THERAVANCE INC
Form 424B5
January 17, 2008

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Filed pursuant to Rule 424(b)(5)
File No. 333-148677

CALCULATION OF REGISTRATION FEE

Title of each class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Security	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Convertible Subordinated Notes due 2015	$172,500,000(1)(2)	100%	$172,500,000(1)(2)	$6,779.25(3)
Common Stock, par value $0.01 per share(4)	(5)	(5)	(5)	(6)

(1) Equals the aggregate principal amount of Convertible Subordinated Notes due 2015 to be registered hereunder. These amounts are estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(r) of the Securities Act of 1933, as amended (the "Securities Act").

(2) Includes $22,500,000 in aggregate principal amount of Convertible Subordinated Notes due 2015 that may be offered and sold pursuant to the exercise in full of the underwriters' option to cover over-allotments.

(3) Calculated pursuant to Rule 457(r) under the Securities Act.

(4) The common stock being registered hereby includes associated rights to acquire Series A junior participating preferred stock of Theravance, Inc., pursuant to the Rights Agreement described in the prospectus.

(5) Pursuant to Rule 416 of the Securities Act, the registration statement shall include an indeterminate number of shares of common stock that may be issued or become issuable in connection with stock splits, stock dividends, recapitalizations or similar events.

(6) Pursuant to Rule 457(i) under the Securities Act, no separate registration fee is required for the shares of common stock underlying the Convertible Subordinated Notes due 2015 because no additional consideration is to be received in connection with the exercise of the conversion privilege.

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PROSPECTUS

$150,000,000

3% Convertible Subordinated Notes due 2015

The Offering:

The notes will bear interest at the rate of 3% per year, payable semiannually on January 15 and July 15 of each year, beginning July 15, 2008. The notes will mature on January 15, 2015. The notes will be our unsecured subordinated obligations and will be subordinated in right of payment to all of our existing and future senior indebtedness and effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the assets securing that indebtedness and to all existing and future indebtedness and other liabilities of our subsidiaries.

Convertibility of the Notes:

Holders may convert their notes into shares of our common stock at an initial conversion rate of 38.6548 shares for each $1,000 in notes (equivalent to an initial conversion price of approximately $25.87 per share), subject to adjustment, at any time prior to the close of business on the business day immediately preceding the stated maturity date. Our common stock is listed on the Nasdaq Global Market under the symbol "THRX". On January 16, 2008, the last reported sale price of our common stock was $19.90 per share.

Fundamental Changes:

If we experience a "fundamental change," as defined herein, each holder may require us to purchase for cash all or a portion of such holders' notes at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to but excluding the repurchase date. In addition, we will in some circumstances increase the conversion rate of the notes with a make-whole premium for conversions in connection with certain fundamental changes.

Redemption of the Notes:

We may not redeem the notes prior to January 15, 2012. On or after January 15, 2012 and prior to the maturity date, we may redeem for cash all or part of the notes if the last reported sale price of our common stock has been greater than or equal to 130% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading day period prior to the date on which we provide notice of redemption. The redemption price will equal 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to but excluding the redemption date. We will make at least eight semiannual interest payments (including the interest payments on July 15, 2008, and January 15, 2012) in the full amount required by the indenture before we can redeem the notes at our option.

Investing in the notes involves risks. See "Risk Factors" beginning on page 14.

	Per Note	Total

	Per Note	Total
Public offering price	100%	$ 150,000,000
Underwriting discount	3%	$ 4,500,000
Proceeds, before expenses, to us	97%	$ 145,500,000

The underwriters may also purchase up to an additional $22,500,000 principal amount of notes within 30 days from the date of this prospectus to cover overallotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book entry form only through the facilities of The Depository Trust Company on or about January 23, 2008.

Merrill Lynch & Co. **Goldman, Sachs & Co.**

The date of this prospectus is January 16, 2008.

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Prospectus

You should rely only on the information contained or incorporated by reference in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and the documents incorporated by reference in this prospectus is accurate only as of the date on those respective documents. Our business, financial condition, results of operations and prospects may have changed since those dates. You should read this prospectus, including the documents incorporated by reference in this prospectus, when making your investment decision. You should also read and consider the information in the documents we have referred you to in the sections of the prospectus entitled "Where You Can Find More Information."

This prospectus contains summaries of certain provisions contained in some of the documents described herein, but reference is made to the actual documents for complete information. All of the summaries are qualified in their entirety by the actual documents. Some of the documents referred to herein have been filed as exhibits to the registration statement of which this prospectus is a part, while others are incorporated by reference from our previously filed periodic reports or our Registration Statement on Form 8-A (Commission File No. 000-30319), filed on September 27, 2004, and amendments thereto, including their exhibits, and you may obtain copies of these documents as described below under "Where You Can Find More Information."

General information about us can be found on our website at "*http://www.theravance.com*". The information on our website is for information only and should not be relied on for investment purposes. The information on our website is not incorporated by

reference into this prospectus and should not be considered part of this or any other report filed with the Securities and Exchange Commission.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (SEC), utilizing a "shelf" registration process. This prospectus provides you with the specific details regarding this offering, including the principal amount, conversion rate and ranking of our notes, and the risks of investing in our notes. To the extent information in this prospectus is inconsistent with any of the documents incorporated by reference into this prospectus, you should rely on this prospectus. You should read and consider the information in this prospectus together with the additional information described under the headings "Where You Can Find More Information" and "Information Incorporated by Reference."

NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information in this prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not of historical fact, including, without limitation, statements regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, plans, goals and objectives, may be forward-looking statements. The words "anticipates," "believes," "designed," "estimates," "expects," "goal," "intends," "may," "plans," "projects," "pursuing," "will," "would" and similar expressions (including the negatives thereof) are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions, expectations or objectives disclosed in our forward-looking statements and the assumptions underlying our forward-looking statements may prove incorrect. Therefore, you should not place undue reliance on our forward-looking statements. Actual results or events may differ significantly from the results discussed in the forward-looking statements we make. Factors that might cause such a discrepancy include, but are not limited to those discussed below in "Risk Factors." All forward-looking statements in this document are based on information available to us as of the date hereof and we assume no obligation to update any such forward-looking statements.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-3 under the Securities Act relating to the notes and the common stock issuable upon conversion thereof offered by this prospectus. This prospectus is a part of that registration statement, which includes additional information not contained in this prospectus.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file with the SEC (including exhibits to such documents) at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our SEC filings are also available to the public at the SEC's website at *www.sec.gov*.

INCORPORATION BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below (except the information contained in such documents to the extent "furnished" and not "filed") and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934:

1. Annual Report on Form 10-K for the year ended December 31, 2006, filed on March 1, 2007.

2. All information in our proxy statement filed with the SEC on March 12, 2007 to the extent incorporated by reference in our Annual Report on Form 10-K for the year ended December 31, 2006.

3. Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, filed on May 8, 2007.

4. Quarterly Reports on Form 10-Q and 10-Q/A for the quarter ended June 30, 2007, filed on August 8, 2007 and August 15, 2007, respectively.

5. Quarterly Report on Form 10-Q for the quarter ended September 30, 2007, filed on November 7, 2007.

6. Report on Form 8-K filed on February 20, 2007.

7. Report on Form 8-K filed on February 21, 2007.

8. Report on Form 8-K filed on April 30, 2007.

9. Report on Form 8-K filed on June 29, 2007.

10. Report on Form 8-K filed on July 3, 2007.

11. Report on Form 8-K filed on July 11, 2007.

12. Report on Form 8-K filed on July 20, 2007.

13. Report on Form 8-K filed on July 31, 2007.

14. Report on Form 8-K filed on September 13, 2007.

15. Report on Form 8-K filed on January 7, 2008.

16. Report on Form 8-K filed on January 11, 2008.

17. Report on Form 8-K filed on January 15, 2008.

18. The description of our common stock and preferred stock purchase rights contained in the Registration Statement on Form 8-A filed with the SEC on September 27, 2004.

You may request, and we will provide you with, a copy of these filings, at no cost, by calling us at (650) 808-6000 or by writing to us at the following address:

Theravance, Inc.
901 Gateway Boulevard
South San Francisco, CA 94080
Attn: Investor Relations

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere or incorporated by reference in this prospectus. This summary may not contain all the information that you should consider before investing in our notes. You should read the entire prospectus carefully, including "Risk Factors" and the financial statements incorporated by reference in this prospectus, before making an investment decision. Unless the context otherwise requires, any reference to "Theravance," "we," "our" and "us" in this prospectus refers to Theravance, Inc., a Delaware corporation, and its subsidiaries.

Theravance, Inc.

Overview

We are a biopharmaceutical company with a pipeline of internally discovered product candidates. We are focused on the discovery, development and commercialization of small molecule medicines across a number of therapeutic areas including respiratory disease, bacterial infections and gastrointestinal motility dysfunction. Of our six programs in development, four are in late stage our telavancin program focusing on treating serious Gram-positive bacterial infections with Astellas Pharma Inc. (Astellas), our Horizon program (formerly referred to as Beyond Advair) with GlaxoSmithKline plc (GSK), our Gastrointestinal Motility Dysfunction program and TD-1792, our investigational antibiotic for the treatment of serious Gram-positive bacterial infections. By leveraging our proprietary insight of multivalency to drug discovery focused on validated targets, we are pursuing a next generation strategy designed to discover superior medicines in areas of significant unmet medical need. None of our product candidates have been approved for marketing and sale to patients and we have not received any product revenue to date.

Our strategy focuses on the discovery, development and commercialization of medicines with superior efficacy, convenience, tolerability and/or safety. By primarily focusing on biological targets that have been clinically validated either by existing medicines or by potential medicines in late-stage clinical studies, we can leverage years of available knowledge regarding a target's activity and the animal models used to test potential medicines against such targets. We move a product candidate into development after it demonstrates the potential to be superior to existing medicines or drug candidates in animal models that we believe correlate to human clinical experience. This strategy of developing the next generation of existing medicines or potential medicines is designed to reduce technical risk and increase productivity. We believe that we can enhance the probability of successfully developing and commercializing medicines by identifying at least two structurally different product candidates, whenever practicable, in each therapeutic program.

Our Programs

The following table summarizes the status of our product candidates for internal development or co-development.

In the table above:

Phase 1 indicates initial clinical safety testing in healthy volunteers, or studies directed toward understanding the mechanisms of action of the drug.

Phase 2 indicates further clinical safety testing and preliminary efficacy testing in a limited patient population.

Phase 3 indicates evaluation of clinical efficacy and safety within an expanded patient population.

NDA indicates that a new drug application has been submitted to and accepted for filing by the U.S. Food and Drug Administration (FDA).

We consider programs in which at least one compound has successfully completed a Phase 2a study showing efficacy and tolerability as having achieved Proof of Concept.

Development Status indicates the most advanced stage of development that has been completed or is in process.

Bacterial Infections Programs

Our bacterial infections program has been dedicated to finding new antibiotics for serious infections due to Gram-positive bacteria, including methicillin-resistant *Staphylococcus aureus* (MRSA). This program has resulted in the discovery of telavancin and a unique heterodimer antibiotic, TD-1792.

Telavancin

Telavancin, the lead product candidate in our bacterial infections program targeting resistant Gram-positive pathogens, is a bactericidal, once-daily injectable antibiotic with a multifunctional

mechanism of action. Our goal is for telavancin to become first-line therapy in treating serious Gram-positive complicated skin and skin structure infections (cSSSI) and hospital-acquired pneumonia (HAP) bacterial infections.

Telavancin Development Status

Based on results from ATLAS 1 and ATLAS 2, our large, multi-center, multinational, double-blind, randomized Phase 3 clinical studies in which 1,867 patients were enrolled and treated, 719 of whom were infected with MRSA, in December 2006 we submitted our first new drug application (NDA) to the FDA for telavancin for the treatment of cSSSI caused by Gram-positive bacteria. In October 2007, the FDA issued an approvable letter for our NDA filing. The FDA letter indicated that the telavancin application is approvable, subject to: resolution of current good manufacturing practices (cGMP) compliance issues not specifically related to telavancin at a third-party manufacturer; and submission of revised labeling or re-analyses of clinical data or additional clinical data. We are preparing a complete response to the approvable letter and believe that no additional clinical studies will need to be initiated to respond. On January 11, 2008, we announced that the Anti-Infective Drugs Advisory Committee to the FDA is scheduled to meet to review our telavancin NDA for the proposed indication to treat cSSSI on February 27, 2008. Telavancin is also under review for its safety and efficacy by regulatory authorities in the European Union for the treatment of complicated skin and soft tissue infections and in Canada for the treatment of cSSSI.

In December 2007 we announced results from ATTAIN 1 and ATTAIN 2, our large, multi-center, multinational, double-blind, randomized Phase 3 clinical studies in HAP in which 1,503 patients were enrolled and treated, 464 of whom were infected with MRSA. In each study, telavancin achieved its objective of non-inferiority in the all-treated and clinically evaluable patient populations. Currently, we plan to submit an NDA for the HAP indication to the FDA in 2008.

Our Relationship with Astellas

In November 2005, we entered into a collaboration arrangement with Astellas for the development and commercialization of telavancin. In July 2006, Japan was added to our telavancin collaboration, thereby giving Astellas worldwide rights to this potential medicine. Through September 30, 2007, we have received $158.0 million in upfront, milestone and other fees from Astellas and we are eligible to receive up to an additional $60.0 million in remaining milestone payments if regulatory filings and approvals in various regions of the world are achieved. If telavancin is commercialized we will be entitled to receive royalties on global sales of telavancin that, on a percentage basis, range from the high teens to the upper twenties depending on sales volume. Under this arrangement, we will be responsible for substantially all costs to develop and obtain U.S. regulatory approval for telavancin for cSSSI and HAP, and Astellas will be responsible for substantially all costs associated with commercialization and further development of telavancin.

TD-1792

TD-1792 is an investigational heterodimer antibiotic that combines the antibacterial activities of a glycopeptide and a beta-lactam in one molecule. The goal of our program with TD-1792 is to develop a next-generation antibiotic for the treatment of serious infections caused by Gram-positive bacterial infections.

TD-1792 Development Status

In July 2007 we announced results from an approximately 200-patient study in cSSSI with TD-1792. In September 2007, we announced that we retained full ownership rights of TD-1792 as a result of Astellas' decision not to exercise its right to license the compound under our telavancin

collaboration arrangement. We are currently conducting further studies with TD-1792 to evaluate the potential of this compound in more serious infections such as bacteremia.

Respiratory Programs

We have three development programs directed toward asthma and/or chronic obstructive pulmonary disease (COPD): our Horizon program (formerly referred to as Beyond Advair) with GSK, and our Muscarinic Antagonist Beta$_2$Agonist (MABA) and our Long-Acting Muscarinic Antagonist (LAMA) programs. GSK has licensed both our MABA and LAMA programs, pursuant to the terms of our 2004 strategic alliance.

Horizon Program with GlaxoSmithKline

In November 2002, we entered into our Horizon collaboration with GSK to develop and commercialize a Long-Acting Beta$_2$ Agonist (LABA) product candidate for the treatment of asthma and COPD. This product candidate is intended to be administered via inhalation once daily both as a single agent new medicine and as part of a new combination medicine with an inhaled corticosteroid (ICS). The collaboration intends to develop a new generation product to replace Advair®, which had sales of approximately $6.1 billion in 2006 as reported by GSK in early 2007. Each company contributed four LABA product candidates to the program.

Through September 30, 2007, we received $60.0 million in upfront and milestone payments related to the clinical progress of our product candidates. In addition, we are entitled to receive the same royalties on product sales of medicines from the Horizon program, regardless of whether the product candidate originated with us or with GSK. The royalty structure is downward tiering and would result in an average percentage royalty rate in the low- to mid-teens at annual net sales of up to approximately $4.0 billion and the average royalty rate would decline to single digits at annual net sales of more than $6.0 billion. Sales of single agent LABA medicines and combination LABA/ICS medicines would be combined for the purposes of this royalty calculation. In the event that a LABA product candidate discovered by GSK is successfully developed and commercially launched in multiple regions in the world, we will be obligated to make payments to GSK of up to $220.0 million. Based on available information, we do not estimate that a significant portion of these potential milestone payments to GSK are likely to be made in the next three years. The current lead LABA candidate, GW642444 (`444), is a GSK-discovered compound.

Horizon Development Status

In April 2007 the collaboration reported results from the Phase 2b clinical program, in which two LABA product candidates, dosed once daily, achieved clinically significant increases in bronchodilation at least equivalent to that of salmeterol dosed twice daily. Based on these results, in late December 2007 the lead LABA compound in development, '444, progressed into a 28-day Phase 2b study designed to enroll 600 patients with asthma and is planned to progress into Phase 2b studies in COPD in the first half of 2008. In addition, in a recent 8-week, 650-patient Phase 2 study of the lead ICS, GW685698 ('698), both doses studied (200 mcg and 400 mcg) showed improved lung function dosed once daily compared to placebo, with no adverse effect on cortisol excretion. Based on these results, three 8-week studies with '698 comprising a Phase 2b program designed to enroll a total of 1,800 patients with mild, moderate and severe asthma, began enrolling patients in late December 2007. In parallel, combination studies to enable Phase 3 studies with both '444 and '698 are scheduled to initiate in 2008.

Bifunctional Muscarinic Antagonist-Beta$_2$ Agonist (MABA)

In our MABA program, we are developing with GSK a long-acting inhaled bronchodilator that is bifunctional, meaning that one small molecule functions both as a muscarinic antagonist and as a beta$_2$ receptor agonist. By combining bifunctional activity and high lung selectivity, we intend to develop a medicine with greater efficacy than single mechanism bronchodilators (such as tiotropium or salmeterol) and with equal or better tolerability. This bifunctional bronchodilator could potentially then serve as a basis for improved "triple therapy" through co-formulation with another inhaled respiratory compound into a single product that could potentially deliver three complementary therapeutic effects for patients with respiratory disease. GSK licensed our MABA program in 2005 pursuant to the terms of our strategic alliance described below.

MABA Development Status

The first compound in the MABA program, GSK961081, successfully completed single- and multiple-dose Phase 1 studies in healthy volunteers and commenced a Phase 2 study in late October 2007. We expect to complete and report results from this study in late 2008.

Long-Acting Muscarinic Antagonist (LAMA)

Inhaled muscarinic antagonists are frequently used as bronchodilators for COPD. Inhaled muscarinic antagonists work by inhibiting muscarinic receptors on the bronchial airways, which leads to muscle relaxation and improved lung function. Pursuant to our strategic alliance with GSK, we are developing with GSK an inhaled LAMA designed to produce a prolonged blockade of the relevant receptor sub-types while also being highly lung-selective, which means that lower concentrations of drug should get into the systemic circulation. Higher lung selectivity should result in improved tolerability.

LAMA Development Status

The investigational, inhaled bronchodilator GSK1160724 commenced a Phase 1 study in December 2007. We expect to complete and report results from this study in 2008. GSK currently has a competing LAMA product candidate that is further advanced in development than our LAMA product candidate, which is the second LAMA compound we delivered to GSK under this program.

Gastrointestinal (GI) Motility Dysfunction Program

Our Gastrointestinal (GI) Motility Dysfunction program is dedicated to finding new medicines for GI motility disorders such as chronic idiopathic constipation (CIC), constipation predominant irritable bowel syndrome (C-IBS), functional dyspepsia and delayed gastric emptying.

Our lead compound in this area is TD-5108, a highly selective 5-HT4 receptor agonist. We believe that the high degree of selectivity of TD-5108 provides the potential for it to become a next-generation medicine for the treatment of severe constipation and possibly constipation-predominant irritable bowel syndrome.

TD-5108 Development Status

In June 2007 we announced results from our approximately 400-patient ACCORD Phase 2 clinical study in chronic constipation with TD-5108. In September 2007, we announced that we retained full ownership rights of our GI Motility Dysfunction program as a result of GSK's decision not to exercise its right to license the program under the strategic alliance. At our end-of-Phase 2 meeting with the FDA for TD-5108 in late 2007, the FDA confirmed that the TD-5108 data package from the ACCORD study was adequate to progress TD-5108 into Phase 3 efficacy and safety studies in patients with CIC. The FDA also indicated that the size of the clinical program should be consistent with the

International Conference on Harmonisation (ICH) guidelines for the development of drugs for chronic use. We recently completed enrollment in a Phase 1 thorough QTc study on this compound. Our preliminary review of the electrocardiogram data from the study suggests that such data is unreliable due to problems with the conduct of the study, not with the intrinsic properties of TD-5108. We believe that lack of assay sensitivity in the active control arm of the study (moxifloxacin) renders the results uninterpretable, and that the study will need to be repeated in order to generate scientifically valid results. We currently intend to initiate a repeat of the study later this year.

2004 GSK Strategic Alliance

In March 2004, we entered into our strategic alliance with GSK. Under this alliance, GSK received an option to license exclusive development and commercialization rights to product candidates from all of our drug discovery programs initiated prior to September 1, 2007, on pre-determined terms and on an exclusive, worldwide basis. Upon its decision to license a program, GSK is responsible for funding all future development, manufacturing and commercialization activities for product candidates in that program. If these programs are successfully advanced through development by GSK, we are entitled to receive clinical, regulatory and commercial milestone payments and royalties on any sales of medicines developed from these programs. For product candidates licensed to date under this agreement, the royalty structure for a product containing one of our compounds as a single active ingredient would result in an average percentage royalty rate in the low double digits. If a product is successfully commercialized, in addition to any royalty revenue that we receive, the total upfront and milestone payments that we could receive in any given program that GSK licenses range from $130.0 million to $162.0 million for programs with single-agent medicines and up to $252.0 million for programs with both a single-agent and a combination medicine. If GSK chooses not to license a program, we retain all rights to the program and may continue the program alone or with a third party. To date, GSK has licensed our two COPD programs: our Long-Acting Muscarinic Antagonist (LAMA) program and our Bifunctional Muscarinic Antagonist-Beta$_2$ Agonist (MABA) program. Under the terms of the strategic alliance agreement, GSK still has an option to license our peripheral Opioid-Induced Bowel Dysfunction (PUMA) program, our AT1 Receptor Neprilysin Inhibitor hypertension (ARNI) program and our MonoAmine Reuptake Inhibitor chronic pain (MARIN) program.

Financial Update

While we are still in the process of determining final results for the fourth quarter of 2007, as of November 30, 2007, we had cash, cash equivalents and marketable securities totaling $143 million. We expect that our cash, cash equivalents and marketable securities, together with the proceeds of this offering, will be sufficient to meet our capital needs for at least the next 12 months.

Corporate Information

We were incorporated on November 19, 1996 under the name Advanced Medicine, Inc. In April 2002, we changed our name to Theravance, Inc. Our principal executive offices are located at 901 Gateway Boulevard, South San Francisco, California 94080, and our telephone number is (650) 808-6000. Theravance and the Theravance logo are registered trademarks of Theravance, Inc. Trademarks, tradenames or service marks of other companies appearing in this prospectus are the property of their respective owner. Our web site is *www.theravance.com*. Information contained on our web site does not constitute a part of this prospectus.

THE OFFERING

The following is a brief summary of the terms of this offering. In the following summary, any reference to "Theravance," "we," "our," and "us" refers only to Theravance, Inc. and not any of its current or future subsidiaries. For a more complete description of the notes, see "Description of the Notes" in this prospectus.

Issuer	Theravance, Inc.
Notes Offered	$150,000,000 aggregate principal amount of 3% Convertible Subordinated Notes due 2015 ($172,500,000 aggregate principal amount if the underwriters exercise in full their over-allotment option to purchase additional notes).
Issue Price	100% of the principal amount plus interest, if any.
Maturity Date	January 15, 2015.
Interest and Payment Dates	3.0% per year, payable semi-annually in arrears in cash on January 15 and July 15 of each year, beginning July 15, 2008.
Conversion Rights	The notes are convertible, at the option of the holder, at any time prior to the close of business on the business day immediately preceding the stated maturity date, into shares of our common stock at a conversion rate of 38.6548 shares per $1,000 principal amount of notes, which is equivalent to a conversion price of approximately $25.87 per share. The conversion rate is subject to adjustment. See "Description of the Notes Conversion Rights."
Fundamental Change	If a fundamental change occurs, holders will have the right to require us to repurchase for cash all or any portion of their notes. The fundamental change repurchase price will be 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest, if any, up to, but excluding, the repurchase date. See "Description of the Notes Fundamental Change Permits Holders to Require Us to Purchase Notes." If certain fundamental change events occur, we will in some circumstances adjust the conversion rate of the notes with a make-whole premium in connection with such fundamental change. The amount of the make-whole premium, if any, will be based on our common stock price and the effective date of such fundamental change. A description of how the make-whole premium will be determined and an illustrative table showing the estimated make-whole premium that would apply at various common stock prices and fundamental change effective dates are set forth under "Description of the Notes Make-Whole Premium Upon Certain Fundamental Changes."

Redemption at Our Option	We may not redeem the notes prior to January 15, 2012. On or after January 15, 2012 and prior to the maturity date, we may redeem for cash all or part of the notes if the last reported sale price of our common stock has been greater than or equal to 130% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading day period prior to the date on which we provide notice of redemption. The redemption price will equal 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to but excluding the redemption date. We will make at least eight semiannual interest payments (including the interest payments on July 15, 2008, and January 15, 2012) in the full amount required by the indenture before we can redeem the notes at our option. We will give notice of redemption not less than 30 nor more than 60 days before the redemption date by mail to the trustee, the paying agent and each holder of notes.
Ranking	The notes will be our general unsecured obligations and will be: subordinated in right of payment to all of our existing and future senior indebtedness; equal in right of payment to all of our existing and future subordinated indebtedness; effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the assets securing that indebtedness; and effectively subordinated to all existing and future indebtedness and other liabilities of our subsidiaries. As of September 30, 2007, we had no outstanding senior indebtedness as defined in the indenture, nor any secured indebtedness or subordinated indebtedness. In addition, as of September 30, 2007, our subsidiaries had no indebtedness outstanding (excluding intercompany indebtedness).
Use of Proceeds	We currently intend to use the net proceeds from this offering for general corporate purposes, which may include clinical and preclinical development of existing product candidates, drug research activities and manufacture of pre-clinical, clinical and commercial drug supplies, capital expenditures and working capital.
Form and Denomination	The notes will be issued in minimum denominations of $1,000 and any integral multiple of $1,000.
Nasdaq Symbol for Common Stock	Our common stock is listed on the Nasdaq Global Market under the symbol "THRX."

Certain U.S. Federal Income Tax Considerations	See "Certain U.S. Federal Income Tax Considerations" for a discussion of the U.S. tax considerations applicable to the purchase, ownership and conversion of the notes.
Risk Factors	You should carefully consider the information set forth in the section entitled "Risk Factors" beginning on page 14 of this prospectus and all other information provided to you and incorporated by reference in the prospectus before deciding to invest in the notes.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables present our summary consolidated statements of operations data for 2004 through 2006 and the nine months ended September 30, 2006 and 2007, and our summary consolidated balance sheet data as of September 30, 2007. You should read this information in conjunction with our consolidated financial statements, including the related notes, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for 2006 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2007. The summary consolidated balance sheet data is presented on an actual basis and as adjusted to reflect the issuance and sale of $150,000,000 aggregate principal amount of notes in this offering, after deducting the estimated underwriting discount and offering expenses payable by us.

	Year Ended December 31,			Nine Months Ended September 30,	
	2004	2005	2006	2006	2007
	(in thousands, except per share data)				
				(unaudited)	
Consolidated Statement of Operations Data:					
Revenue	$ 8,940	$ 12,054	$ 19,587	$ 14,657	$ 16,372
Operating expenses:					
Research and development(1)	91,627	137,936	166,564	128,562	124,319
General and administrative(1)	23,708	23,674	32,193	24,041	26,772
Total operating expenses	115,335	161,610	198,757	152,603	151,091
Loss from operations	(106,395)	(149,556)	(179,170)	(137,946)	(134,719)
Interest and other income	4,564	6,969	13,649	10,234	8,059
Interest expense	(823)	(577)	(523)	(495)	(279)
Net loss	$ (102,654)	$ (143,164)	$ (166,044)	$ (128,207)	$ (126,939)
Basic and diluted net loss per common share	$ (3.08)	$ (2.69)	$ (2.81)	$ (2.18)	$ (2.10)
Shares used in computing net loss per common share(2)(3)(4)(5)	33,283	53,270	59,013	58,702	60,384

(1) Stock-based compensation, consisting of stock-based compensation expense under SFAS 123(R), the amortization of deferred stock-based compensation and the value of options issued to non-employees for services rendered, is allocated as follows (in thousands):

	Year Ended December 31,			Nine Months Ended September 30,	
	2004	2005	2006	2006	2007
				(unaudited)	
Research and development	$ 4,631	$ 3,259	$ 12,635	$ 9,378	$ 10,078

	Year Ended December 31,			Nine Months Ended September 30,	
General and administrative	3,890	2,364	9,196	7,106	7,089
Total stock-based compensation	$ 8,521	$ 5,623	$ 21,831	$ 16,484	$ 17,167

(2)

In May 2004, all shares of convertible preferred stock were converted into common stock.

(3)

In May 2004, GSK, through an affiliate, purchased 6,387,096 shares of Class A common stock for $108.9 million.

(4)

On October 5, 2004, the Company completed its initial public offering with the sale of 7,072,500 shares of common stock. Net proceeds, after underwriters' commissions and offering expenses, totaled $102.1 million. Contemporaneously with the closing of its initial public offering, the

Company sold 433,757 shares of its Class A common stock to an affiliate of GSK in a private transaction for total proceeds of $6.9 million.

(5)

In February 2006, the Company completed its follow-on offering with the sale of 5,200,000 shares of common stock. Net proceeds, after underwriters' commission and offering expenses, totaled $139.9 million.

	As of September 30, 2007	
	Actual	As Adjusted
	(in thousands) (unaudited)	
Consolidated Balance Sheet Data:		
Cash, cash equivalents and marketable securities	$ 166,521	$ 311,421
Working capital	87,300	232,200
Total assets	198,623	348,623
Long-term liabilities(6)	182,372	332,372
Accumulated deficit	(904,751)	(904,751)
Total net capital deficiency	(40,885)	(40,885)

(6)

Long-term liabilities includes the long-term portion of deferred revenue of $171.5 million as of September 30, 2007.

RISK FACTORS

An investment in our notes involves a high degree of risk. We operate in a dynamic and rapidly changing industry that involves numerous risks and uncertainties. You should carefully consider the following risk factors, together with all of the other information contained in this prospectus or incorporated by reference into this prospectus. The risks and uncertainties described below are not the only ones we face. Other risks and uncertainties, including those that we do not currently consider material, may impair our business. If any of the adverse developments discussed below actually occur, our business, financial condition, operating results or cash flows could be materially and adversely affected. This could cause the value of our notes to decline, and you may lose all or part of your investment.

Risks Related to our Business

If telavancin is not approved by regulatory agencies, including the U.S. Food and Drug Administration, our business will be adversely affected and the price of our notes and common stock will decline.

Telavancin is the first product candidate for which we submitted a new drug application (NDA) to the U.S. Food and Drug Administration (FDA). On October 19, 2007 we received an approvable letter from the FDA indicating that our telavancin NDA is approvable, subject to: resolution of current good manufacturing practices (cGMP) compliance issues not specifically related to telavancin at our third-party manufacturer; and submission of revised labeling or re-analyses of clinical data or additional clinical data. Although we are working diligently to respond to the FDA and we believe that no additional clinical studies will need to be initiated to respond to the approvable letter, there can be no assurance that we will be able to respond fully or adequately to the FDA's requests using currently existing clinical data, that our third-party manufacturer will successfully resolve the cGMP issues that the FDA noted, or that the FDA will approve the current telavancin NDA on the basis of existing preclinical and clinical data or at all. If we are required to undertake additional clinical trials or to identify and qualify a new contract manufacturer for televancin, we would incur significant additional cost and regulatory action on our NDA would be materially delayed. On January 11, 2008, we announced that the Anti-Infective Drugs Advisory Committee (AIDAC) to the FDA is scheduled to meet to review our telavancin NDA for the proposed indication to treat complicated skin and skin structure infections (cSSSI) on February 27, 2008. It is impossible to predict the outcome of the AIDAC meeting, and the decision of the AIDAC is not binding on FDA. Any adverse developments or results or perceived adverse developments or results with respect to the AIDAC meeting could adversely affect the prospects of telavancin and cause the price of our notes and common stock to fall.

Telavancin is also under review by European Union and Canadian regulatory agencies. If the regulatory authorities require additional clinical data, or the labeling for telavancin that is ultimately approved by regulatory authorities materially limits the targeted patient population, our business will be harmed and the price of our notes and common stock will fall. Furthermore, if our third party manufacturer's cGMP issues are not satisfactorily resolved or regulatory action on telavancin is otherwise delayed for a lengthy period, or if a regulatory authority does not approve telavancin, our business will be harmed and the price of our notes and common stock will fall.

In addition, in 2008 we plan to submit an NDA to the FDA for the additional indication of hospital-acquired pneumonia (HAP) for telavancin. Regulatory action with respect to this application could take a significant amount of time and could require that we undertake additional studies. Any adverse developments or results or perceived adverse developments or results with respect to our efforts to obtain approval of telavancin for this indication will cause the price of our notes and common stock to fall.

If our product candidates, in particular telavancin, are determined to be unsafe or ineffective in humans, our business will be adversely affected and our stock price will decline.

We have never commercialized any of our product candidates. We are uncertain whether any of our compounds or product candidates will prove effective and safe in humans or meet applicable regulatory standards. In addition, our approach to applying our expertise in multivalency to drug discovery is unproven and may not result in the creation of successful medicines. The risk of failure for our compounds and product candidates is high. For example, in late 2005 we discontinued our overactive bladder program based upon the results of our Phase 1 studies with compound TD-6301, and GSK discontinued development of TD-5742, the first LAMA compound licensed from us, based on the results of Phase 1 studies. To date, the data supporting our drug discovery and development programs is derived solely from laboratory experiments, preclinical studies and clinical studies. A number of other compounds remain in the lead identification, lead optimization, preclinical testing or early clinical testing stages.

Several recent, well-publicized safety-related product withdrawals, suspensions, post-approval labeling revisions to include black-box warnings and changes in approved indications, as well as growing public and governmental scrutiny of safety issues, have created an increasingly conservative regulatory environment. Therefore, there is a risk that the FDA may implement new standards or change their interpretation of existing requirements for demonstrating that a product candidate is safe and effective, which could cause non-approval or delays in its approval of product candidates, including telavancin. It is impossible to predict when or if any of our product candidates will prove effective or safe in humans or will receive regulatory approval. If we are unable to discover and develop medicines that are effective and safe in humans, our business will fail.

Any failure of a product candidate in clinical studies or any delay in commencing or completing clinical studies for our product candidates would harm our business and cause our stock price to decline.

Each of our product candidates must undergo extensive preclinical and clinical studies as a condition to regulatory approval. Preclinical and clinical studies are expensive and take many years to complete. The commencement and completion of clinical studies for our product candidates may be delayed by many factors, including:

- poor effectiveness of product candidates during clinical studies;
- adverse events, safety issues or side effects relating to the product candidates or their formulation into medicines;
- our inability or the inability of our collaborators or licensees to manufacture or obtain from third parties materials sufficient for use in preclinical and clinical studies;
- governmental or regulatory delays and changes in regulatory requirements, policy and guidelines;
- failure of our partners to advance our product candidates through clinical development;
- unreliable results from clinical studies, which we recently experienced with our Phase 1 thorough QTc study on TD-5108;
- inability to raise additional capital in sufficient amounts to continue our development programs, which are very expensive;
- inability to enter into corporate partnering arrangements relating to the development and commercialization of our later-stage programs;

delays in patient enrollment, which we experienced in our Phase 3 HAP program for telavancin, and variability in the number and types of patients available for clinical studies;

difficulty in maintaining contact with patients after treatment, resulting in incomplete data;

a regional disturbance where we are enrolling patients in our clinical trials, such as a pandemic, terrorist activities or war, or a natural disaster; and

varying interpretation of data by the FDA and similar foreign regulatory agencies.

If our product candidates fail to demonstrate safety and effectiveness in clinical trials, or if our clinical trials are materially delayed, our business and financial condition will be adversely affected.

If our product candidates that we develop on our own or through collaborative partners are not approved by regulatory agencies, including the FDA, we will be unable to commercialize them.

The FDA must approve any new medicine before it can be marketed and sold in the United States. We must provide the FDA and similar foreign regulatory authorities with data from preclinical and clinical studies that demonstrate that our product candidates are safe and effective for a defined indication before they can be approved for commercial distribution. We will not obtain this approval for a product candidate unless and until the FDA approves a NDA. In order to market our medicines in the European Union and other foreign jurisdictions, we must obtain separate regulatory approvals in each country. The approval procedure varies among countries and can involve additional testing, and the time required to obtain approval may differ from that required to obtain FDA approval. Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one foreign regulatory authority does not ensure approval by regulatory authorities in other foreign countries or by the FDA. Conversely, failure to obtain approval in one or more jurisdictions may make approval in other jurisdictions more difficult.

Clinical studies involving our product candidates may reveal that those candidates are ineffective, inferior to existing approved medicines, unacceptably toxic or have other unacceptable side effects. In addition, the results of preclinical studies do not necessarily predict clinical success, and larger and later-stage clinical studies may not produce the same results as earlier-stage clinical studies.

Frequently, product candidates that have shown promising results in early preclinical or clinical studies have subsequently suffered significant setbacks or failed in later clinical studies. In addition, clinical studies of potential products often reveal that it is not possible or practical to continue development efforts for these product candidates. If our clinical studies are substantially delayed or fail to prove the safety and effectiveness of our product candidates, we may not receive regulatory approval of any of our product candidates and our business and financial condition will be materially harmed.

We rely on a number of manufacturers for our product candidates and we rely on a single manufacturer for supply of telavancin, and our business will be seriously harmed if these manufacturers are not able to satisfy our demand and alternative sources are not available.

We have limited in-house production capabilities and depend entirely on a number of third-party active pharmaceutical ingredient (API) and drug product manufacturers. We may not have long-term agreements with these third parties and our agreements with these parties may be terminable at will by either party at any time. If, for any reason, these third parties are unable or unwilling to perform, we may not be able to locate alternative manufacturers or enter into favorable agreements with them. Any inability to acquire sufficient quantities of API and drug product in a timely manner from these third parties could delay clinical studies, prevent us from developing our product candidates in a cost-effective manner or on a timely basis, and adversely affect the commercial introduction of any approved products. In addition, manufacturers of our API and drug product are subject to the FDA's

cGMP regulations and similar foreign standards and we do not have control over compliance with these regulations by our manufacturers.

We are in the process of having telavancin API and drug product manufactured for us in order to meet our obligations to Astellas in connection with commercial launch in the event telavancin is approved for sale by regulatory authorities. We have a single source of supply of telavancin API and a single source of supply of telavancin drug product. If we are unable to have telavancin manufactured in a timely manner, or if Astellas is unable to arrange for the expanded commercial manufacture of telavancin, the commercial introduction of telavancin, if approved, would be adversely affected. During a mid-2007 audit of our supplier for telavancin drug product, a district office of the FDA noted deficiencies, not specifically related to the manufacture of telavancin drug product, with the supplier's quality and laboratory systems at the plant where telavancin is manufactured. Although the supplier reported to us that it had responded to all noted deficiencies and had obtained verbal acknowledgment from the FDA's district office that it was in compliance, on November 16, 2007 the supplier received a warning letter from the FDA related to these issues and, to date, the supplier has been unable to reach formal resolution of these issues with the FDA. On October 19, 2007 we received an approvable letter from the FDA indicating that the telavancin NDA is approvable subject to, among other things, resolution of these cGMP compliance issues at our supplier. It is impossible to predict the amount of time it will take for the supplier and the FDA to resolve these compliance issues, and any material delay will harm our business and cause the price of our notes and common stock to fall. In addition, if this manufacturer is unable to resolve its issues with the FDA, we might be required to identify and qualify an alternative manufacturer for televancin, which would involve significant costs and material delays.

Our manufacturing strategy presents the following additional risks:

- because of the complex nature of our compounds, our manufacturers may not be able to successfully manufacture our APIs and/or drug products in a cost effective and/or timely manner and changing manufacturers for our APIs or drug products could involve lengthy technology transfer and validation activities for the new manufacturer;

- the processes required to manufacture certain of our APIs and drug products are specialized and available only from a limited number of third-party manufacturers;

- some of the manufacturing processes for our APIs and drug products have not been scaled to quantities needed for continued clinical studies or commercial sales, and delays in scale-up to commercial quantities could delay clinical studies, regulatory submissions and commercialization of our product candidates; and

- because some of the third-party manufacturers are located outside of the U.S., there may be difficulties in importing our APIs and drug products or their components into the U.S. as a result of, among other things, FDA import inspections, incomplete or inaccurate import documentation or defective packaging.

In addition, we are using a single source for the supply of our APIs and a single source for the supply of drug product for TD-1792, our investigational heterodimer antibiotic, as well as for TD-5108 in our GI Motility Dysfunction program. If any supplier fails to continue to produce supplies for our development activities for these compounds in acceptable quantity and/or quality, our clinical studies could be delayed.

If approved, telavancin may not be accepted by physicians, patients, third party payors, or the medical community in general.

If approved by the relevant regulatory agencies, the commercial success of telavancin will depend upon its acceptance by physicians, patients, third party payors and the medical community in

general. We cannot be sure that telavancin will be accepted by these parties even if it is approved by the relevant regulatory authorities. If approved, telavancin will compete with vancomycin, a relatively inexpensive generic drug that is manufactured by a variety of companies, a number of existing anti-infectives manufactured and marketed by major pharmaceutical companies and others, and potentially against new anti-infectives that are not yet on the market. Even if the medical community accepts that telavancin is safe and efficacious for its approved indications, physicians may choose to restrict the use of telavancin. If we and our partner, Astellas, are unable to demonstrate to physicians that, based on experience, clinical data, side-effect profiles and other factors, telavancin is preferable to vancomycin and other existing or subsequently-developed anti-infective drugs, we may never generate meaningful revenue from telavancin. The degree of market acceptance of telavancin, if approved by the relevant regulatory agencies, will depend on a number of factors, including, but not limited to:

- the demonstration of the clinical efficacy and safety of telavancin;
- the labeling for telavancin that ultimately is approved by regulatory authorities;
- the advantages and disadvantages of telavancin compared to alternative therapies;
- our and Astellas' ability to educate the medical community about the safety and effectiveness of telavancin;
- the reimbursement policies of government and third party payors; and
- the market price of telavancin relative to competing therapies.

Even if our product candidates receive regulatory approval, commercialization of such products may be adversely affected by regulatory actions.

Even if we receive regulatory approval, this approval may include limitations on the indicated uses for which we can market our medicines or the patient population that may utilize our medicines, which may limit the market for our medicines or put us at a competitive disadvantage relative to alternative therapies. Further, if we obtain regulatory approval, a marketed medicine and its manufacturer are subject to continual review, including review and approval of the manufacturing facilities. Discovery of previously unknown problems with a medicine may result in restrictions on its permissible uses, or on the manufacturer, including withdrawal of the medicine from the market. The FDA and similar foreign regulatory authorities may also implement new standards, or change their interpretation and enforcement of existing standards and requirements for the manufacture, packaging or testing of products at any time. If we are unable to comply, we may be subject to regulatory or civil actions or penalties that could significantly and adversely affect our business. Any failure to maintain regulatory approval will limit our ability to commercialize our product candidates, which would materially and adversely affect our business and financial condition.

We have incurred operating losses in each year since our inception and expect to continue to incur substantial losses for the foreseeable future.

We have been engaged in discovering and developing compounds and product candidates since mid-1997. We have not generated any product revenue to date. We may never generate revenue from selling medicines or achieve profitability. As of September 30, 2007, we had an accumulated deficit of approximately $904.8 million.

We expect to incur substantial expenses as we continue our drug discovery and development efforts, particularly to the extent we advance our product candidates into and through clinical studies, which are very expensive. As a result, we expect to continue to incur substantial losses for the foreseeable future. We are uncertain when or if we will be able to achieve or sustain profitability.

Failure to become and remain profitable would adversely affect the price of our notes and common stock and our ability to raise capital and continue operations.

If we fail to obtain the capital necessary to fund our operations, we may be unable to develop our product candidates and we could be forced to share our rights to commercialize our product candidates with third parties on terms that may not be favorable to us.

We need large amounts of capital to support our research and development efforts. If we are unable to secure capital to fund our operations we will not be able to continue our discovery and development efforts and we might have to enter into strategic collaborations that could require us to share commercial rights to our medicines to a greater extent than we currently intend. Based on our current operating plans, we believe that our cash and cash equivalents and marketable securities together with the proceeds of this offering will be sufficient to meet our anticipated operating needs for at least the next twelve months. We are likely to require additional capital to fund operating needs thereafter. In addition, in the event that a LABA product candidate discovered by GSK is successfully developed and commercially launched in multiple regions in the world, we are obligated to pay GSK milestone payments of up to an aggregate of $220.0 million under our Horizon program (formerly referred to as Beyond Advair). The current lead LABA candidate, GW642444, is a GSK-discovered compound. If this GSK-discovered compound is advanced through regulatory approval, we would not be entitled to any further milestone payments from GSK with regard to the Horizon program. We cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we will be prevented from continuing our discovery and development efforts and exploiting other corporate opportunities. This could harm our business, prospects and financial condition and cause the price of our notes and common stock to fall.

If our partners do not satisfy their obligations under our agreements with them, we will be unable to develop our partnered product candidates as planned.

We entered into our Horizon collaboration agreement with GSK in November 2002, our strategic alliance agreement with GSK in March 2004, and our telavancin development and commercialization agreement with Astellas in November 2005. In connection with these agreements, we have granted to these parties certain rights regarding the use of our patents and technology with respect to compounds in our development programs, including development and marketing rights. Under our GSK agreements, GSK has full responsibility for development and commercialization of any product candidates in the programs that it has in-licensed, including Horizon, LAMA and MABA. Any future milestone payments or royalties to us from these programs will depend on the extent to which GSK advances the product candidate through development and commercial launch. In connection with our Astellas telavancin agreement, Astellas is responsible for the commercialization of telavancin and any royalties to us from this program will depend upon Astellas' ability to launch and sell the medicine if it is approved.

Our partners might not fulfill all of their obligations under these agreements. In that event, we may be unable to assume the development and commercialization of the product candidates covered by the agreements or enter into alternative arrangements with a third party to develop and commercialize such product candidates. In addition, with the exception of product candidates in our Horizon program, our partners generally are not restricted from developing and commercializing their own products and product candidates that compete with those licensed from us. For example, GSK currently has a competing LAMA product candidate that is further advanced in development than our LAMA product candidate which they licensed from us. If a partner elected to promote its own products and product candidates in preference to those licensed from us, future payments to us could be reduced and our business and financial condition would be materially and adversely affected. Accordingly, our ability to

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