038)	$ (18,620)	$ (111,118)	$ (71,804)
Basic and diluted net loss per share	$ (0.40)	$ (0.20)	$ (1.20)	$ (0.78)
Shares used in computing basic and diluted net loss per share	92,425	92,028	92,413	91,764

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NEKTAR THERAPEUTICS
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine months ended September 30,	
	2008	**2007**
Cash flows used in operating activities:		
Net loss	$ (111,118)	$ (71,804)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	6,955	11,712
Depreciation and amortization	18,610	22,964
Loss on equity investment	705	
Foreign currency transaction loss	428	
Loss on disposal of assets	282	1,776
Amortization of gain related to sale of building	(656)	(656)
Changes in assets and liabilities:		
Decrease (increase) in trade accounts receivable	13,122	10,343
Decrease (increase) in inventories	2,326	(2,519)
Decrease (increase) in prepaids and other assets	2,659	6,846
Increase (decrease) in accounts payable	(1,476)	(2,784)
Increase (decrease) in accrued compensation	(229)	(2,170)
Increase (decrease) in accrued expenses to contract manufacturers	(40,444)	
Increase (decrease) in accrued expenses	3,269	6,622
Increase (decrease) in interest payable	(2,553)	(2,684)
Increase (decrease) in deferred revenue	(11,972)	61,777
Increase (decrease) in other liabilities	5,027	152
Net cash provided by (used in) operating activities	$ (115,065)	$ 39,575
Cash flows from investing activities:		
Purchases of investments	(411,417)	(342,807)
Maturities of investments	506,348	468,245
Sales of investments	28,590	
Purchases of property and equipment	(15,064)	(20,726)
Investment in Pearl Therapeutics Inc.	(4,236)	
Net cash provided by investing activities	$ 104,221	$ 104,712
Cash flows used in financing activities:		
Repayments of convertible subordinated notes		(36,026)
Payments of loan and capital lease obligations	(1,910)	(787)
Proceeds from issuance of common stock related to employee stock plans	477	3,479
Net cash used in financing activities	$ (1,433)	$ (33,334)
Effect of exchange rates on cash and cash equivalents	(303)	

Net increase (decrease) in cash and cash equivalents	$ (12,580)	$ 110,953
Cash and cash equivalents at beginning of period	76,293	63,760
Cash and cash equivalents at end of period	$ 63,713	$ 174,713

The accompanying notes are an integral part of these condensed consolidated financial statements.

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NEKTAR THERAPEUTICS
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2008
(Unaudited)

Note 1 Organization and Summary of Significant Accounting Policies

Organization and Basis of Presentation

We are a biopharmaceutical company headquartered in San Carlos, California and incorporated in Delaware. Our mission is to develop breakthrough products that make a difference in patients lives. We create differentiated, innovative products by applying our platform technologies to established or novel medicines. Our two leading technology platforms are pulmonary technology and PEGylation technology.

We prepared the Condensed Consolidated Financial Statements following the requirements of the Securities and Exchange Commission (SEC) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by U.S. generally accepted accounting principles (GAAP) can be condensed or omitted. In the opinion of management, these financial statements include all normal and recurring adjustments that we consider necessary for the fair presentation of our financial position and operating results.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Revenues, expenses, assets, and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be the same as those for the full year. The information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated financial statements and the accompanying notes to these financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2007.

Principles of Consolidation

Our condensed consolidated financial statements include the financial position, results of operations and cash flows of our wholly-owned subsidiaries: Nektar Therapeutics AL, Corporation (Nektar AL), Nektar Therapeutics (India) Private Limited, Nektar Therapeutics UK, Ltd. (Nektar UK) and Aerogen, Inc. On November 30, 2007, we sold Aerogen Ireland Ltd, a subsidiary of Aerogen, Inc. (Aerogen Ireland), and therefore Aerogen Ireland was not included in our financial position as of December 31, 2007 or September 30, 2008, nor in our results of operations or cash flows for the three months and nine months ended September 30, 2008. All intercompany accounts and transactions have been eliminated in consolidation.

Our Condensed Consolidated Financial Statements are denominated in U.S. dollars. Accordingly, changes in exchange rates between the applicable foreign currency and the U.S. dollar will affect the translation of each foreign subsidiary s financial results into U.S. dollars for purposes of reporting our consolidated financial results. Translation gains and losses are included in accumulated other comprehensive income in the Stockholders equity section of the Condensed Consolidated Balance Sheet. To date, such cumulative translation adjustments have not been material to our consolidated financial position.

Reclassifications

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current period presentation. Such reclassifications do not impact previously reported revenues, operating loss or net loss or total assets, liabilities or stockholders equity.

Segment Information

We operate in one business segment which focuses on applying our technology platforms to improve the performance of established and novel medicines. We operate in one segment because our business offerings have similar economics and other characteristics, including the nature of products and production processes, types of customers, distribution methods and regulatory environment. We are comprehensively managed as one business segment by our President and Chief Executive Officer and his management team. Within our one business segment we have two components, pulmonary technology and PEGylation technology.

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Significant Concentrations

Our customers are primarily pharmaceutical and biotechnology companies that are located in the U.S. and EU. Our accounts receivable balance contains billed and unbilled trade receivables from product sales, royalties, and collaborative research agreements. We provide for an allowance for doubtful accounts by reserving for specifically identified doubtful accounts. We have not experienced significant credit losses from our accounts receivable or collaborative research agreements and none are expected. We perform a regular review of our customers payment histories and associated credit risk. We generally do not require collateral from our customers.

We are dependent on our partners, vendors and third party manufacturers to provide certain raw materials, active pharmaceutical ingredients and pulmonary delivery devices of the appropriate quality and reliability to meet applicable regulatory requirements. Consequently, in the event that supplies are delayed or interrupted for any reason, our ability to develop and meet our supply commitments could be impaired, which could have a material adverse effect on our business, financial condition and results of operation.

Income Taxes

We account for income taxes under the liability method in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* (SFAS 109), and FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109* (FIN 48). Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax reporting bases of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Realization of deferred tax assets is dependent upon future earnings, the timing and amount of which are uncertain. At September 30, 2008 and December 31, 2007, we have provided a full valuation allowance against our net deferred tax assets generated by our domestic net operating loss and we have recorded a provision for foreign income taxes payable in India at an effective rate in India of approximately 34%.

Recent Accounting Pronouncements

APB 14-1

In May 2008, the FASB issued FSP Accounting Principles Board (APB) 14-1 Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1). FSP APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer s non-convertible debt borrowing rate. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 on a retroactive basis. We are assessing the potential impact that the adoption of FSP APB 14-1 may have on our results of operations and financial position.

Note 2 Assets held for sale

On October 20, 2008, we entered into an Asset Purchase Agreement with Novartis Pharmaceuticals Corporation and Novartis Pharma AG (together referred to as Novartis). Under the terms of the agreement, at the closing of the transaction we will receive $115.0 million and will transfer to Novartis certain assets and obligations related to our pulmonary technology, development and manufacturing operations including:

- dry powder and liquid pulmonary technology platform including but not limited to our pulmonary inhalation devices, formulation technology, manufacturing technology and related intellectual property;
- manufacturing and associated development services payments for the ciprofloxacin inhaled powder program;
- manufacturing and royalty rights to the Tobramycin inhalation powder program;
- capital equipment, information systems and facility lease obligations for our pulmonary development and manufacturing facility in San Carlos, California;
- certain other interests that we have in two private companies, Pearl Therapeutics Inc. and Stamford Devices Limited; and

approximately 140 of our personnel primarily dedicated to our pulmonary technology, development programs, and manufacturing operations whom Novartis is expected to hire immediately following the closing of the transaction.

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We will retain all of our rights to NKTR-061 (inhaled amikacin) partnered with Bayer Healthcare, all royalty rights for the inhaled ciprofloxacin development program partnered with Bayer AG, all rights to the ongoing development program for NKTR-063 (inhaled vancomycin) and certain intellectual property rights specific to inhaled insulin.

In connection with this Asset Purchase Agreement, the net book value of the capital equipment and information systems for our pulmonary development and manufacturing facility and our investment in Pearl Therapeutics Inc. has been classified as Assets held for sale in our Condensed Consolidated Balance Sheet. As of September 30, 2008, Assets held for sale includes:

	September 30, 2008
Property and equipment, net	$ 38,553
Investment in Pearl Therapeutics Inc. and Stamford Devices Limited	3,531
Prepaid expenses and other	891
Assets held for sale	$ 42,975

We expect the transaction contemplated by the Asset Purchase Agreement will be completed on or about December 31, 2008.

Note 3 Cash, Cash Equivalents, and Available-For-Sale Investments

Cash, cash equivalents, and available-for-sale investments are as follows (in thousands):

	Estimated Fair Value at	
	September 30, 2008	December 31, 2007
Cash and cash equivalents	$ 63,713	$ 76,293
Short-term investments (less than one year to maturity)	280,803	406,060
Total cash, cash equivalents, and available-for-sale investments	$ 344,516	$ 482,353

Our portfolio of cash, cash equivalents, and available-for-sale investments includes (in thousands):

	Estimated Fair Value at	
	September 30, 2008	December 31, 2007
U.S. corporate commercial paper	$ 154,782	$ 293,866
Obligations of U.S. government agencies	151,179	37,333
Obligations of U.S. corporations	19,207	100,727
Cash equivalents and money market funds	11,280	40,922
Cash	8,068	9,505
Total cash, cash equivalents, and available-for-sale investments	$ 344,516	$ 482,353

Gross unrealized gains on the portfolio were nil and $0.5 million as of September 30, 2008 and December 31, 2007, respectively. Gross unrealized losses on the portfolio were $1.3 million and $0.1 million as of September 30, 2008 and December 31, 2007, respectively. The gross unrealized losses were primarily due to changes in interest rates on fixed income securities. We have a history of holding our investments to maturity. Except as discussed in Note 11, we have the ability and intent to hold our debt securities to maturity when they will be redeemed at full par value. Accordingly, we consider these unrealized losses to be temporary and have not recorded a provision for impairment.

Note 4 Fair Value

On January 1, 2008, we adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), for financial assets and financial liabilities. SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. FASB Statement of Position No. 157-2 defers adoption of SFAS 157 for non-financial assets and non-financial liabilities.

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The following table represents the fair value hierarchy for our financial assets (cash equivalents and available-for-sale investments) measured at fair value on a recurring basis as of September 30, 2008 (in thousands):

	Quoted Prices in Active Markets for Identical Assets **Level 1**	Significant Other Observable Inputs **Level 2**	Significant Unobservable Inputs **Level 3**	**Total**
U.S. corporate commercial paper	$	$ 154,782	$	$ 154,782
Obligations of U.S. corporations		19,207		19,207
Obligations of U.S. government agencies		151,179		151,179
Money market funds	11,280			11,280
Cash equivalents and available-for-sale investments	$ 11,280	$ 325,168	$	$ 336,448

Note 5 Inventory

Inventory consists of the following (in thousands):

	September 30, 2008	**December 31, 2007**
Raw materials	$ 6,487	$ 9,522
Work-in-process	2,677	1,749
Finished goods	697	916
Inventory	$ 9,861	$ 12,187

Inventory consists of raw materials, work-in-process and finished goods for our commercial PEGylation business. Reserves are determined using specific identification plus an estimated reserve for potential defective or excess inventory based on historical experience or projected usage. Inventory is reflected net of reserves of $4.5 million and $5.8 million as of September 30, 2008 and December 31, 2007, respectively.

Note 6 Commitments and Contingencies

Legal Matters

From time to time, we may be involved in lawsuits, claims, investigations and proceedings, consisting of intellectual property, commercial, employment and other matters, which arise in the ordinary course of business. In accordance with the SFAS No. 5, *Accounting for Contingencies*, we make a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, ruling, advice of legal counsel, and other information and events pertaining to a particular case. Litigation is inherently unpredictable. If any unfavorable ruling were to occur in any specific period, there exists the possibility of a material adverse impact on the results of operations of that period or on our cash flows and liquidity.

Collaboration Agreements for Pulmonary Products

As part of our collaboration agreements with our partners for the development, manufacture and supply of products based on our pulmonary technology, we generally agree to defend, indemnify and hold harmless our partners from and against third party liabilities arising out of the agreements, including product liability and infringement of intellectual property. The term of these indemnification obligations is generally perpetual any time after execution of the agreement. There is no limitation on the potential amount of future payments we could be required to make under

these indemnification obligations.

To date we have not incurred costs to defend lawsuits or settle claims related to these indemnification obligations. If any of our indemnification obligations is triggered, we may incur substantial liabilities. Because the obligated amount under these agreements is not explicitly stated, the overall maximum amount of the obligations cannot be reasonably estimated. No liabilities have been recorded for these obligations on our Condensed Consolidated Balance Sheets as of September 30, 2008 or December 31, 2007.

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License, Manufacturing and Supply Agreements for Products Based on our PEGylation Technology

As part of our license, manufacturing and supply agreements with our partners for the development or manufacture and supply of PEG reagents or intellectual property licenses based on our PEGylation technology, we generally agree to defend, indemnify and hold harmless our partners from and against third party liabilities arising out of the agreements, including product liability and infringement of intellectual property. The term of these indemnification obligations is generally perpetual any time after execution of the agreements. There is no limitation on the potential amount of future payments we could be required to make under these indemnification obligations. We have never incurred costs to defend lawsuits or settle claims related to these indemnification obligations. If any of our indemnification obligations is triggered, we may incur substantial liabilities. Because the obligated amount in these agreements is not explicitly stated, the overall maximum amount of the obligations cannot be reasonably estimated. Historically, we have not been obligated to make significant payments for these obligations, and no liabilities have been recorded for these obligations in our Condensed Consolidated Balance Sheets as of September 30, 2008 or December 31, 2007.

Other Agreements

We maintain a number of other commercial agreements to support our business such as technology licensing agreements, third party manufacturing agreements, consulting agreements, and certain business development agreements. These agreements often contain complex terms and conditions that from time to time can result in disputes that may lead to arbitration or litigation. For example, we currently have an ongoing dispute in arbitration related to a consulting agreement that had a partnership success fee provision related to one of our collaboration partner agreements. Unfavorable outcomes in these disputes, if and when they arise, could result in a material adverse impact on our results of operations for any given period and our financial position. No liabilities have been recorded for these obligations on our Condensed Consolidated Balance Sheets as of September 30, 2008 or December 31, 2007.

Note 7 Workforce Reduction Plans

In an effort to reduce ongoing operating costs and improve our organizational structure, efficiency and productivity, we executed workforce reduction plans in May 2007 (the 2007 Plan) and on February 2008 (the 2008 Plan) designed to streamline the company, consolidate corporate functions, and strengthen decision-making and execution within our business units.

The 2007 Plan reduced our workforce by approximately 180 full-time employees, or approximately 25 percent of our regular full-time employees, and was substantially complete as of December 31, 2007. During the three months and nine months ended September 30, 2008, we made payments for severance, medical insurance, and other termination benefits related to the 2007 Plan.

The 2008 Plan reduced our workforce by approximately 110 employees, or approximately 20 percent of our regular full-time employees. We notified the employees affected by the 2008 Plan on February 11, 2008. We estimate the 2008 Plan will cost approximately $5.1 million, comprised of cash payments for severance, medical insurance, and outplacement services. Certain notified employees voluntarily terminated prior to their scheduled termination dates or were offered other permanent positions within Nektar. As a result, we have reversed $0.2 million of net workforce reduction charges related to the 2008 Plan as a change in estimate during the three months ended September 30, 2008. We expect to record less than $0.1 million during the remainder of 2008 for employees with termination dates longer than two months from the date of notification. We expect the 2008 Plan will be substantially complete by December 31, 2008.

Since May 2007, we have incurred $13.4 million related to our two workforce reduction plans, $5.0 million related to the 2008 Plan and $8.4 million related to the 2007 Plan, which includes $0.2 million which was recognized during the last quarter of 2007. For the three months and nine months ended September 30, 2008, workforce reduction charges were recorded in our Condensed Consolidated Financial Statements as follows (in thousands):

&