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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number: 0-30319

THERAVANCE, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**94-3265960**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

901 Gateway Boulevard
South San Francisco, CA 94080
(Address of Principal Executive Offices including Zip Code)

(650) 808-6000
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o 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. (Check one):

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

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

The number of shares of registrant's common stock outstanding on April 28, 2011 was 74,693,843.

The number of shares of registrant's Class A common stock outstanding on April 28, 2011 was 9,401,499.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

THERAVANCE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	March 31, 2011 (Unaudited)	December 31, 2010 *
Assets		
Current assets:		
Cash and cash equivalents	$ 147,874	$ 163,333
Marketable securities	145,945	146,301
Accounts receivable from related party	332	194
Notes receivable	370	531
Prepaid expenses and other current assets	5,751	5,995
Total current assets	300,272	316,354
Restricted cash	893	893
Property and equipment, net	10,548	10,215
Notes receivable	260	400
Other assets	3,135	3,340
Total assets	$ 315,108	$ 331,202
Liabilities and stockholders' net capital deficiency		
Current liabilities:		
Accounts payable	$ 2,214	$ 2,128
Accrued personnel -related expenses	4,206	8,617
Accrued clinical and development expenses	2,759	2,801
Accrued interest on convertible subordinated notes	1,078	2,372
Other current liabilities	1,724	2,008
Note payable and capital lease, current	200	206
Deferred revenue, current	21,238	21,922
Total current liabilities	33,419	40,054
Convertible subordinated notes	172,500	172,500
Deferred rent, non-current	4,586	3,574
Notes payable and capital lease, non-current	13	69
Deferred revenue	132,409	137,425
Commitments and contingencies (Notes 4, 8 and 9)		
Stockholders' net capital deficiency:		
Common stock, $0.01 par value; authorized: 200,000 shares; outstanding: 74,687 at March 31, 2011 and 70,950 at December 31, 2010	722	710

Class A common stock, $0.01 par value; authorized: 30,000 shares; outstanding: 9,042 at March 31, 2011 and December 31, 2010	94	94
Additional paid-in capital	1,194,620	1,177,359
Accumulated other comprehensive income	28	33
Accumulated deficit	(1,223,283)	(1,200,616)
Total stockholders' net capital deficiency	(27,819)	(22,420)
Total liabilities and stockholders' net capital deficiency	$ 315,108	$ 331,202

* Condensed consolidated balance sheet at December 31, 2010 has been derived from audited condensed consolidated financial statements.

See accompanying notes to condensed consolidated financial statements.

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THERAVANCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31,	
	2011	2010
Revenue (including amounts from a related party of $2,456 for each of the three months ended March 31, 2011 and 2010.)	$ 6,331	$ 5,714
Operating expenses:		
Research and development	20,464	20,351
General and administrative	7,169	6,476
Total operating expenses	27,633	26,827
Loss from operations	(21,302)	(21,113)
Interest income	145	94
Interest expense	(1,510)	(1,517)
Net loss	$ (22,667)	$ (22,536)
Basic and diluted net loss per share	$ (0.28)	$ (0.35)
Shares used in computing basic and diluted net loss per share	80,854	64,921

See accompanying notes to condensed consolidated financial statements.

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THERAVANCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2011	2010
Cash flows from operating activities		
Net loss	$ (22,667)	$ (22,536)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,650	1,515
Stock-based compensation	5,541	4,497
Forgiveness of notes receivable	1	3
Changes in operating assets and liabilities:		
Receivables	268	178
Prepaid expenses and other current assets	73	77
Accounts payable	198	(275)
Accrued personnel-related expenses, accrued clinical and development expenses, accrued interest on convertible subordinated notes and other current liabilities	(6,031)	(2,181)
Deferred rent	776	(142)
Deferred revenue	(5,700)	(4,700)
Other liabilities, non-current	—	(75)
Net cash used in operating activities	(25,891)	(23,639)
Cash flows from investing activities		

Purchases of property and equipment	(1,381)	—
Purchases of marketable securities	(76,408)	(51,994)
Sales of marketable securities	5,000	—
Maturities of marketable securities	71,250	44,000
Payments received on notes receivable	300	10
Net cash used in investing activities	(1,239)	(7,984)
Cash flows from financing activities		
Payments on notes payable and capital lease	(62)	(55)
Proceeds from issuances of common stock, net	11,733	94,057
Net cash provided by financing activities	11,671	94,002
Net increase (decrease) in cash and cash equivalents	(15,459)	62,379
Cash and cash equivalents at beginning of period	163,333	47,544
Cash and cash equivalents at end of period	$ 147,874	$ 109,923

See accompanying notes to condensed consolidated financial statements.

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Theravance, Inc.
Notes to Condensed consolidated financial statements
(Unaudited)

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Theravance, Inc. (the Company) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of the Company's management, the unaudited condensed consolidated financial statements have been prepared on the same basis as audited consolidated financial statements and include all adjustments, consisting of only normal recurring adjustments, necessary for the fair presentation of the Company's financial position, results of operations and cash flows. The interim results are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2011 or any other period.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 filed with the Securities and Exchange Commission (SEC) on February 28, 2011.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Management's Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Actual results could differ materially from those estimates.

Other-than-Temporary Impairment Assessment

The Company reviews its investment portfolio to identify and evaluate investments that have indications of possible impairment. Factors considered in determining whether a loss is other-than-temporary include the length of time and extent to which fair value has been less than the cost basis, the financial condition and near-term prospects of the investee, credit quality and the Company's conclusion that it does not intend to sell an impaired investment and is not more likely than not to be required to sell the security before it recovers its amortized cost basis. If the Company determines that the impairment of an investment is other-than-temporary, the investment is written down with a charge recorded in interest income.

Inventory

Inventory is stated at the lower of cost or market value and is included in prepaid and other current assets in the accompanying condensed consolidated balance sheets. Inventory is comprised of VIBATIV™ active pharmaceutical ingredient and other commercial launch supplies. Inventory was $1.7 million at March 31, 2011 and December 31, 2010. If Astellas Pharma Inc. (Astellas) decides not to purchase some or any of the remaining VIBATIV™ inventory, the Company will be required to expense a portion of the, or the entire remaining, capitalized inventory.

Research and Development Costs

Research and development costs are expensed in the period that services are rendered or goods are received. Research and development costs consist of salaries and benefits, laboratory supplies and facility costs, as well as fees paid to third parties that conduct certain research and development activities on behalf of the Company, net of certain external development costs reimbursed by GlaxoSmithKline plc (GSK) and Astellas.

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Fair Value of Stock-based Compensation Awards

The Company uses the fair value method of accounting for stock-based compensation arrangements. Stock-based compensation arrangements currently include stock options granted, restricted stock unit awards (RSUs) granted, performance-contingent RSUs granted, restricted stock awards (RSAs) granted, and performance-contingent RSAs granted under the 2004 Equity Incentive Plan (2004 Plan) and the 2008 New Employee Equity Incentive Plan (2008 Plan) and purchases of common stock by the Company's employees at a discount to the market price during offering periods under the Company's Employee Stock Purchase Plan (ESPP). Non-statutory options, RSUs, and RSAs were granted under the 2008 Plan to the Company's newly hired employees until April 27, 2010, the date on which stockholders approved the Company's amended and restated 2004 Plan. No further awards will be granted under the 2008 Plan.

The Company uses the Black-Scholes valuation model for stock-based payment awards granted. The Company's determination of the fair value of stock-based payment awards on the grant date using the Black Scholes option valuation model requires the use of assumptions, including the expected stock price volatility and the expected life of the award. The Company used the "simplified" method as described in Staff Accounting Bulletin No. 107 for expected option life and peer company price volatility.

Stock-based compensation expense was calculated based on awards ultimately expected to vest and has been reduced for estimated forfeitures at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company's estimated annual forfeiture rates for stock options, RSUs and RSAs are based on its historical forfeiture experience. Stock options were granted with an exercise price not less than 100% of the fair market value of the common stock on the date of grant. Stock options were generally granted with terms of up to ten years and vest over a period of four years.

The estimated fair value of stock options, RSUs and RSAs is expensed on a straight-line basis over the expected term of the grant and the fair value of performance-contingent RSUs and RSAs is expensed during the term of the award when the Company determines that it is probable that certain performance milestones will be achieved. Compensation expense for purchases under the ESPP is recognized based on the estimated fair value of the common stock during each offering period and purchase discount percentage.

The Company has not recognized, and does not expect to recognize in the near future, any tax benefit related to employee stock-based compensation costs as a result of the full valuation allowance on the Company's net deferred tax assets including deferred tax assets related to its net operating loss carryforwards.

Recent Accounting Updates

In April 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-17, "Revenue Recognition —Milestone Method" an update to Accounting Standards Codification (ASC) Topic 605, "Revenue Recognition". The update provides guidance on defining the milestone and determining when the use of the milestone method of revenue recognition for research and development transactions is appropriate. It provides criteria for evaluating if the milestone is substantive and clarifies that a vendor can recognize consideration that is contingent upon achievement of a milestone as revenue in the period in which the milestone is achieved, if the milestone meets all the criteria to be considered substantive. The guidance became effective on a prospective basis in fiscal years beginning on or after June 15, 2010 and early adoption was permitted. The Company elected to adopt the milestone method of revenue recognition on a prospective basis effective January 1, 2011. The election of the milestone method did not have a material impact on the Company's condensed consolidated financial statements. However, the election will result in different accounting treatment for future substantive milestones earned after the date of this adoption. Non-substantive milestones will continue to be recognized over the remaining performance period.

Under the 2004 Strategic Alliance with GSK, the total upfront and milestone payments that the Company 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 $252.0 million for programs with both a single-agent and a combination medicine. GSK licensed the MABA (Bifunctional Muscarinic Antagonist-Beta$_2$ Agonist) program in 2005, and the Company has received $18.0 million in upfront and milestone payments through March 31, 2011. In addition, GSK still has the right to license the Company's AT1 Receptor-Neprilysin Inhibitor (ARNI) and MonoAmine Reuptake Inhibitor (MARIN) programs. The eligible milestones related to the MABA program and any future milestones that may be earned if GSK exercises its right to license either ARNI or MARIN are not deemed substantive due to the fact that the outcome predominantely relates to GSK's performance of future development, manufacturing and commercialization activities for product candidates after licensing the program. See "Note 4. Collaboration Arrangements".

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Under the 2005 License, Development and Commercialization Agreement with Astellas, the Company is eligible to receive up to an additional $30.0 million in milestone payments. The Company has deemed $10.0 million of the remaining potential milestone payments to be substantive as the Company is responsible for substantially all activities to develop and obtain U.S. regulatory approval for telavancin for the treatment of nosocomial pneumonia. The remaining eligible milestone payments of $20.0 million are not deemed substantive due to the fact that pursuing regulatory approval of telavancin in the regions of the world outside of the U.S. is predominantly the responsibility of Astellas.

In October 2009, the FASB issued ASU No. 2009-13, "Revenue Recognition - Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force", an update to ASC Topic 605, "Revenue Recognition". The update requires companies to allocate the overall consideration to each deliverable by using a best estimate of the selling price of individual deliverables in the arrangement in the absence of vendor specific objective evidence or other third party evidence of the selling price. The guidance became effective on a prospective basis in fiscal years beginning on or after June 15, 2010 and early adoption was permitted. Companies may elect to adopt this guidance prospectively for all revenue arrangements entered into or materially modified after the date of adoption or retrospectively for all periods presented. The Company elected to adopt this update on a prospective basis effective January 1, 2011. The adoption of this update did not have a material impact on the Company's condensed consolidated financial statements.

However, the election may result in different accounting treatment for future collaboration arrangements than the accounting treatment applied to previous and existing collaboration arrangements.

2. Net Loss per Share

Basic net loss per share (basic EPS) is computed by dividing net loss by the weighted average number of common shares outstanding during the period, less unvested restricted shares. Diluted net loss per share (diluted EPS) is computed by dividing net loss by the weighted average number of common shares outstanding during the period, less unvested restricted shares subject to forfeiture, plus dilutive potential common shares. Diluted EPS is identical to basic EPS for all periods presented since potential common shares are excluded from the calculation, as their effect is anti-dilutive.

Weighted Average Shares Outstanding

The following table sets forth the computation of basic and diluted net loss and the weighted average number of shares used in computing basic and diluted net loss per share:

	Three Months Ended March 31,	
(in thousands, except for per share amounts)	**2011**	**2010**
Net loss	$ (22,667)	$ (22,536)
Weighted average shares of common stock outstanding	83,325	64,978
Less: unvested RSAs	(2,471)	(57)
Weighted average shares used in computing basic and diluted net loss per share	80,854	64,921
Basic and diluted net loss per share	$ (0.28)	$ (0.35)

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Anti-dilutive securities

The following number of shares was excluded from the computation of diluted EPS because the effect would have been anti-dilutive:

	Three Months Ended March 31,	
(in thousands)	**2011**	**2010**
Shares issuable upon the exercise of stock options	2,396	1,345
Shares issuable under RSUs and RSAs	859	153
Shares issuable upon the conversion of convertible debt	6,668	6,668
Total anti-dilutive securities	9,923	8,166

3. Comprehensive Loss

Comprehensive loss is comprised of net loss and changes in other comprehensive loss, which consists of unrealized gains and losses on the Company's marketable securities. Comprehensive loss was as follows:

	Three Months Ended March 31,	
(in thousands)	**2011**	**2010**
Net loss	$ (22,667)	$ (22,536)
Other comprehensive loss:		
Net unrealized loss on available-for-sale securities	(5)	(53)
Comprehensive loss	$ (22,672)	$ (22,589)

4. Collaboration Arrangements

LABA collaboration with GSK

In November 2002, the Company entered into its long-acting beta$_2$ agonist (LABA) collaboration with GSK to develop and commercialize once-daily LABA products for the treatment of chronic obstructive pulmonary disease (COPD) and asthma. For the treatment of COPD, the collaboration is developing combination products, RELOVAIR™ and the LAMA/LABA (GSK573719/vilanterol or '719/VI). For the treatment of asthma, the collaboration is developing RELOVAIR™. RELOVAIR™ is an investigational once-daily combination medicine consisting of a LABA, VI, previously referred to as GW642444 or '444, and an inhaled corticosteroid (ICS), fluticasone furoate (FF). The LAMA/LABA, '719/VI, is an investigational once-daily combination medicine consisting of the long-acting muscarinic antagonist (LAMA), '719, and the LABA, VI.

The current lead product candidates in our LABA collaboration, VI and FF, were discovered by GSK. In the event that VI is successfully developed and commercialized, the Company will be obligated to make milestone payments to GSK which could total as much as $220.0 million if both a single-agent and a combination product or two different combination products are launched in multiple regions of the world. If the results of the Phase 3 studies with RELOVAIR™ are positive, a portion of these potential milestone payments could be payable to GSK within the next two years. The Company is entitled to annual royalties from GSK of 15% on the first $3.0 billion of annual global net sales and 5% for all annual global net sales above $3.0 billion. Sales of single-agent LABA medicines and combination medicines would be combined for the purposes of this royalty calculation. For other products combined with a LABA from the LABA collaboration, such as '719/VI, royalties are upward tiering and range from the mid-single digits to 10%. However, if GSK is not selling a LABA/ICS combination product at the time that the first other LABA combination is launched, then the royalties described above for the LABA/ICS combination medicine would be applicable.

In connection with the LABA collaboration, in 2002, GSK purchased through an affiliate shares of the Company's Series E preferred stock for an aggregate purchase price of $40.0 million.

Strategic Alliance with GSK

In March 2004, the Company entered into its strategic alliance with GSK. Under this alliance, GSK received an option to license exclusive development and commercialization rights to product candidates from all of the Company's full drug discovery programs initiated prior to September 1, 2007, on pre-determined terms and on an exclusive, worldwide basis. Pursuant to the terms of

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the strategic alliance agreement, the Company initiated three new full discovery programs between May 2004 and August 2007. These three programs are (i) the oral Peripheral Mu Opioid Receptor Antagonist (PμMA) program for opioid-induced constipation, (ii) the AT1 Receptor-Neprilysin Inhibitor (ARNI) program for cardiovascular disease and (iii) the MonoAmine Reuptake Inhibitor (MARIN) program for chronic pain. GSK still has the right to license the ARNI and MARIN programs, and must exercise this right no later than sixty days subsequent to the final delivery to GSK of all material, data and supporting documentation relating to achievement of clinical proof-of-concept of the first product candidate in the applicable program. For these two programs, "proof-of-concept" is generally defined as the successful completion of a Phase 2a clinical study showing efficacy and tolerability. Under the terms of the strategic alliance agreement, GSK has only one opportunity to license each of the Company's programs.

Upon GSK's decision to license a program, GSK is responsible for funding all future development, manufacturing and commercialization activities for product candidates in that program. In addition, GSK is obligated to use diligent efforts to develop and commercialize product candidates from any program that it licenses. Consistent with the Company's strategy, the Company is obligated to use diligent efforts at the Company's sole cost to discover two structurally different product candidates for any programs on which GSK has an option under the alliance. If these programs are successfully advanced through development by GSK, the Company is entitled to receive clinical, regulatory and commercial milestone payments and royalties on any sales of medicines developed from these programs. For any programs licensed under this agreement, the royalty structure for a product containing one of the Company's compounds as a single active ingredient would result in an average percentage royalty rate in the low double digits. For single-agent MABA products, the Company is entitled to receive royalties from GSK of between 10% and 20% of annual global net sales up to $3.5 billion, and 7.5% for all annual global net sales above $3.5 billion. For combination products, such as a MABA/ICS, the royalty rate is 70% of the rate applicable to sales of single-agent MABA medicines. If a product is successfully commercialized, in addition to any royalty revenue that the Company receives, the total upfront and milestone payments that the Company 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, the Company retains all rights to the program and may continue the program alone or with a third party. To date, GSK has licensed the Company's two COPD programs: LAMA and MABA. In 2009, GSK returned the LAMA program to the Company because the formulation of the lead product candidate was incompatible with GSK's proprietary inhaler device. GSK has chosen not to license the Company's antibacterial, anesthesia, 5-HT4 and PμMA programs.

In May 2004, GSK purchased through an affiliate 6,387,096 shares of the Company's Class A common stock for an aggregate purchase price of $108.9 million and, upon the closing of the Company's initial public offering on October 8, 2004, GSK purchased through an affiliate an additional 433,757 shares of Class A common stock for an aggregate purchase price of $6.9 million. In addition, GSK purchased through an affiliate in a private placement 5,750,000 shares of the Company's common stock for an aggregate purchase price of $129.4 million on November 29, 2010. On February 24, 2011, GSK purchased through an affiliate 152,278 shares of the Company's common stock from the Company for an aggregate purchase price of $3.6 million pursuant to its rights under the Company's governance agreement with GSK dated June 4, 2004, as amended.

GSK Upfront Fees, Milestone Payments and Revenue

Upfront fees and milestone payments are amortized ratably over the estimated period of performance (the product development period). Upfront fees and milestone payments received from GSK under the LABA collaboration and strategic alliance agreement were as follows:

	Through March 31, 2011		
(in thousands)	Upfront Fees	Milestone Payments	Total
GSK Collaborations			
LABA/ RELOVAIR™ collaboration(1)	$ 10,000	$ 50,000	$ 60,000
Strategic alliance agreement	20,000	—	20,000
Strategic alliance—LAMA license(2)	5,000	3,000	8,000
Strategic alliance—MABA license	5,000	13,000	18,000
Total	$ 40,000	$ 66,000	$ 106,000

(1) The Company does not currently expect to be eligible for any additional milestones under this collaboration.

(2) In August 2004, GSK exercised its right to license the Company's LAMA program pursuant to the terms of the strategic alliance. In 2009, GSK returned the program to the Company.

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Revenue recognized through amortization of the deferred upfront fees and milestone payments from GSK under the LABA collaboration and strategic alliance agreement was as follows:

	Three Months Ended

(in thousands)	March 31, 2011	2010
GSK Collaborations		
LABA/ RELOVAIR™ collaboration	$ 1,270	$ 1,270
Strategic alliance agreement	684	684
Strategic alliance—MABA license	502	502
Total	$ 2,456	$ 2,456

License, Development and Commercialization Agreement with Astellas

In November 2005, the Company entered into a collaboration arrangement with Astellas for the development and commercialization of telavancin. In July 2006, Japan was added to the collaboration, thereby giving Astellas worldwide rights to this medicine. Under this arrangement, the Company is responsible for substantially all costs to develop and obtain U.S. regulatory approval for telavancin and Astellas is responsible for substantially all other costs associated with commercialization of telavancin. The Company is entitled to receive royalties from Astellas on global net sales of VIBATIV™ that, on a percentage basis, range from the high teens to the upper twenties depending on sales volume. Through March 31, 2011, the Company has received $191.0 million in upfront, milestone and other fees from Astellas. The Company recorded these payments as deferred revenue and is amortizing them ratably over its estimated period of performance (development and commercialization period).

Revenue recognized under this collaboration agreement was as follows:

(in thousands)	Three Months Ended March 31, 2011	2010
Amortization of deferred revenue	$ 3,244	$ 3,243
Royalties from net sales of VIBATIV™	631	10
Cost of VIBATIV™ delivered to Astellas	—	(5)
Total net revenue	$ 3,875	$ 3,248

5. Marketable Securities

The Company's management manages, monitors and measures its investments in highly liquid investment grade securities by major security type. Investments in debt securities are accounted for as available-for-sale securities, carried at fair value with unrealized gains and losses reported in accumulated other comprehensive income, held for use in current operations and classified in current assets as marketable securities. The cost of securities sold is based on the specific-identification method.

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The estimated fair value amounts were determined using available market information. Available-for-sale debt securities recorded in cash equivalents, marketable securities or restricted cash in the Company's condensed consolidated balance sheets were as follows:

(in thousands)	March 31, 2011 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	December 31, 2010 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. government securities	$ 26,373	$ 12	$ —	$ 26,385	$ 25,966	$ 10	$ —	$ 25,976
U.S. government agencies	67,320	20	(8)	67,332	54,625	30	(7)	54,648
U.S. corporate notes	20,419	5	(2)	20,422	34,695	9	(9)	34,695
U.S. commercial paper	87,797	1	—	87,798	97,221	—	—	97,221
Money market funds	89,219	—	—	89,219	91,805	—	—	91,805
Total	291,128	38	(10)	291,156	304,312	49	(16)	304,345
Less amounts classified as cash equivalents	(144,318)	—	—	(144,318)	(157,151)	—	—	(157,151)
Less amounts classified as restricted cash	(893)	—	—	(893)	(893)	—	—	(893)
Amounts classified as marketable securities	$ 145,917	$ 38	$ (10)	$ 145,945	$ 146,268	$ 49	$ (16)	$ 146,301

At March 31, 2011, all of the marketable securities have contractual maturities within twelve months and the average duration of marketable securities was approximately five months. The Company does not intend to sell the investments which are in an unrealized loss position and it is unlikely that the Company will be required to sell the investments before recovery of their amortized cost basis, which may be maturity. The Company has determined that the gross unrealized losses on its marketable securities at March 31, 2011, were temporary in nature. All marketable securities with unrealized losses have been in a loss position for less than twelve months.

6. Fair Value Measurements

The Company defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Company's valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect the Company's market assumptions. The Company classifies these inputs into the following hierarchy:

Level 1 Inputs—Quoted prices for identical instruments in active markets.

Level 2 Inputs—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Inputs—Unobservable inputs and little, if any, market activity for the assets.

The estimated fair values of the Company's financial assets were as follows:

	March 31, 2011			
	Fair Value Measurements at Reporting Date Using			
(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. government securities	$ 26,385	$ —	$ —	$ 26,385
U.S. government agency securities	58,582	8,750	—	67,332
U.S. corporate notes	19,321	1,101	—	20,422
U.S. commercial paper	—	87,798	—	87,798
Money market funds	89,219	—	—	89,219
Total	$ 193,507	$ 97,649	$ —	$ 291,156

	December 31, 2010			
	Fair Value Measurements at Reporting Date Using			
(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. government securities	$ 25,976	$ —	$ —	$ 25,976
U.S. government agency securities	24,375	30,273	—	54,648
U.S. corporate notes	34,695	—	—	34,695
U.S. commercial paper	—	97,221	—	97,221
Money market funds	91,805	—	—	91,805
Total	$ 176,851	$ 127,494	$ —	$ 304,345

7. Convertible Subordinated Notes

In January 2008, the Company closed an underwritten public offering of $172.5 million aggregate principal amount of unsecured convertible subordinated notes which will mature on January 15, 2015. The financing raised proceeds, net of issuance costs, of $166.7 million. The notes bear interest at the rate of 3.0% per year, which is payable semi-annually in arrears in cash on January 15 and July 15 of each year, beginning on July 15, 2008.

The notes are convertible, at the option of the holder, into shares of the Company's common stock at an initial conversion rate of 38.6548 shares per $1,000 principal amount of the notes, subject to adjustment in certain circumstances, which represents an initial conversion price of approximately $25.87 per share. The debt issuance costs, which are included in other long-term assets, are being amortized on a straight-line basis over the life of the notes.

Holders of the notes will be able to require the Company to repurchase some or all of their notes upon the occurrence of a fundamental change (as defined) at 100% of the principal amount of the notes being repurchased plus accrued and unpaid interest. The Company may not redeem the notes prior to January 15, 2012. On or after January 15, 2012 and prior to the maturity date, the Company, upon notice of redemption, may redeem for cash all or part of the notes if the last reported sale price of its 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 it provides notice of redemption. The redemption price will equal 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest up to but excluding the redemption date.

The fair value of debt was estimated based on the quoted price of the instrument as of March 31, 2011. The carrying values and estimated fair values for the notes were as follows.

	March 31, 2011		December 31, 2010	
(in thousands)	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Convertible subordinated notes	$ 172,500	$ 194,232	$ 172,500	$ 202,391

8. Operating Leases

The Company leases its South San Francisco, California, facilities under a non-cancelable operating lease. Future minimum lease payments under this lease, exclusive of executory costs, at March 31, 2011, were as follows:

(in thousands)	Minimum Lease Commitments
Years ending December 31:	
Remainder of 2011	$ 3,336
2012	5,429
2013	5,029
2014	4,859
2015	5,005
Thereafter	23,962
Total	$ 47,620

9. Commitments and Contingencies

Guarantees and Indemnifications

The Company indemnifies its officers and directors for certain events or occurrences, subject to certain limits. The Company believes the fair value of these indemnification agreements is minimal. Accordingly, the Company has not recognized any liabilities relating to these agreements as of March 31, 2011.

10. Stock-Based Compensation

Equity Incentive Plan

The 2004 Plan provides for the granting of stock options, stock appreciation rights, RSUs and RSAs to employees, officers, directors and consultants of the Company. Stock options may be granted with an exercise price not less than 100% of the fair market value of the common stock on the date of grant. On April 27, 2010, an amendment and restatement of the 2004 Plan was approved by the Company's stockholders to, among other things, reserve additional shares of common stock for issuance thereunder. As of March 31, 2011, total shares remaining available for issuance under the 2004 Plan were 2,724,782.

Employee Stock Purchase Plan

As of March 31, 2011, a total of 1,475,000 shares of common stock were approved and authorized for issuance under the Employee Stock Purchase Plan (ESPP). Through March 31, 2011, the Company issued 1,344,552 shares under the ESPP at an average price of $9.52 per share. On April 27, 2011, the Company's stockholders approved an amendment to the ESPP which increased the number of shares authorized for issuance under the ESPP from 1,475,000 to 2,025,000 shares.

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Stock-Based Compensation Expense

The allocation of stock-based compensation expense included in the condensed consolidated statements of operations was as follows:

	Three Months Ended March 31,	
(in thousands)	2011	2010
Research and development	$ 3,132	$ 2,527
General and administrative	2,409	1,970
Total	$ 5,541	$ 4,497

The components of stock-based compensation expense included in the condensed consolidated statements of operations were as follows:

	Three Months Ended March 31,	
(in thousands)	2011	2010
Employee stock options, RSUs and stock purchases	$ 4,588	$ 4,374
Non-employee options and RSUs	124	17
RSAs	829	106
Total	$ 5,541	$ 4,497

As of March 31, 2011, unrecognized compensation expense was as follows: $4.9 million related to unvested stock options; $25.6 million related to unvested RSUs; and $27.9 million related to unvested RSAs.

Compensation Awards

The Company granted the following compensation awards:

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010	
	Number of Compensation Awards Granted	Weighted Average Exercise Price	Number of Compensation Awards Granted	Weighted Average Exercise Price
2004 Plan				
Stock options	94,000	$ 22.12	—	$ —
RSUs time-based	394,580	24.59	877,502	10.15
RSAs time-based	1,148,000	24.70	—	—
RSUs performance-contingent(1)	—	—	210,000	10.15
RSAs performance-contingent(2)	1,290,000	24.73	—	—
2008 Plan				
Stock options	—	$ —	110,000	$ 10.95

(1) These performance-contingent RSUs awarded to senior management in 2010 have dual triggers of vesting based upon the successful achievement of certain corporate operating milestones during 2010 and 2011, as well as a requirement for continued employment through early 2014. As of February 11, 2011, both performance milestones had been deemed achieved, and time-based vesting had commenced with respect to all of the performance-contingent RSU shares.

(2) These performance-contingent RSAs granted to senior management in 2011 have dual triggers of vesting based upon the achievement of certain performance targets over a six-year timeframe from 2011-2016 and continued employment, both of which must be satisfied in order for the RSAs to vest. Expense associated with these RSAs would be recognized, if at all, during these years depending on the probability of meeting the performance conditions. The maximum potential expense associated with the RSAs could be up to approximately $31.9 million (allocated as $6.3 million for research and development expense and $25.6 million for general and administrative expense) if all of the performance targets are achieved on time. The likelihood of achieving all of the performance targets is considered to be remote. As of March 31, 2011, the Company had determined that

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none of the requisite performance conditions were probable and as a result, no compensation expense has been recognized. As the RSAs are dependent upon the achievement of certain performance targets, the expense associated with the RSAs may vary significantly from period to period.

Valuation Assumptions

The range of weighted average assumptions used to estimate the fair value of stock options granted was as follows:

	Three Months Ended March 31,	
	2011	2010
Employee stock options		
Risk-free interest rate	2.38%-2.46%	2.66%-2.75%
Expected life (in years)	6	6
Volatility	0.49	0.48
Dividend yield	—%	—%
Weighted average estimated fair value of stock options granted	$ 10.86	$ 5.34

Stockholders' equity

For the three months ended March 31, 2011, approximately 969,000 shares were exercised at a weighted average exercise price of $8.83 per share for a total of $8.6 million.

11. Subsequent Event

On May 3, 2011, the Company and GSK entered into an agreement pursuant to which GSK agreed to purchase through an affiliate, in a private placement, 261,299 shares of the Company's common stock for $25.60 per share pursuant to its rights under the Company's governance agreement with GSK dated June 4, 2004, as amended.

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

Forward-Looking Statements

The information in this discussion 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 forward-looking statements involve substantial risks, uncertainties and assumptions. All 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, intentions, expectations, goals and objectives, may be forward-looking statements. The words "anticipates," "believes," "designed," "estimates," "expects," "intends," "may," "objective," "plans," "projects," "pursue," "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 could materially differ from the plans, intentions, expectations and objectives disclosed in the forward-looking statements that we make. Factors that we believe could cause actual results or events to differ materially from our forward-looking statements include, but are not limited to those discussed below in "Risk Factors" in Item 1A of Part II and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Item 2 of Part I. 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.

OVERVIEW

Executive Summary

Theravance is a biopharmaceutical company with a pipeline of internally discovered product candidates and strategic collaborations with pharmaceutical companies. 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 central nervous system (CNS)/pain. Our key programs include: RELOVAIR™, LAMA/LABA ('719/vilanterol (VI)) and MABA (Bifunctional Muscarinic Antagonist-Beta$_2$ Agonist), each partnered with GlaxoSmithKline plc, and our oral Peripheral Mu Opioid Receptor Antagonist (PμMA) program. By leveraging our proprietary insight of multivalency to drug discovery, we are pursuing a best-in-class strategy designed to discover superior medicines in areas of significant unmet medical need.

Our net loss was $22.7 million for the three months ended March 31, 2011, compared with $22.5 million for the same period in 2010. Total operating expenses were $27.6 million for the three months ended March 31, 2011, compared with $26.8 million for the same period in 2010. Cash, cash equivalents

and marketable securities totaled $293.8 million at March 31, 2011, a decrease of $15.8 million since December 31, 2010. The decrease was primarily due to cash used in operations, partially offset by net proceeds of $3.6 million received from our private placement of common stock to an affiliate of GlaxoSmithKline plc (GSK).

Programs

Respiratory Programs

Phase 3a Programs with RELOVAIR™

The Phase 3a programs with RELOVAIR™ in chronic obstructive pulmonary disease (COPD) and asthma are progressing and have now enrolled over 10,000 patients out of an expected 11,000 patients in total. RELOVAIR™ is an investigational once-daily medicine that combines fluticasone furoate (FF, an inhaled corticosteroid or ICS) and vilanterol (VI, a long-acting beta$_2$ agonist or LABA) for the treatment of patients with COPD or asthma.

The Phase 3a pivotal program in COPD consists of five studies, including two 12-month exacerbation studies, two six-month efficacy and safety studies, and a detailed lung function profile study.

The Phase 3a asthma program consists of eight studies to determine the safety and efficacy of RELOVAIR™ in asthma patients who remain uncontrolled on current treatment. These studies include an exacerbation study, a 12-month safety study (which also supports the COPD program), a 12-week low-dose combination efficacy study, a 24-week high-dose combination efficacy study, a 24-week head-to-head study of RELOVAIR™ versus Advair®/Seretide®, a 24-week study of FF versus fluticasone propionate (FP), a 12-week study of VI versus salmeterol, and a hypothalamic-pituitary-adrenal (HPA) axis study.

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Phase 3b Program with RELOVAIR™ in COPD

In early February 2011, we and GSK announced the start of a large Phase 3b outcomes study with RELOVAIR™ in COPD. This is a study of 16,000 patients to assess the potential for RELOVAIR™ to improve survival in patients with moderate COPD and a history of, or at risk for, cardiovascular disease. This Phase 3b study is an outcomes trial across 1,100 global sites and will run alongside the existing COPD program. The results are not required for the regulatory submission and will not form part of the initial New Drug Application (NDA)/Marketing Authorization Application (MAA).

The primary objective is to evaluate prospectively the effect of the combination (FF/VI, 100/25mcg) compared with placebo on patient survival. Secondary objectives will evaluate the effect of FF/VI compared with placebo on the rate of decline in lung function, as well as on cardiovascular endpoints including cardiovascular death, heart attacks and strokes.

This study will evaluate the clinical outcomes of patients receiving standard cardiovascular care (including cardiovascular medications) versus patients receiving FF/VI in addition to receiving standard cardiovascular care (including cardiovascular medications).

This is a four-arm, multicenter, randomized, double-blind, parallel-group study, with treatment administered once daily via a new dry powder inhaler. The total duration of the study will be determined by the number of events in the study, with each patient being treated for between 15 and 44 months based on current estimates.

In addition to the outcomes study, GSK recently initiated four Phase 3b studies. Three of these studies are 12-week studies that will evaluate the 24-hour pulmonary function profile of RELOVAIR™ once daily compared with Advair®/Seretide® twice daily in patients with COPD. These studies are targeted to enroll approximately 500 patients per study. The fourth study is a 24-week study to evaluate the effect of RELOVAIR™ once daily on arterial wall stiffness compared with placebo and vilanterol in patients with COPD. The estimated enrollment for this study is 410 patients.

LAMA/LABA Combination (GSK573719/Vilanterol or ‘719/VI)

In early February 2011, we and GSK announced the initiation of the Phase 3 program for the once-daily LAMA/LABA dual bronchodilator ‘719/VI which will evaluate over 5,000 patients globally. ‘719/VI combines two bronchodilators currently under development - ‘719, a long-acting muscarinic antagonist (LAMA) and VI, a LABA. These molecules act through two mechanisms: antagonism of acetylcholine muscarinic receptors and agonism of beta$_2$ adrenoreceptors. This investigational medicine will be administered using a new dry powder inhaler.

The LAMA/LABA Phase 3 program consists of seven studies which include a 52-week study to evaluate the long term safety and tolerability of ‘719 (125mcg) alone, as well as the combination ‘719/VI (125/25mcg), two large pivotal studies that will compare improvements in lung function between ‘719/VI, its components and placebo, two studies to compare the combination and its components to tiotropium and two studies to assess the effect of ‘719/VI on exercise endurance. The Phase 3 program will investigate two doses of ‘719 (125mcg and 62.5mcg) and ‘719/VI (125/25mcg and 62.5/25mcg). All seven studies have been initiated and are enrolling patients.

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

In December 2010, we and GSK announced that the first patient had started treatment with GSK961081 (‘081) in a Phase 2b study in patients with moderate to severe COPD. ‘081 is a single molecule bifunctional bronchodilator with both muscarinic antagonist and beta$_2$ receptor agonist (MABA) activities. The study is progressing and enrollment is in line with expectations. The primary objective of this study is to evaluate dose response, dose interval, efficacy, and safety of ‘081 by studying once-daily (QD) doses (100mcg, 400mcg, and 800mcg), twice-daily (BID) doses (100mcg, 200mcg, and 400mcg), the active comparator salmeterol (50mcg BID) and placebo over a 28-day period. The overall aim of this Phase 2b study is to evaluate the safety and efficacy of ‘081 administered both once daily and twice daily over a 28-day period to allow the selection of a well-tolerated and efficacious dose and dosing interval.

Central Nervous System (CNS)/Pain Program

Oral Peripheral Mu Opioid Receptor Antagonist (PμMA) — TD-1211

The PμMA program in opioid-induced constipation (OIC) is progressing. TD-1211 is an investigational once-daily, orally-administered, peripherally selective, multivalent inhibitor of the mu opioid receptor designed to alleviate gastrointestinal side effects of opioid therapy without affecting analgesia. We intend to initiate a Phase 2 dose-optimization study of TD-1211 around mid-year.

Collaboration Arrangements

LABA collaboration with GSK

In November 2002, we entered into our LABA collaboration with GSK to develop and commercialize once-daily LABA products for the treatment of COPD and asthma. For the treatment of COPD, the collaboration is developing combination products, RELOVAIR™ and the LAMA/LABA ‘719/VI. For the treatment of asthma, the collaboration is developing RELOVAIR™. RELOVAIR™ is an investigational once-daily combination medicine consisting of a LABA, VI, previously referred to as GW642444 or ‘444, and an ICS, FF. The LAMA/LABA ‘719/VI is an investigational once-daily combination medicine consisting of the LAMA ‘719, and the LABA, VI. The Phase 3 program with RELOVAIR™ is aimed at developing a next generation respiratory product to succeed GSK’s Advair®/Seretide® (salmeterol and fluticasone as a combination) franchise, which had reported 2010 sales of approximately $7.97 billion, and to compete with Symbicort® (formoterol and budesonide as a combination), which had reported 2010 sales of approximately $2.75 billion. ‘719/VI, which is also a combination product, is targeted as an alternative treatment option to Spiriva® (tiotropium), a once-daily, single-mechanism bronchodilator, which had reported 2010 sales of approximately $3.8 billion.

The current lead product candidates in the LABA collaboration, VI and FF, were discovered by GSK. In the event that VI is successfully developed and commercialized, we will be obligated to make milestone payments to GSK, which could total as much as $220.0 million if both a single-agent and a combination product or two different combination products are launched in multiple regions of the world. If the results of the Phase 3 studies with RELOVAIR™ are positive, a portion of these potential milestone payments could be payable to GSK within the next two years. We are entitled to annual royalties from GSK of 15% on the first $3.0 billion of annual global net sales and 5% for all annual global net sales above $3.0 billion. Sales of single-agent LABA medicines and combination medicines would be combined for the purposes of this royalty calculation. For other products combined with a LABA from the LABA collaboration, such as ‘719/VI, royalties are upward tiering and range from the mid-single digits to 10%. However, if GSK is not selling a LABA/ICS combination product at the time that the first other LABA combination is launched, then the royalties described above for the LABA/ICS combination medicine would be applicable.

In connection with the LABA collaboration, in 2002, we sold to an affiliate of GSK shares of our Series E preferred stock for an aggregate purchase price of $40.0 million.

Strategic Alliance with GSK

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 full drug discovery programs initiated prior to September 1, 2007, on pre-determined terms and on an exclusive, worldwide basis. Pursuant to the terms of the strategic alliance agreement, we initiated three new full discovery programs between May 2004 and August 2007. These three programs are (i) our PμMA program for opioid-induced constipation, (ii) our AT1 Receptor-Neprilysin Inhibitor (ARNI) program for cardiovascular disease and (iii) our MonoAmine Reuptake Inhibitor (MARIN) program for chronic pain. GSK still has the right to license the ARNI and MARIN programs, and must exercise this right no later than sixty days subsequent to the final delivery to GSK of all material, data and supporting documentation relating to achievement of clinical proof-of-concept of the first product candidate in the applicable program. For these programs, “proof-of-concept” is generally defined as the successful completion of a Phase 2a clinical study showing efficacy and tolerability. Under the terms of the strategic alliance agreement, GSK has only one opportunity to license each of our programs.

Upon GSK’s decision to license a program, GSK is responsible for funding all future development, manufacturing and commercialization activities for product candidates in that program. In addition, GSK is obligated to use diligent efforts to develop and commercialize product candidates from any program that it licenses. Consistent with our strategy, we are obligated to use diligent efforts at our sole cost to discover two structurally different product candidates for any programs on which GSK has an option under the alliance. 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 any programs licensed 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. For single-agent MABA products, we are entitled to receive

royalties from GSK of between 10% and 20% of annual global net sales up to $3.5 billion, and 7.5% for all annual global net sales above $3.5 billion. For combination products, such as a MABA/ICS, the royalty rate is 70% of the rate applicable to sales of single-agent MABA medicines. 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: LAMA and MABA. In 2009, GSK returned the LAMA program to us because the formulation of the lead product candidate was incompatible with GSK’s proprietary inhaler device. GSK has chosen not to license our antibacterial, anesthesia, 5-HT4 and PμMA programs. There can be no assurance that GSK will license either of the two remaining programs under the alliance agreement, which could have an adverse effect on our business and financial condition.

In May 2004, GSK purchased through an affiliate 6,387,096 shares of our Class A common stock for an aggregate purchase price of $108.9 million and, upon the closing of our initial public offering on October 8, 2004, GSK purchased through an affiliate an additional 433,757 shares of Class A common stock for an aggregate purchase price of $6.9 million. In addition, GSK purchased through an affiliate in a private placement 5,750,000 shares of our common stock for an aggregate purchase price of $129.4 million on November 29, 2010. On February 24, 2011, GSK purchased through an affiliate 152,278 shares of

our common stock from us for an aggregate purchase price of $3.6 million pursuant to its rights under our governance agreement with GSK dated June 4, 2004, as amended.

Revenue recognized through amortization of the deferred upfront fees and milestone payments from GSK under the LABA collaboration and strategic alliance agreement was as follows:

(in millions)	Three Months Ended March 31, 2011	2010
GSK Collaborations		
LABA/RELOVAIR™ collaboration	$ 1.3	$ 1.3
Strategic alliance agreement	0.7	0.7
Strategic alliance—MABA license	0.5	0.5
Total	$ 2.5	$ 2.5

License, Development and Commercialization Agreement 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 the collaboration, thereby giving Astellas worldwide rights to this medicine. We are eligible to receive potential milestone payments related to regulatory approvals in various regions of the world.

Under this arrangement, we are responsible for substantially all costs to develop and obtain U.S. regulatory approval for telavancin and Astellas is responsible for substantially all other costs associated with commercialization of telavancin. We are entitled to receive royalties from Astellas on global net sales of VIBATIV™ that, on a percentage basis, range from the high teens to the upper twenties depending on sales volume. The U.S. Food and Drug Administration (FDA) has approved VIBATIV™ for the treatment of complicated skin and skin structure infections (cSSSI) caused by susceptible Gram-positive bacteria including both methicillin-resistant (MRSA) and methicillin-susceptible (MSSA) strains of *Staphylococcus aureus* in adult patients. VIBATIV™ is also approved in Canada for the treatment of cSSSI in adult patients and telavancin is under review by the European Medicines Agency (EMA) for the treatment of nosocomial pneumonia (NP) and complicated skin and soft tissue infections (cSSTI) in adults.

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Through March 31, 2011, we have received $191.0 million in upfront, milestone and other fees from Astellas. We recorded these payments as deferred revenue and are amortizing them ratably over our estimated period of performance (development and commercialization period). Revenue recognized under this collaboration agreement was as follows:

(in millions)	Three Months Ended March 31, 2011	2010
Amortization of deferred revenue	$ 3.2	$ 3.2
Royalties from net sales of VIBATIV™	0.6	—
Total net revenue	$ 3.8	$ 3.2

Critical Accounting Policies and the Use of Estimates

As of the date of the filing of this quarterly report, we believe there have been no material changes or additions to our critical accounting policies and estimates during the three months ended March 31, 2011 compared to those discussed in our 2010 Annual Report on Form 10-K filed on February 28, 2011.

RESULTS OF OPERATIONS

Revenue

Revenue, as compared to the prior year period, was as follows:

(in millions, except percentages)	Three Months Ended March 31, 2011	2010	Change $	Change %
Revenue	$ 6.3	$ 5.7	$ 0.6	11%

From GSK, we recognize revenue from the amortization of upfront fees and milestone payments related to our LABA collaboration and strategic alliance agreements. From Astellas, we recognize revenue from the amortization of upfront and milestone payments related to our telavancin collaboration, royalties from net sales of VIBATIV™ and the impact of VIBATIV™ inventory transfers or dispositions. Revenue increased to $6.3 million for the three months ended March 31, 2011, compared with $5.7 million for the same period in 2010. The increase in the first quarter of 2011 was primarily due to $0.6 million of royalty revenue earned from VIBATIV™ net sales of $3.5 million, compared to royalty revenues in the same period of 2010, which were immaterial.

Upfront fees and milestone payments are amortized ratably over the estimated period of performance (the product development period). Upfront fees and milestone payments received from GSK under the LABA collaboration and strategic alliance agreements and from Astellas under the telavancin collaboration were as follows:

(in millions)	Through March 31, 2011 Upfront and Other Fees	Milestone Payments	Total
GSK Collaborations			
LABA/RELOVAIR™ collaboration(1)	$ 10.0	$ 50.0	$ 60.0

Strategic alliance agreement	20.0	—	20.0
Strategic alliance—LAMA license(2)	5.0	3.0	8.0
Strategic alliance—MABA license	5.0	13.0	18.0
Astellas License agreement	70.0	121.0	191.0
Total	$ 110.0	$ 187.0	$ 297.0

(1) We do not currently expect to be eligible for any additional milestones under this collaboration.

(2) In August 2004, GSK exercised its right to license our LAMA program pursuant to the terms of the strategic alliance. In 2009, GSK returned the program to us.

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Upfront fees and milestone payments received from GSK and Astellas have been deferred and are being amortized ratably into revenue over the applicable estimated performance period with end dates ranging between 2011 and 2021. Future revenue will include the ongoing amortization of upfront and milestone payments earned, royalties from Astellas on net sales of VIBATIV™ and proceeds from Astellas for transfers of inventory offset by our cost of inventory no longer realizable. We periodically review and, if necessary, revise the estimated performance periods of our contracts.

Research & Development

Research and development expenses, as compared to the prior year period, were as follows:

	Three Months Ended March 31,		Change(1)	
(in millions, except percentages)	2011	2010	$	%
Employee-related	$ 8.3	$ 8.0	$ 0.3	4%
External research and development	3.2	4.2	(1.0)	(24)%
Stock-based compensation	3.1	2.5	0.6	24%
Facilities, depreciation and other allocated	5.9	5.7	0.2	4%
Total research and development expenses	$ 20.5	$ 20.4	$ 0.1	—%

(1) A change from prior year that is less than 1% will be indicated as —%.

Research and development expense increased to $20.5 million for the three months ended March 31, 2011, compared with $20.4 million for the same period in 2010. The increase in the first quarter of 2011 was primarily due to higher employee and facilities related expenses, partially offset by lower external expenses. Total external research and development expense was $3.2 million during the first quarter of 2011 compared with $4.2 million for the same period in 2010. Total research and development stock-based compensation expense for the first quarter of 2011 was $3.1 million compared with $2.5 million for the same period in 2010.

During the first quarter of 2011, we granted special long-term retention and incentive equity awards to executive officers and certain employees and cash bonus awards to certain employees. The vesting of these awards is tied to the achievement of certain performance targets over a six-year timeframe from 2011 through December 31, 2016 and continued employment, both of which must be satisfied in order for vesting to occur. The maximum potential expense for research and development associated with this program is $6.3 million related to stock-compensation expense and $35.4 million related to cash bonus expense, which would be recognized in increments based on achievement of the performance conditions. As of March 31, 2011, we determined that no requisite performance conditions were probable and as a result, no compensation expense has been recognized. The likelihood of achieving all of the performance targets is considered to be remote.

Research and development expenses for 2011 are expected to be higher compared to 2010. Research and development expenses in 2011 will be driven largely by employee related expenses, costs associated with our continued development efforts in our oral Peripheral Mu Opioid Receptor Antagonist, or PμMA, program for opioid-induced constipation with TD-1211, our MonoAmine Reuptake Inhibitor, or MARIN, program for chronic pain with TD-9855, and costs associated with our earlier stage clinical programs and new drug discovery programs. We have not provided program costs in detail because we do not track, and have not tracked, all of the individual components (specifically the internal cost components) of our research and development expenses on a program basis. We do not have the systems and processes in place to accurately capture these costs on a program basis.

General and administrative

General and administrative expenses, as compared to the prior year period, were as follows:

	Three Months Ended March 31,		Change	
(in millions, except percentages)	2011	2010	$	%
General and administrative	$ 7.2	$ 6.5	$ 0.7	11%

General and administrative expense increased to $7.2 million for the three months ended March 31, 2011, compared with $6.5 million for the same period in 2010. The increase in the first quarter of 2011 was primarily due to higher employee-related expenses partially offset by lower external costs. Total general and administrative stock-based compensation expense for the first quarter of 2011 was $2.5 million compared with $2.0 million for the same period in 2010.

During the first quarter of 2011, we granted special long-term retention and incentive equity awards to executive officers and certain employees and cash bonus awards to certain employees. The vesting of these awards is tied to the achievement of certain performance targets over a six-year timeframe from 2011 through December 31, 2016 and continued employment, both of which must be satisfied in order for the vesting to occur. The maximum potential expense for general and administrative associated with this program is $25.6 million related to stock-compensation expense and $4.4 million related to cash bonus expense, which would be recognized in increments based on achievement of the performance conditions. As of March 31, 2011, we determined that no requisite performance conditions were probable and as a result, no compensation expense has been recognized. The likelihood of achieving all of the performance targets is considered to be remote.

We anticipate general and administrative expenses for the remaining quarters of 2011 to be at similar quarterly levels to the first quarter of the year.

Interest income

Interest income, as compared to the prior year period, was as follows:

	Three Months Ended March 31,		Change	
(in millions, except percentages)	2011	2010	$	%
Interest income	$ 0.1	$ 0.1	$ —	—%

Interest income remained flat the three months ended March 31, 2011, compared with the same period in 2010.

Interest expense

Interest expense, as compared to the prior year period, was as follows:

	Three Months Ended March 31,		Change	
(in millions, except percentages)	2011	2010	$	%
Interest expense	$ 1.5	$ 1.5	$ —	—%

Interest expense is primarily comprised of interest expense and amortization of debt issuance costs from our convertible subordinated notes issued in January 2008.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Since our inception, we have financed our operations primarily through private placements and public offerings of equity and debt securities and payments received under corporate collaboration arrangements. As of March 31, 2011, we had $293.8 million in cash, cash equivalents and marketable securities, excluding $0.9 million in restricted cash that was pledged as collateral for certain of our leases.

We expect to incur substantial expenses as we continue our discovery and development efforts; particularly to the extent we advance our product candidates into clinical studies, which are very expensive. We believe that our cash, cash equivalents and marketable securities will be sufficient to meet our anticipated operating needs for at least the next twelve months based upon current operating plans, milestone and royalty forecasts and spending assumptions. If our current operating plans, milestone and royalty forecasts or spending assumptions change, we may require additional funding sooner in the form of public or private equity offerings or debt financings. Furthermore, if in our view favorable financing opportunities arise, we may seek additional funding at any time. However, future financing may not be available in amounts or on terms acceptable to us, if at all. This could leave us without adequate financial resources to fund our operations as presently conducted. In addition, we regularly explore debt restructuring and/or reduction alternatives, including through tender offers, redemptions, repurchases or otherwise, all consistent with the terms of our debt agreements.

Cash Flows

Cash flows, as compared to the prior year period, were as follows:

	Three Months Ended March 31,	
(in millions)	2011	2010
Net cash used in operating activities	$ (25.9)	$ (23.6)
Net cash used in investing activities	$ (1.2)	$ (8.0)
Net cash provided by financing activities	$ 11.7	$ 94.0

Cash used in operations increased $2.3 million for the three months ended March 31, 2011, compared to the same period in 2010, primarily due to higher uses of cash for operating liabilities.

Cash used in investing activities decreased $6.8 million for the three months ended March 31, 2011, compared to the same period in 2010, primarily resulting from investing the net proceeds of our public offering of common stock that closed in March 2010.

Cash provided by financing activities decreased $82.3 million for the three months ended March 31, 2011, compared to the same period in 2010, primarily due to net proceeds of $93.5 million received from our public offering of common stock that closed in March 2010.

Off Balance-Sheet Arrangements

We lease various real properties under an operating lease that generally requires us to pay taxes, insurance, maintenance, and minimum lease payments. This lease has options to renew.

We have not entered into any off-balance sheet financial arrangements and have not established any structured finance or special purpose entities. We have not guaranteed any debts or commitments of other entities or entered into any options on non-financial assets.

Contractual Obligations and Commercial Commitments

During the first three months of 2011, there have been no significant changes in our payments due under contractual obligations, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010.

We indemnify our officers and directors for certain events or occurrences, subject to certain limits. We may be subject to contingencies that may arise from matters such as product liability claims, legal proceedings, shareholder suits and tax matters, as such, we are unable to estimate the potential exposure related to these indemnification agreements. We have not recognized any liabilities relating to these agreements as of March 31, 2011.

Pursuant to our LABA collaboration with GSK, in the event that a LABA product candidate discovered by GSK is successfully developed and commercialized, we will be obligated to make milestone payments to GSK which could total as much as $220.0 million if both a single-agent and a combination product or two different combination products were launched in multiple regions of the world. The current lead LABA, VI, was discovered by GSK. If the results of the Phase 3 studies with RELOVAIR™ are positive, a portion of these potential milestone payments could be payable to GSK within the next two years. We have not recognized any liabilities relating to these agreements as of March 31, 2011.

RECENT ACCOUNTING UPDATES

In April 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-17, “Revenue Recognition —Milestone Method” an update to Accounting Standards Codification (ASC) Topic 605, “Revenue Recognition”. The update provides guidance on defining the milestone and determining when the use of the milestone method of revenue recognition for research and development transactions is appropriate. It provides criteria for evaluating if the milestone is substantive and clarifies that a vendor can recognize consideration that is contingent upon achievement of a milestone as revenue in the period in which the milestone is achieved, if the milestone meets all the criteria to be considered substantive. The guidance became effective on a prospective basis in fiscal years beginning on or after June 15, 2010 and early adoption was permitted. We elected to adopt the milestone method of revenue recognition on a prospective basis effective January 1, 2011. The election of the milestone method did not have a material impact on our condensed consolidated financial statements. However, the election will result

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in different accounting treatment for future substantive milestones earned after the date of this adoption. Non-substantive milestones will continue to be recognized over the remaining performance period.

Under the 2004 Strategic Alliance with GSK, 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 $252.0 million for programs with both a single-agent and a combination medicine. GSK licensed the MABA (Bifunctional Muscarinic Antagonist-Beta$_2$ Agonist) program in 2005, and we have received $18.0 million in upfront and milestone payments through March 31, 2011. In addition, GSK still has the right to license our AT1 Receptor-Neprilysin Inhibitor (ARNI) and MonoAmine Reuptake Inhibitor (MARIN) programs. The eligible milestones related to the MABA program and any future milestones that may be earned if GSK exercises its right to license either ARNI or MARIN are not deemed substantive due to fact the that the outcome predominantely relates to GSK’s performance of future development, manufacturing and commercialization activities for product candidates after licensing the program.

Under the 2005 License, Development and Commercialization Agreement with Astellas, we are eligible to receive up to an additional $30.0 million in milestone payments. We have deemed $10.0 million of the remaining potential milestone payments to be substantive as we are responsible for substantially all activities to develop and obtain U.S. regulatory approval for telavancin for the treatment of nosocomial pneumonia. The remaining eligible milestone payments of $20.0 million are not deemed substantive due to the fact that pursuing regulatory approval of telavancin in the regions of the world outside of the U.S. is predominantly the responsibility of Astellas.

In October 2009, the FASB issued ASU No. 2009-13, “Revenue Recognition - Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force”, an update to ASC Topic 605, “Revenue Recognition”. The update requires companies to allocate the overall consideration to each deliverable by using a best estimate of the selling price of individual deliverables in the arrangement in the absence of vendor specific objective evidence or other third party evidence of the selling price. The guidance became effective on a prospective basis in fiscal years beginning on or after June 15, 2010 and early adoption was permitted. Companies may elect to adopt this guidance prospectively for all revenue arrangements entered into or materially modified after the date of adoption or retrospectively for all periods presented. We elected to adopt this update on a prospective basis effective January 1, 2011. The adoption of this update did not have a material impact on our condensed consolidated financial statements. However, the election may result in different accounting treatment for future collaboration arrangements than the accounting treatment applied to previous and existing collaboration arrangements.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

During the first three months of 2011, there have been no significant changes in our market risk or how our market risk is managed, as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

We conducted an evaluation as of March 31, 2011, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, which are defined under SEC rules as controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized and reported within required time periods. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Limitations on the Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Theravance have been detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 of the Exchange Act, which occurred during our most recent fiscal quarter which has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

In addition to the other information in this Quarterly Report on Form 10-Q, the following risk factors should be considered carefully in evaluating our business and us.

Risks Related to our Business

If the RELOVAIR™ Phase 3 program in asthma or chronic obstructive pulmonary disease (COPD) does not demonstrate safety and efficacy, the RELOVAIR™ program will be significantly delayed or terminated, our business will be harmed, and the price of our securities could fall.

The RELOVAIR™ Phase 3a program for COPD commenced in October 2009, the RELOVAIR™ Phase 3a program for asthma commenced in March 2010 and the RELOVAIR™ Phase 3b program for COPD commenced in February 2011. Any adverse developments or results or perceived adverse developments or results with respect to the RELOVAIR™ program will significantly harm our business and could cause the price of our securities to fall. Examples of such adverse developments include, but are not limited to:

- the U.S. Food and Drug Administration (FDA) determining that additional clinical studies are required with respect to the Phase 3a program in asthma or the Phase 3 program in COPD;
- inability to gain, or delay in gaining, regulatory approval for the new delivery device used in the program;
- safety or other concerns arising from ongoing preclinical or clinical studies in this program, including, without limitation, the COPD outcomes study initiated in February 2011;
- safety or other concerns arising from the long-acting muscarinic antagonist (LAMA)/long-acting beta$_2$ agonist (LABA) Phase 3 program having to do with the LABA vilanterol, or VI, which is also a component of RELOVAIR™;
- the Phase 3a program in asthma or the Phase 3 program in COPD raising safety concerns or not demonstrating efficacy; or
- any change in FDA policy or guidance regarding the use of long-acting beta$_2$ agonists (LABAs) to treat asthma.

On February 18, 2010, the FDA announced that LABAs should not be used alone in the treatment of asthma and will require manufacturers to include this warning in the product labels of these drugs, along with taking other steps to reduce the overall use of these medicines. The FDA will now require that the product labels for LABA medicines reflect, among other things, that the use of LABAs is contraindicated without the use of an asthma controller medication such as an inhaled corticosteroid, that LABAs should only be used long-term in patients whose asthma cannot be adequately controlled on asthma controller medications, and that LABAs should be used for the shortest duration of time required to achieve control of asthma symptoms and discontinued, if possible, once asthma control is achieved. In addition, on March 10 and 11, 2010, the FDA held an Advisory Committee to discuss the design of medical research studies (known as “clinical trial design”) to evaluate serious asthma outcomes (such as hospitalizations, a procedure using a breathing tube known as intubation, or death) with the use of LABAs in the treatment of asthma in adults, adolescents, and children. Further, in April 2011, the FDA announced that to further evaluate the safety of LABAs, it is requiring the manufacturers of currently marketed LABAs to conduct additional randomized, double-blind, controlled clinical trials comparing the addition of LABAs to inhaled corticosteroids versus inhaled corticosteroids alone. These post-marketing studies are to begin in 2011 with results expected in 2017. It is unknown at this time what, if any, effect these or future FDA actions will have on the development of the RELOVAIR™ program. The current uncertainty regarding the FDA’s position on LABAs for the treatment of asthma and the lack of consensus expressed at the March 2010 Advisory Committee may result in increased time and cost of the asthma clinical trials in the United States for RELOVAIR™ and increase the overall risk of the RELOVAIR™ asthma program in the United States.

If the '719/VI Phase 3 program for the treatment of COPD does not demonstrate safety and efficacy, the '719/VI program will be significantly delayed or terminated, our business will be harmed, and the price of our securities could fall.

The '719/VI Phase 3 program with the combination of the LABA, VI, and the LAMA GSK573719, or '719, for the treatment of COPD commenced in February 2011. Any adverse developments or results or perceived adverse developments or results with respect to the '719/VI program will significantly harm our business and could cause the price of our securities to fall. Examples of such adverse developments include, but are not limited to:

- the FDA determining that additional clinical studies are required with respect to the Phase 3 program in COPD;
- inability to gain, or delay in gaining, regulatory approval for the new delivery device used in the program;
- safety or other concerns arising from ongoing preclinical or clinical studies in this program;
- safety or other concerns arising from the RELOVAIR™ Phase 3 program having to do with the LABA, VI, which is also a component of '719/VI;
- the Phase 3 program in COPD raising safety concerns or not demonstrating efficacy; or
- any change in FDA policy or guidance regarding the use of LABAs combined with a LAMA to treat COPD.

If the MABA program for the treatment of COPD does not demonstrate safety and efficacy, the MABA program will be significantly delayed or terminated, our business will be harmed, and the price of our securities could fall.

The lead compound, GSK961081 ('081), in the bifunctional muscarinic antagonist-beta$_2$ agonist (MABA) program with GSK is currently being evaluated in a Phase2b study and a number of non-clinical studies. Any adverse developments or results or perceived adverse developments or results with respect to these studies will harm our business and could cause the price of our securities to fall. Examples of such adverse developments include, but are not limited to:

- the FDA determining that any of these studies do not demonstrate adequate safety or efficacy, or that additional non-clinical or earlier stage clinical studies are required with respect to the MABA program;
- inability to gain, or delay in gaining, regulatory approval for the new delivery device used in the program;
- safety or other concerns arising from ongoing non-clinical studies in this program;
- the Phase 2b clinical study raising safety concerns or not demonstrating efficacy; or
- any change in FDA policy or guidance regarding the use of MABAs to treat COPD.

If telavancin is not approved in additional countries and for additional indications, our business will be adversely affected and the price of our securities could fall.

On October 28, 2009, Astellas Pharma Europe B.V., a subsidiary of our telavancin partner, Astellas Pharma Inc. (Astellas), announced that it submitted a new European Marketing Authorization Application (MAA) for telavancin to the European Medicines Agency for the treatment of complicated skin and soft tissue infections (cSSTI) and nosocomial pneumonia (NP). On November 30, 2009, we announced that the European Medicines Agency had completed the validation phase for the MAA and the European Medicines Agency's scientific review process had begun. In October 2008, we announced that Astellas Pharma Europe B.V. voluntarily withdrew a previously filed MAA for telavancin for the treatment of cSSTI from the European Medicines Agency based on communications from the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency that the data provided were not sufficient to allow the CHMP to conclude a positive benefit-risk balance for telavancin for the sole indication of cSSTI at that time.

If the European Medicines Agency does not approve the MAA, requires data from additional clinical studies regarding telavancin, or if telavancin is ultimately approved by the European Medicines Agency but with restrictions, including labeling that may limit the targeted patient population, our business will be harmed and the price of our securities could fall.

Our first New Drug Application (NDA), for VIBATIV™ (telavancin) for the treatment of complicated skin and skin structure infections (cSSSI) caused by susceptible Gram-positive bacteria in adult patients, was approved by the FDA in September 2009. In January 2009, we submitted a second telavancin NDA to the FDA for the NP indication based on data from our two Phase 3 clinical studies referred to as the ATTAIN studies. During the fourth quarter of 2010 the FDA issued new draft guidance for antibacterial clinical trial design for the treatment of NP with a focus on mortality as the primary efficacy endpoint. The ATTAIN studies, which were conducted pursuant to then-current draft FDA guidelines and completed prior to the issuance of this new draft guidance, used clinical response as the primary efficacy endpoint. In late 2010, we received a Complete Response Letter from the FDA indicating that the ATTAIN studies do not meet the new draft guidance and that additional clinical studies will be required for approval. We do not plan to conduct additional clinical studies for NP, but we do intend to continue a dialogue with FDA concerning the NP NDA. Lack of FDA approval for use of telavancin to treat NP has adversely affected and will continue to adversely affect commercialization of this medicine in the United States.

If any product candidates, in particular those in any respiratory program with GSK, are determined to be unsafe or ineffective in humans, our business will be adversely affected and the price of our securities could fall.

Although our first approved product, VIBATIV™, was commercially launched in the U.S. by our partner Astellas in November 2009, we have not yet commercialized any of our other product candidates. We are uncertain whether any of our other 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 may not result in the creation of successful medicines. The risk of failure for our 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, after completing a single-dose Phase 1 study. 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 well-publicized Complete Response letters issued by the FDA and safety-related product withdrawals, suspensions, post-approval labeling revisions to include boxed warnings and changes in approved indications over the last few years, as well as growing public and governmental scrutiny of safety issues, have created an increasingly conservative regulatory environment. The implementation of new laws and regulations, and revisions to FDA clinical trial design guidance, have increased uncertainty regarding the approvability of a new drug. Further, there are additional requirements for approval of new drugs, including advisory committee meetings for new chemical entities, and formal risk evaluation and mitigation strategy (REMS) at the FDA's discretion. These new laws, regulations, additional requirements and changes in interpretation could cause non-approval or further delays in the FDA's review and approval of our product candidates.

With regard to all of our programs, any delay in commencing or completing clinical studies for product candidates and any adverse results from clinical or preclinical studies or regulatory obstacles product candidates may face, would harm our business and could cause the price of our securities to fall.

Each of our product candidates must undergo extensive preclinical and clinical studies as a condition to regulatory approval. Preclinical and clinical studies are expensive, take many years to complete and study results may lead to delays in further studies or decisions to terminate programs. For example, we had planned to commence the Phase 2b clinical study in our MABA program with GSK in 2009, but the program was delayed until late 2010.

The commencement and completion of clinical studies for our product candidates may be delayed and programs may be terminated due to many factors, including, but not limited to:

- lack of effectiveness of product candidates during clinical studies;
- adverse events, safety issues or side effects relating to the product candidates or their formulation into medicines;
- inability to raise additional capital in sufficient amounts to continue our development programs, which are very expensive;
- the need to sequence clinical studies as opposed to conducting them concomitantly in order to conserve resources;
- our inability to enter into partnering arrangements relating to the development and commercialization of our programs and product candidates;

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- 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;
- delays in patient enrollment 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;
- varying interpretations of data by the FDA and similar foreign regulatory agencies; and
- a regional disturbance where we or our collaborative partners are enrolling patients in our clinical trials, such as a pandemic, terrorist activities or war, political unrest or a natural disaster.

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. The processes by which regulatory approvals are obtained from the FDA to market and sell a new product are complex, require a number of years and involve the expenditure of substantial resources. In order to market our medicines in 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 that they 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 in development, we may not receive regulatory approval of any of these product candidates and our business and financial condition will be materially harmed and the price of our securities may fall.

VIBATIV™ may not be accepted by physicians, patients, third party payors, or the medical community in general.

The commercial success of VIBATIV™ depends upon its acceptance by physicians, patients, third party payors and the medical community in general. We cannot be sure that VIBATIV™ will be accepted by these parties. VIBATIV™ competes with vancomycin, a relatively inexpensive generic drug that is manufactured by a variety of companies, and a number of existing antibacterials manufactured and marketed by major pharmaceutical companies and others, and may compete against new antibacterials that are not yet on the market. Even if the medical community accepts that VIBATIV™ is safe and efficacious for its indicated use, physicians may choose to restrict the use of VIBATIV™. If we and our partner, Astellas, are unable to demonstrate to physicians that, based on experience, clinical data, side-effect profiles and other factors, VIBATIV™ is preferable to vancomycin and other antibacterial drugs, we may never generate meaningful revenue from VIBATIV™ which could cause the price of our securities to fall. The degree of market acceptance of VIBATIV™ depends on a number of factors, including, but not limited to:

- the demonstration of the clinical efficacy and safety of VIBATIV™;
- the experiences of physicians, patients and payors with the use of VIBATIV™ in the U.S.;
- whether or not VIBATIV™ is approved by regulatory authorities in Europe or other jurisdictions;
- the advantages and disadvantages of VIBATIV™ compared to alternative therapies;
- potential negative perceptions of physicians related to our inability to obtain FDA approval of our NP NDA;

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- our and Astellas' ability to educate the medical community about the safety and effectiveness of VIBATIV™;
- the reimbursement policies of government and third party payors; and
- the market price of VIBATIV™ relative to competing therapies.

Even if our product candidates receive regulatory approval, as VIBATIV™ has, commercialization of such products may be adversely affected by regulatory actions and oversight.

Even if we receive regulatory approval for our product candidates, 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. For example, VIBATIV™'s labeling contains a boxed warning regarding the risks of use of VIBATIV™ during pregnancy. Products with boxed warnings are subject to more restrictive advertising regulations than products without such warnings. These restrictions could make it more difficult to market VIBATIV™ effectively. Further, now that VIBATIV™ is approved, we remain subject to continuing regulatory obligations, such as safety reporting requirements and additional post-marketing obligations, including regulatory oversight of promotion and marketing.

In addition, the labeling, packaging, adverse event reporting, advertising, promotion and recordkeeping for the approved product remain subject to extensive and ongoing regulatory requirements. If we become aware of previously unknown problems with an approved product in the U.S. or overseas or at contract manufacturers' facilities, a regulatory agency may impose restrictions on the product, the contract manufacturers or on us, including requiring us to reformulate the product, conduct additional clinical studies, change the labeling of the product, withdraw the product from the market or require the contract manufacturer to implement changes to its facilities. In addition, we may experience a significant drop in the sales of the product, our royalties on product revenues and reputation in the marketplace may suffer, and we could face lawsuits.

We are also subject to regulation by regional, national, state and local agencies, including the Department of Justice, the Federal Trade Commission, the Office of Inspector General of the U.S. Department of Health and Human Services and other regulatory bodies with respect to VIBATIV™, as well as governmental authorities in those foreign countries in which any of our product candidates are approved for commercialization. The Federal Food, Drug, and Cosmetic Act, the Public Health Service Act and other federal and state statutes and regulations govern to varying degrees the research, development, manufacturing and commercial activities relating to prescription pharmaceutical products, including preclinical and clinical testing, approval, production, labeling, sale, distribution, import, export, post-market surveillance, advertising, dissemination of information and promotion. If we or any third parties that provide these services for us 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, which may cause our stock price to decline.

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. Our first approved product, VIBATIV™, was launched by our partner Astellas in the U.S. in November 2009, and to date we have received modest royalty revenues. From the commercial launch through March 31, 2011, Astellas recorded VIBATIV™ net sales of $14 million. We recognize royalty revenue from Astellas in the period the royalties are earned based on net sales of VIBATIV™ by Astellas as reported to us by Astellas. We may never generate sufficient revenue from the sale of medicines or royalties on sales by our partners to achieve profitability. As of March 31, 2011, we had an accumulated deficit of approximately $1.2 billion.

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 securities 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

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our current operating plans, milestone and royalty forecasts and spending assumptions, we believe that our cash and cash equivalents and marketable securities 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. Though we have no current intention to do so, if we were to conduct additional studies to support the telavancin NP NDA and we were required to fund such studies, our capital needs could increase substantially. We intend to continue clinical development of the lead compounds in our PµMA and MARIN programs, and anticipate initiating additional Phase 2 and Phase 2b studies for PµMA and additional Phase 1 studies and a Phase 2 study for MARIN. We also intend to conduct a number of other preclinical and clinical studies in other programs. In addition, under our LABA collaboration with GSK, in the event that vilanterol (VI), which is the current lead LABA product candidate in the RELOVAIR™ and LAMA/LABA (‘719/VI) programs and which was discovered by GSK, is approved and launched in multiple regions of the world as both a single agent and a combination product or two different combination products, we will be obligated to pay GSK milestone payments that could total as much as $220.0 million and we would not be entitled to receive any further milestone payments from GSK. Future financing to meet our capital needs may not be available in sufficient amounts or on terms acceptable to us, if at all. Even if we are able to raise additional capital, such financing may result in significant dilution to existing security holders. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to make additional reductions in our workforce and may 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 securities to fall.

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

We entered into our LABA 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 RELOVAIR™, LAMA/LABA (‘719/VI) and MABA programs. 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 license, development and commercialization agreement with Astellas, Astellas is responsible for the commercialization of VIBATIV™ and any royalties to us from net sales of VIBATIV™ will depend upon Astellas’ ability to commercialize the medicine.

Our partners might not fulfill all of their obligations under these agreements, and, in certain circumstances, they may terminate our partnership with them. In either 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 LABA collaboration, our partners generally are not restricted from developing and commercializing their own products and product candidates that compete with those 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 receive any revenue from the product candidates covered by these agreements is dependent on the efforts of the partner. We could also become involved in disputes with a partner, which could lead to delays in or termination of our development and commercialization programs and time-consuming and expensive litigation or arbitration.

If a partner terminates or breaches its agreements with us, or otherwise fails to complete its obligations in a timely manner, the chances of successfully developing or commercializing product candidates under the collaboration could be materially and adversely affected. For example, under the terms of our telavancin license, development and commercialization agreement, Astellas has the right to terminate the agreement since VIBATIV™ was not approved by December 31, 2008. If Astellas chooses to terminate the agreement, the further commercialization of VIBATIV™ would be delayed, our business could be harmed and the price of our securities could fall.

In addition, while our strategic alliance with GSK sets forth pre-agreed upfront payments, development obligations, milestone payments and royalty rates under which GSK may obtain exclusive rights to develop and commercialize certain of our product candidates, GSK may in the future seek to negotiate more favorable terms on a project-by-project basis. To date, GSK has licensed our LAMA program and our MABA program under the terms of the strategic alliance agreement and has chosen not to license our antibacterial, anesthesia, 5-HT$_4$ and PµMA programs. In February 2009, GSK returned the LAMA program to us because the formulation of the lead product candidate was incompatible with GSK’s proprietary inhaler device. There can be no assurance that GSK will license any other development program under the terms of the strategic alliance agreement, or at all. GSK’s failure to license our development programs, or its return of programs to us, could adversely affect the perceived prospects of the product candidates that are the subject of these development programs, which could negatively affect both our ability to enter into collaborations for these product candidates with third parties and the price of our securities.

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

We have limited in-house active pharmaceutical ingredient (API) production capabilities and depend primarily on a number of third-party 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, or if their performance does not meet regulatory requirements, 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. In addition, manufacturers of our API and drug product are subject to the FDA's current good manufacturing practice (cGMP) regulations and similar foreign standards and we do not have control over compliance with these regulations by our manufacturers.

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.

Our relationship with GSK may have a negative effect on our ability to enter into relationships with third parties.

As of April 28, 2011, GSK beneficially owned approximately 18.2% of our outstanding capital stock. Pursuant to our strategic alliance with GSK, GSK has the right to license exclusive development and commercialization rights to our product candidates arising from (i) our AT1 Receptor-Neprilysin Inhibitor (ARNI) program for cardiovascular disease and (ii) our MonoAmine Reuptake Inhibitor (MARIN) program for chronic pain. Because GSK is not required to decide whether to license each development program until after we have taken the lead compound in the program through a successful Phase 2 proof-of-concept study, we may be unable to collaborate with other partners with respect to these programs until we have expended substantial resources to advance them through clinical studies. We may not have sufficient funds to pursue such programs in the event GSK does not license them at an early stage. Pharmaceutical companies other than GSK that may be interested in developing products with us may be less inclined to do so because of our relationship with GSK, or because of the perception that development programs that GSK does not license, or returns to us, pursuant to our strategic alliance agreement are not promising programs. If our ability to work with present or future strategic partners or collaborators is adversely affected as a result of our strategic alliance with GSK, our business prospects may be limited and our financial condition may be adversely affected which could cause the price of our securities to fall.

If we are unable to enter into future collaboration arrangements or if any such collaborations with third parties are unsuccessful, we will be unable to fully develop and commercialize our product candidates and our business will be adversely affected.

We have active collaborations with GSK for the RELOVAIR™, LAMA/LABA ('719/VI) and MABA programs and with Astellas for telavancin, and we have licensed our anesthesia compound to AstraZeneca AB (AstraZeneca). Additional collaborations will be needed to fund later-stage development of our product candidates that have not been licensed to a collaborator, and to commercialize these product candidates if approved by the necessary regulatory agencies. Each of TD-5108, our lead compound in the 5-HT_4 program, TD-1792, our investigational antibiotic, and TD-1211, the lead compound in our PμMA program for opioid-induced constipation, has successfully completed a Phase 2 proof-of-concept study, and TD-4208, our LAMA compound that GSK returned to us in February 2009 under the terms of the strategic alliance agreement, has completed a single-dose Phase 1 study. We currently intend to seek third parties with which to pursue collaboration arrangements for the development and commercialization of these compounds. Collaborations with third parties regarding these programs or our other programs may require us to relinquish material rights, including revenue from commercialization of our medicines, on terms that are less attractive than our current arrangements or to assume material ongoing development obligations that we would have to fund. These collaboration arrangements are complex and

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time-consuming to negotiate, and if we are unable to reach agreements with third-party collaborators, we may fail to meet our business objectives and our financial condition may be adversely affected. We face significant competition in seeking third-party collaborators, especially in the current uncertain economy, which is driving many biotechnology and biopharmaceutical companies to seek to sell or license their assets. We may be unable to find third parties to pursue product collaborations on a timely basis or on acceptable terms. Furthermore, for any collaboration, we may not be able to control the amount of time and resources that our partners devote to our product candidates and our partners may choose to pursue alternative products. Our inability to successfully collaborate with third parties would increase our development costs and would limit the likelihood of successful commercialization of our product candidates which may cause our stock price to decline.

We depend on third parties in the conduct of our clinical studies for our product candidates.

We depend on independent clinical investigators, contract research organizations and other third-party service providers in the conduct of our preclinical and clinical studies for our product candidates. We rely heavily on these parties for execution of our preclinical and clinical studies, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that our clinical studies are conducted in accordance with good clinical practices (GCPs) and other regulations as required by the FDA and foreign regulatory agencies, and the applicable protocol. Failure by these parties to comply with applicable regulations, GCPs and protocols in conducting studies of our product candidates can result in a delay in our development programs or non-approval of our product candidates by regulatory authorities.

The FDA enforces good clinical practices and other regulations through periodic inspections of trial sponsors, clinical research organizations (CROs), principal investigators and trial sites. For example, in connection with the FDA's review of our telavancin NDAs, the FDA conducted inspections of Theravance and certain of our study sites, clinical investigators and CROs. If we or any of the third parties on which we have relied to conduct our clinical studies are determined to have failed to comply with GCPs, the study protocol or applicable regulations, the clinical data generated in our studies may be deemed unreliable. This could result in non-approval of our product candidates by the FDA, or we or the FDA may decide to conduct additional audits or require additional clinical studies, which would delay our development programs, could result in significant additional costs and could cause the price of our securities to fall.

We face substantial competition from companies with more resources and experience than we have, which may result in others discovering, developing, receiving approval for or commercializing products before or more successfully than we do.

Our ability to succeed in the future depends on our ability to demonstrate and maintain a competitive advantage with respect to our approach to the discovery and development of medicines. Our objective is to discover, develop and commercialize new small molecule medicines with superior efficacy, convenience, tolerability and/or safety. We expect that any medicines that we commercialize with our collaborative partners will compete with existing or future market-leading medicines.

Many of our potential competitors have substantially greater financial, technical and personnel resources than we have. In addition, many of these competitors have significantly greater commercial infrastructures than we have. Our ability to compete successfully will depend largely on our ability to leverage our experience in drug discovery and development to:

- discover and develop medicines that are superior to other products in the market;
- attract and retain qualified personnel;
- obtain patent and/or other proprietary protection for our medicines and technologies;
- obtain required regulatory approvals; and
- successfully collaborate with pharmaceutical companies in the discovery, development and commercialization of new medicines.

Established pharmaceutical companies may invest heavily to quickly discover and develop or in-license novel compounds that could make our product candidates obsolete. Accordingly, our competitors may succeed in obtaining patent protection, receiving FDA approval or discovering, developing and commercializing medicines before we do. Other companies are engaged in the discovery of medicines that would compete with the product candidates that we are developing.

Any new medicine that competes with a generic or proprietary market leading medicine must demonstrate compelling advantages in efficacy, convenience, tolerability and/or safety in order to overcome severe price competition and be commercially successful. VIBATIV™ must demonstrate these advantages, as it competes with vancomycin, a relatively inexpensive generic drug

that is manufactured by a number of companies, and a number of existing antibacterial drugs marketed by major and other pharmaceutical companies. If we are not able to compete effectively against our current and future competitors, our business will not grow, our financial condition and operations will suffer and the price of our securities could fall.

As the principles of multivalency become more widely known, we expect to face increasing competition from companies and other organizations that pursue the same or similar approaches. Novel therapies, such as gene therapy or effective vaccines for infectious diseases, may emerge that will make both conventional and multivalent medicine discovery efforts obsolete or less competitive.

We have no experience selling or distributing products and no internal capability to do so.

Generally, our strategy is to engage pharmaceutical or other healthcare companies with an existing sales and marketing organization and distribution system to market, sell and distribute our products. We may not be able to establish these sales and distribution relationships on acceptable terms, or at all. If we receive regulatory approval to commence commercial sales of any of our product candidates that are not covered by our current agreements with GSK, Astellas or AstraZeneca, we will need a partner in order to commercialize such products unless we establish a sales and marketing organization with appropriate technical expertise and supporting distribution capability. At present, we have no sales personnel and a limited number of marketing personnel. Factors that may inhibit our efforts to commercialize our products without strategic partners or licensees include:

- our unproven ability to recruit and retain adequate numbers of effective sales and marketing personnel;
- the unproven ability of sales personnel to obtain access to or persuade adequate numbers of physicians to prescribe our products;
- the lack of complementary products to be offered by sales personnel, which may put us at a competitive disadvantage relative to companies with more extensive product lines; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If we are not able to partner with a third party and are not successful in recruiting sales and marketing personnel or in building a sales and marketing infrastructure, we will have difficulty commercializing our product candidates, which would adversely affect our business and financial condition and which could cause the price of our securities to fall.

If we lose key management or scientific personnel, or if we fail to retain our key employees, our ability to discover and develop our product candidates will be impaired.

We are highly dependent on principal members of our management team and scientific staff to operate our business. Our company is located in northern California, which is headquarters to many other biotechnology and biopharmaceutical companies and many academic and research institutions. As a result, competition for certain skilled personnel in our market remains intense. None of our employees have employment commitments for any fixed period of time and they all may leave our employment at will. If we fail to retain our remaining qualified personnel or replace them when they leave, we may be unable to continue our development and commercialization activities, which may cause our stock price to decline.

Our business and operations would suffer in the event of system failures.

Although we have security measures in place, our internal computer systems and those of our CROs and other service providers are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. We have not experienced any material system failure, accident or security breach to date, but if such an event were to occur, it could result in a material disruption to our business. For example, the loss of clinical trial data from completed or ongoing clinical trials of our product candidates could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. If a disruption or security breach results in a loss of or damage to our data or regulatory applications, or inadvertent disclosure of confidential or proprietary information, we could incur liability, the further development of our product candidates could be delayed and the price of our securities could fall.

Our principal facility is located near known earthquake fault zones, and the occurrence of an earthquake, extremist attack or other catastrophic disaster could cause damage to our facilities and equipment, which could require us to cease or curtail operations.

Our principal facility is located in the San Francisco Bay Area near known earthquake fault zones and therefore is vulnerable to damage from earthquakes. In October 1989, a major earthquake struck this area and caused significant property damage and a

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number of fatalities. We are also vulnerable to damage from other types of disasters, including power loss, attacks from extremist organizations, fire, floods, communications failures and similar events. If any disaster were to occur, our ability to operate our business could be seriously impaired. In addition, the unique nature of our research activities and of much of our equipment could make it difficult for us to recover from this type of disaster. We may not have adequate insurance to cover our losses resulting from disasters or other similar significant business interruptions and we do not plan to purchase additional insurance to cover such losses due to the cost of obtaining such coverage. Any significant losses that are not recoverable under our insurance policies could seriously impair our business and financial condition, which could cause the price of our securities to fall.

Risks Related to our Alliance with GSK

GSK's ownership of a significant percentage of our stock and its ability to acquire additional shares of our stock may create conflicts of interest, and may inhibit our management's ability to continue to operate our business in the manner in which it is currently being operated.

As of April 28, 2011, GSK beneficially owned approximately 18.2% of our outstanding capital stock, and GSK has the right to acquire stock from us to maintain its percentage ownership of our capital stock. GSK could have substantial influence in the election of our directors, delay or prevent a transaction in which stockholders might receive a premium over the prevailing market price for their shares and have significant control over certain changes in our business.

In addition, GSK may make an offer to our stockholders to acquire outstanding voting stock that would bring GSK's percentage ownership of our voting stock to no greater than 60%, provided that:

- the offer includes no condition as to financing;
- the offer is approved by a majority of our independent directors;
- the offer includes a condition that the holders of a majority of the shares of the voting stock not owned by GSK accept the offer by tendering their shares in the offer; and
- the shares purchased will be subject to the provisions of the governance agreement on the same basis as the shares of GSK's Class A common stock.

If pursuant to the provision described above GSK's ownership of us becomes greater than 50.1%, then *on or prior* to September 1, 2012 GSK is allowed to make an offer to our stockholders to merge with us or otherwise acquire outstanding voting stock that would bring GSK's percentage ownership of our voting stock to 100%, provided that;

- the offer includes no condition as to financing;
- the offer is approved by a majority of our independent directors;
- the offer includes a condition that the holders of a majority of the shares of the voting stock not owned by GSK accept the offer by tendering their shares in the offer; and
- the offer is for the greater of (a) the fair market value per share on the date immediately preceding the date of the first public announcement of the offer or (b) $162.75 per share (as adjusted to take into account stock dividends, stock splits, recapitalizations and the like).

Furthermore, if pursuant to the provision described above GSK's ownership of us is greater than 50.1%, then *after* September 1, 2012, GSK is allowed to make an offer to our stockholders to acquire outstanding voting stock that would bring GSK's percentage ownership of our voting stock to 100%, provided that;

- the offer includes no condition as to financing;
- the offer is approved by a majority of our independent directors; and
- the offer includes a condition that the holders of a majority of the shares of the voting stock not owned by GSK accept the offer by tendering their shares in the offer.

Further, pursuant to our certificate of incorporation, we renounce our interest in and waive any claim that a corporate or business opportunity taken by GSK constitutes a corporate opportunity of ours unless such corporate or business opportunity is expressly offered to one of our directors who is a director, officer or employee of GSK, primarily in his or her capacity as one of our directors.

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GSK's rights under the strategic alliance and governance agreements may deter or prevent efforts by other companies to acquire us, which could prevent our stockholders from realizing a control premium.

Our governance agreement with GSK requires us to exempt GSK from our stockholder rights plan, affords GSK certain rights to offer to acquire us in the event third parties seek to acquire our stock and contains other provisions that could deter or prevent another company from seeking to acquire us. For example, GSK may offer to acquire 100% of our outstanding stock from stockholders in certain circumstances, such as if we are faced with a hostile acquisition offer or if our board of directors acts in a manner to facilitate a change in control of us with a party other than GSK. In addition, pursuant to our strategic alliance agreement with GSK, GSK has the right to license our ARNI program and our MARIN program. As a result of these rights, other companies may be less inclined to pursue an acquisition of us and therefore we may not have the opportunity to be acquired in a transaction that stockholders might otherwise deem favorable, including transactions in which our stockholders might realize a substantial premium for their shares.

GSK could sell or transfer a substantial number of shares of our common stock, which could depress the price of our securities or result in a change in control of our company.

GSK may sell or transfer our common stock either pursuant to a public offering registered under the Securities Act or pursuant to Rule 144 of the Securities Act. In addition, beginning in September 2012, GSK will have no restrictions on its ability to sell or transfer our common stock on the open market, in privately negotiated transactions or otherwise, and these sales or transfers could create substantial declines in the price of our securities or, if these sales or transfers were made to a single buyer or group of buyers, could contribute to a transfer of control of our company to a third party.

Risks Related to Legal and Regulatory Uncertainty

If our efforts to protect the proprietary nature of the intellectual property related to our technologies are not adequate, we may not be able to compete effectively in our market.

We rely upon a combination of patents, patent applications, trade secret protection and confidentiality agreements to protect the intellectual property related to our technologies. Any involuntary disclosure to or misappropriation by third parties of this proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in our market. The status of patents in the biotechnology and pharmaceutical field involves complex legal and scientific questions and is very uncertain. As of March 31, 2011, we owned 240 issued United States patents and 776 granted foreign patents, as well as additional pending United States and foreign patent applications. Our patent applications may be challenged or fail to result in issued patents and our existing or future patents may be invalidated or be too narrow to prevent third parties from developing or designing around these patents. If the sufficiency of the breadth or strength of protection provided by our patents with respect to a product candidate is threatened, it could dissuade companies from collaborating with us to develop, and threaten our ability to commercialize, the product candidate. Further, if we encounter delays in our clinical trials or in obtaining regulatory approval of our product candidates, the patent lives of the related product candidates would be reduced.

In addition, we rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable, for processes for which patents are difficult to enforce and for any other elements of our drug discovery and development processes that involve proprietary know-how, information and technology that is not covered by patent applications. Although we require our employees, consultants, advisors and any third parties who have access to our proprietary know-how, information and technology to enter into confidentiality agreements, we cannot be certain that this know-how, information and technology will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. Further, the laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States. As a result, we may encounter significant problems in protecting and defending our intellectual property both in the United States and abroad. If we are unable to prevent material disclosure of the intellectual property related to our technologies to third parties, we will not be able to establish or, if established, maintain a competitive advantage in our market, which could materially adversely affect our business, financial condition and results of operations, which could cause the price of our securities to fall.

Litigation or third-party claims of intellectual property infringement would require us to divert resources and may prevent or delay our drug discovery and development efforts.

Our commercial success depends in part on us and our partners not infringing the patents and proprietary rights of third parties. Third parties may assert that we or our partners are using their proprietary rights without authorization. There are third party

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patents that may cover materials or methods for treatment related to our product candidates. At present, we are not aware of any patent claims with merit that would adversely and materially affect our ability to develop our product candidates, but nevertheless the possibility of third party allegations cannot be ruled out. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. Furthermore, parties making

claims against us or our partners may obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize one or more of our product candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business.

In the event of a successful claim of infringement against us, we may have to pay substantial damages, obtain one or more licenses from third parties or pay royalties. In addition, even in the absence of litigation, we may need to obtain licenses from third parties to advance our research or allow commercialization of our product candidates, and we have done so from time to time. We may fail to obtain any of these licenses at a reasonable cost or on reasonable terms, if at all. In that event, we would be unable to further develop and commercialize one or more of our product candidates, which could harm our business significantly. In addition, in the future we could be required to initiate litigation to enforce our proprietary rights against infringement by third parties. Prosecution of these claims to enforce our rights against others would involve substantial litigation expenses and divert substantial employee resources from our business. If we fail to effectively enforce our proprietary rights against others, our business will be harmed, which may cause our stock price to decline.

If the efforts of our partner, GSK, to protect the proprietary nature of the intellectual property related to the assets in the LABA collaboration, including RELOVAIR™ and LAMA/LABA ('719/VI), are not adequate, the future commercialization of any medicines resulting from the LABA collaboration could be delayed or prevented, which would materially harm our business and could cause the price of our securities to fall.

The risks identified in the two preceding risk factors also apply to the intellectual property protection efforts of our partner GSK. To the extent the intellectual property protection of any of the assets in the LABA collaboration are successfully challenged or encounter problems with the United States Patent and Trademark Office or other comparable agencies throughout the world, the future commercialization of these potential medicines could be delayed or prevented. Any challenge to the intellectual property protection of a late-stage development asset arising from the LABA collaboration could harm our business and cause the price of our securities to fall.

Product liability lawsuits could divert our resources, result in substantial liabilities and reduce the commercial potential of our medicines.

The risk that we may be sued on product liability claims is inherent in the development and commercialization of pharmaceutical products. Side effects of, or manufacturing defects in, products that we or our partners develop or commercialize could result in the deterioration of a patient's condition, injury or even death. Once a product is approved for sale and commercialized, the likelihood of product liability lawsuits tends to increase. Our partner Astellas launched VIBATIV™, our first approved product, in the U.S. in November 2009. Claims may be brought by individuals seeking relief for themselves or by individuals or groups seeking to represent a class. These lawsuits may divert our management from pursuing our business strategy and may be costly to defend. In addition, if we are held liable in any of these lawsuits, we may incur substantial liabilities and may be forced to limit or forgo further commercialization of the applicable products.

Although we maintain general liability and product liability insurance, this insurance may not fully cover potential liabilities. In addition, inability to obtain or maintain sufficient insurance coverage at an acceptable cost or to otherwise protect against potential product liability claims could prevent or inhibit the commercial production and sale of our products, which could adversely affect our business. Product liability claims could also harm our reputation, which may adversely affect our and our partners' ability to commercialize our products successfully, which could cause the price of our securities to fall.

Government restrictions on pricing and reimbursement, as well as other healthcare payor cost-containment initiatives, may negatively impact our ability to generate revenues.

The continuing efforts of the government, insurance companies, managed care organizations and other payors of health care costs to contain or reduce costs of health care may adversely affect one or more of the following:

- our or our collaborators' ability to set a price we believe is fair for our products, if approved;
- our ability to generate revenues and achieve profitability; and
- the availability of capital.

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The Patient Protection and Affordable Care Act and other potential legislative or regulatory action regarding healthcare and insurance matters, along with the trend toward managed healthcare in the United States, could influence the purchase of healthcare products and reduce demand and prices for our products, if approved. This could harm our or our collaborators' ability to market our potential medicines and generate revenues. Cost containment measures that health care payors and providers are instituting and the effect of the Patient Protection and Affordable Care Act and further agency regulations that are likely to emerge in connection with the passage of this act could significantly reduce potential revenues from the sale of any product candidates approved in the future. In addition, in certain foreign markets, the pricing of prescription drugs is subject to government control and reimbursement may in some cases be unavailable. We believe that pricing pressures at the state and federal level, as well as internationally, will continue and may increase, which may make it difficult for us to sell our potential medicines that may be approved in the future at a price acceptable to us or our collaborators, which may cause our stock price to decline.

If we use hazardous and biological materials in a manner that causes injury or violates applicable law, we may be liable for damages.

Our research and development activities involve the controlled use of potentially hazardous substances, including chemical, biological and radioactive materials. In addition, our operations produce hazardous waste products. Federal, state and local laws and regulations govern the use, manufacture, storage, handling and disposal of hazardous materials. We may incur significant additional costs to comply with these and other applicable laws in the future. Also, even if we are in compliance with applicable laws, we cannot completely eliminate the risk of contamination or injury resulting from hazardous materials and we may incur liability as a result of any such contamination or injury. In the event of an accident, we could be held liable for damages or penalized with fines, and the liability could exceed our resources. We do not have any insurance for liabilities arising from hazardous materials. Compliance with applicable environmental laws and regulations is expensive, and current or future environmental regulations may impair our research, development and production efforts, which could harm our business, which could cause the price of our securities to fall.

Risks Related to Ownership of our Common Stock

The price of our securities has been extremely volatile and may continue to be so, and purchasers of our securities could incur substantial losses.

The price of our securities has been extremely volatile and may continue to be so. The stock market in general and the market for biotechnology and biopharmaceutical companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies, in particular during the last few years. The following factors, in addition to the other risk factors described in this section, may also have a significant impact on the market price of our securities:

- any adverse developments or results or perceived adverse developments or results with respect to the RELOVAIR™ program with GSK, including, without limitation, any difficulties or delays encountered with regard to the regulatory path for the RELOVAIR™ program, delays in completing the various Phase 3 studies or any indication from the various studies in the RELOVAIR™ program that RELOVAIR™ is not safe or efficacious;

- any adverse developments or results or perceived adverse developments or results with respect to the LAMA/LABA (‘719/VI) program with GSK, including, without limitation, any difficulties or delays encountered with regard to the regulatory path for the ‘719/VI program, delays in completing the Phase 3 studies or any indication from the various studies in the ‘719/VI program that ‘719/VI is not safe or efficacious;

- any adverse developments or results or perceived adverse developments or results with respect to the MABA program with GSK, including, without limitation, any indication from the Phase 2b and other clinical and preclinical studies of ‘081 that the compound is not safe or efficacious;

- any adverse developments or perceived adverse developments with respect to the commercialization of VIBATIV™, including, without limitation, any failure to meet market expectations with respect to the timing and volume of sales of VIBATIV™;

- any adverse developments or perceived adverse developments with respect to regulatory matters concerning telavancin in any foreign jurisdiction, in particular the European Medicines Agency’s review of the MAA, about which we anticipate additional information during the first half of 2011;

- any further adverse developments or perceived adverse developments with respect to our telavancin NP NDA, which the FDA has determined cannot be approved without data from additional clinical studies;

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- any adverse developments or perceived adverse developments in the field of LABAs, including any change in FDA policy or guidance (such as the pronouncement in February 2010 warning that LABAs should not be used alone in the treatment of asthma and related labeling requirements, the impact of the March 2010 FDA Advisory Committee discussing LABA clinical trial design to evaluate serious asthma outcomes or the FDA’s April 2011 announcement that manufacturers of currently marketed LABAs conduct additional clinical studies comparing the addition of LABAs to inhaled corticosteroids versus inhaled corticosteroids alone);

- announcements regarding GSK’s decisions whether or not to license any of our development programs or to return to us any previously licensed program, such as its decision in late 2010 not to license our PµMA program;

- GSK’s decisions whether or not to purchase from us, on a quarterly basis, sufficient shares of common stock to maintain its ownership percentage taking into account our preceding quarter’s option exercise and equity vesting activity;

- any announcements of developments with, or comments by, the FDA or other regulatory agencies with respect to products we or our partners have under development or have commercialized;

- our incurrence of expenses in any particular quarter in excess of market expectations;

- the extent to which GSK advances (or does not advance) product candidates arising from our LABA collaboration or licensed from us under the strategic alliance agreement through development into commercialization;

- any adverse developments or perceived adverse developments with respect to our relationship with GSK, including, without limitation, disagreements that may arise between us and GSK concerning the public announcement of data (both timing and content) from the RELOVAIR™ and ‘719/VI Phase 3 programs;

- any adverse developments or perceived adverse developments with respect to our relationship with Astellas, including, without limitation, disagreements that may arise between us and Astellas concerning regulatory strategy or further development of telavancin, or Astellas’ termination of our telavancin license, development and commercialization agreement;

- any adverse developments or perceived adverse developments with respect to our partnering efforts with our 5-HT_4 program, PµMA program, TD-1792 or TD-4208;

- announcements regarding GSK or Astellas generally;

- announcements of patent issuances or denials, technological innovations or new commercial products by us or our competitors;

- developments concerning any collaboration we may undertake with companies other than GSK or Astellas;

- publicity regarding actual or potential study results or the outcome of regulatory review relating to products under development by us, our partners or our competitors;

- regulatory developments in the United States and foreign countries;
- economic and other external factors beyond our control;
- sales of stock by us or by our stockholders, including sales by certain of our employees and directors whether or not pursuant to written pre-determined selling plans under Rule 10b5-1 of the Securities Exchange Act of 1934, some of which plans are currently in effect, such as plans adopted by our employees to sell shares to cover taxes due upon the quarterly vesting of restricted stock units and plans adopted by certain of our executive officers and directors to sell shares in connection with the exercise of stock options that are nearing their expiration, and other plans that may be entered into;
- relative illiquidity in the public market for our common stock (our six largest stockholders other than GSK collectively owned approximately 47.9% of our outstanding capital stock as of April 28, 2011); and
- potential sales or purchases of our capital stock by GSK.

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Concentration of ownership will limit your ability to influence corporate matters.

As of April 28, 2011, GSK beneficially owned approximately 18.2% of our outstanding capital stock and our directors, executive officers and investors affiliated with these individuals beneficially owned approximately 6.8% of our outstanding capital stock. Based on our review of publicly available filings as of April 28, 2011, our six largest stockholders other than GSK collectively owned approximately 47.9% of our outstanding capital stock. These stockholders could control the outcome of actions taken by us that require stockholder approval, including a transaction in which stockholders might receive a premium over the prevailing market price for their shares.

Anti-takeover provisions in our charter and bylaws, in our rights agreement and in Delaware law could prevent or delay a change in control of our company.

Provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions include:

- requiring supermajority stockholder voting to effect certain amendments to our certificate of incorporation and bylaws;
- restricting the ability of stockholders to call special meetings of stockholders;
- prohibiting stockholder action by written consent; and
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

In addition, our board of directors has adopted a rights agreement that may prevent or delay a change in control of us. Further, some provisions of Delaware law may also discourage, delay or prevent someone from acquiring us or merging with us.

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

On February 24, 2011, we completed the sale of 152,278 shares of our common stock to an affiliate of GSK at a price of $23.70 per share, resulting in aggregate gross proceeds of $3.6 million before deducting transaction expenses. Neither we nor the affiliate of GSK engaged any investment advisors with respect to the sale and no finders' fees were paid or will be paid to any party in connection with the sale. We issued and sold the shares in reliance upon an exemption from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended.

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Item 6. Exhibits

Exhibit Number	Description	Form	Incorporated by Reference Filing Date/Period End Date
3.3	Amended and Restated Certificate of Incorporation	S-1	7/26/04
3.4	Certificate of Amendment of Restated Certificate of Incorporation	10-Q	3/31/07
3.5	Amended and Restated Bylaws (as amended by the board of directors April 25, 2007)	10-Q	9/30/08
4.1	Specimen certificate representing the common stock of the registrant	10-K	12/31/06
4.2	Amended and Restated Rights Agreement between Theravance, Inc. and The Bank of New York, as Rights Agent, dated as of June 22, 2007	10-Q	6/30/07
4.3	Indenture dated as of January 23, 2008 by and between Theravance, Inc. and The Bank of New York Trust Company, N.A., as trustee	8-K	1/23/08
4.4	Form of 3.0% Convertible Subordinated Note Due 2015 (included in Exhibit 4.3)		
4.5	Amendment to Amended and Restated Rights Agreement between the registrant and The Bank of New York Mellon Corporation, as Rights Agent, dated November 21,	8-K	11/25/08

	2008
10.4	Employee Stock Purchase Plan, as amended by the compensation committee of the board of directors February 11, 2011 and approved by stockholders April 27, 2011
10.48	Form of Time-Based Vesting Notice of Restricted Stock Unit Award and Restricted Stock Unit Agreement under 2004 Equity Incentive Plan (form in effect from February 2011)
10.49	Form of Time-Based Vesting Notice of Restricted Stock Award and Restricted Stock Agreement under 2004 Equity Incentive Plan (form in effect from February 2011)
10.50	Form of Time-Based Vesting Notice of Restricted Stock Award and Restricted Stock Agreement under 2004 Equity Incentive Plan (form in effect for Section 16 officers from February 2011)
10.51	Form of Performance-Contingent Restricted Stock Award and Restricted Stock Agreement under 2004 Equity Incentive Plan
10.52	Form of Performance Cash Award Agreement under 2004 Equity Incentive Plan
10.53	Form of Common Stock Purchase Agreement among the registrant, Glaxo Group Limited and GlaxoSmithKline LLC
31.1	Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated pursuant to the Securities Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated pursuant to the Securities Exchange Act of 1934, as amended
32	Certifications Pursuant to 18 U.S.C. Section 1350

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SIGNATURES

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

Theravance, Inc.
(Registrant)

May 4, 2011	/s/ Rick E Winningham
Date	Rick E Winningham Chief Executive Officer
May 4, 2011	/s/ Michael W. Aguiar
Date	Michael W. Aguiar Senior Vice President, Finance and Chief Financial Officer

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THERAVANCE, INC.

2004 EMPLOYEE STOCK PURCHASE PLAN

(AS ADOPTED MAY 27, 2004 AND AMENDED ON APRIL 19, 2005, DECEMBER 11, 2007, DECEMBER 10, 2008, APRIL 27, 2010 AND FEBRUARY 11, 2011)

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THERAVANCE, INC.

2004 EMPLOYEE STOCK PURCHASE PLAN

SECTION 1. PURPOSE OF THE PLAN.

The Board adopted the Plan effective as of the date of the IPO. The Plan shall be implemented on such date following its effectiveness as shall be determined by the Board in its discretion. The purpose of the Plan is to provide Eligible Employees with an opportunity to increase their proprietary interest in the success of the Company by purchasing Stock from the Company on favorable terms and to pay for such purchases through payroll deductions. The Plan is intended to qualify for favorable tax treatment under Section 423 of the Code.

SECTION 2. ADMINISTRATION OF THE PLAN.

(a) **Committee Composition**. The Committee shall administer the Plan. The Committee shall consist exclusively of one or more directors of the Company, who shall be appointed by the Board.

(b) **Committee Responsibilities**. The Committee shall interpret the Plan and make all other policy decisions relating to the operation of the Plan. The Committee may adopt such rules, guidelines and forms as it deems appropriate to implement the Plan. The Committee's determinations under the Plan shall be final and binding on all persons.

SECTION 3. STOCK OFFERED UNDER THE PLAN.

(a) **Authorized Shares**. The number of shares of Stock available for purchase under the Plan shall be 2,025,000(1) (subject to adjustment pursuant to Subsection (b) below).

(b) **Anti-Dilution Adjustments**. The aggregate number of shares of Stock offered under the Plan, the 2,500-share limitation described in Section 8(c) and the price of shares that any Participant has elected to purchase shall be adjusted proportionately for any increase or decrease in the number of outstanding shares of Stock resulting from a subdivision or consolidation of shares or the payment of a stock dividend, any other increase or decrease in such shares effected without receipt or payment of consideration by the Company, the distribution of the shares of a Subsidiary to the Company's stockholders, or a similar event.

(1) All share numbers reflect the reverse stock split approved in connection with the IPO. Reflects 300,000 share increase approved by the stockholders on June 30, 2005. Reflects 300,000 share increase approved by the Compensation Committee of the Board on December 11, 2007 and approved by stockholders at the Annual Stockholders Meeting on April 22, 2008. Reflects 550,000 share increase approved by the Board on December 10, 2008 and approved by stockholders at the Annual Stockholders Meeting on April 24, 2009. Reflects 550,000 share increase approved by the Compensation Committee of the Board of Directors on February 11, 2011 and approved by stockholders at the Annual Stockholders Meeting on April 27, 2011.

(c) **Reorganizations**. Any other provision of the Plan notwithstanding, immediately prior to the effective time of a Corporate Reorganization, the Offering Period and Accumulation Period then in progress shall terminate and shares shall be purchased pursuant to Section 8, unless the Plan is continued or assumed by the surviving corporation or its parent corporation. The Plan shall in no event be construed to restrict in any way the Company's right to undertake a dissolution, liquidation, merger, consolidation or other reorganization.

SECTION 4. ENROLLMENT AND PARTICIPATION.

(a) **Offering Periods**. While the Plan is in effect, two overlapping Offering Periods shall commence in each calendar year. The Offering Periods shall consist of the 24-month periods commencing on each May 16 and November 16, except that:

(i) Each Offering Period shall commence on the date designated by the Board or Committee and shall end on the date 24 months later or such shorter period selected by the Board or Committee.

(ii) The Committee may determine that the first Offering Period applicable to the Eligible Employees of a new Participating Company shall commence on any date specified by the Committee.

(iii) An Offering Period shall in no event be longer than 27 months.

(b) **Accumulation Periods**. While the Plan is in effect, two Accumulation Periods shall commence in each calendar year. The Accumulation Periods shall consist of the six-month periods commencing on each May 16 and November 16, except that:

(i) Each Accumulation Period shall commence on May 16 and November 16 and end on the earliest of the next November 15 and May 15, respectively, unless otherwise provided by the Committee.

(ii) The Committee may determine that the first Accumulation Period applicable to the Eligible Employees of a new Participating Company shall commence on any date specified by the Committee.

(c) **Enrollment**. Each Eligible Employee may elect to become a Participant on the first day of an Offering Period by filing the prescribed enrollment form with the Company. The enrollment form shall be filed at the prescribed location not later than the day designated by the Company but in any event prior to the commencement of the Offering Period.

(d) **Duration of Participation**. Once enrolled in the Plan, a Participant shall continue to participate in the Plan until he or she:

(i) Reaches the end of the Accumulation Period in which his or her employee contributions were discontinued under Section 5(d) or 9(b);

(ii) Is deemed to withdraw from the Plan under Subsection (c) above;

(iii) Withdraws from the Plan under Section 6(a); or

(iv) Ceases to be an Eligible Employee.

A Participant whose employee contributions were discontinued automatically under Section 9(b) shall automatically resume participation at the beginning of the earliest Accumulation Period ending in the next calendar year, if he or she then is an Eligible Employee. In all other cases, a former Participant may again become a Participant, if he or she then is an Eligible Employee, by following the procedure described in Subsection (d) above.

(e) **Applicable Offering Period**. For purposes of calculating the Purchase Price under Section 8(b), the applicable Offering Period shall be determined as follows:

(i) Once a Participant is enrolled in the Plan for an Offering Period, such Offering Period shall continue to apply to him or her until the earliest of (A) the end of such Offering Period, (B) the end of his or her participation under Subsection (e) above or (C) re-enrollment for a subsequent Offering Period under Paragraph (ii), (iii) or (iv) below.

(ii) In the event that the Fair Market Value of Stock on the last trading day before the commencement of the Offering Period for which the Participant is enrolled is higher than on the last trading day before the commencement of any subsequent Offering Period, the Participant shall automatically be re-enrolled for such subsequent Offering Period.

(iii) If Section 14(b) applies, the Participant shall automatically be re-enrolled for a new Offering Period.

(iv) Any other provision of the Plan notwithstanding, the Company (at its sole discretion) may determine prior to the commencement of any new Offering Period that all Participants shall be re-enrolled for such new Offering Period.

(v) When a Participant reaches the end of an Offering Period but his or her participation is to continue, then such Participant shall automatically be re-enrolled for the Offering Period that commences immediately after the end of the prior Offering Period.

SECTION 5. EMPLOYEE CONTRIBUTIONS.

(a) **Commencement of Payroll Deductions**. A Participant may purchase shares of Stock under the Plan solely by means of payroll deductions. Payroll deductions shall commence as soon as reasonably practicable after the Company has received the prescribed enrollment form.

(b) **Amount of Payroll Deductions**. An Eligible Employee shall designate on the enrollment form the portion of his or her Compensation that he or she elects to have

withheld for the purchase of Stock. Such portion shall be a whole percentage of the Eligible Employee’s Compensation, but not less than 1% nor more than 15%.

(c) **Changing Withholding Rate**. If a Participant wishes to change the rate of payroll withholding, he or she may do so by filing a new enrollment form with the Company at the prescribed location at any time. The new withholding rate shall be effective as soon as reasonably practicable after the Company has received such form. The new withholding rate shall be a whole percentage of the Eligible Employee's Compensation, but not less than 1% nor more than 15%.

(d) **Discontinuing Payroll Deductions**. If a Participant wishes to discontinue employee contributions entirely, he or she may do so by filing a new enrollment form with the Company at the prescribed location at any time. Payroll withholding shall cease at the date requested by the Participant or thereafter as soon as reasonably practicable after the Company has received such form. (In addition, employee contributions may be discontinued automatically pursuant to Section 9(b).) A Participant who has discontinued employee contributions may resume such contributions by filing a new enrollment form with the Company at the prescribed location. Payroll withholding shall resume as soon as reasonably practicable after the Company has received such form.

(e) **Limit on Number of Elections**. No Participant shall make more than 2 elections under Subsection (c) or (d) above during any Accumulation Period.

SECTION 6. WITHDRAWAL FROM THE PLAN.

(a) **Withdrawal**. A Participant may elect to withdraw from the Plan by filing the prescribed form with the Company at the prescribed location at any time before the last day of an Accumulation Period. As soon as reasonably practicable thereafter, payroll deductions shall cease and the entire amount credited to the Participant's Plan Account shall be refunded to him or her in cash. No partial withdrawals shall be permitted.

(b) **Re-Enrollment After Withdrawal**. A former Participant who has withdrawn from the Plan shall not be a Participant until he or she re-enrolls in the Plan under Section 4(d). Re-enrollment may be effective only at the commencement of an Offering Period.

SECTION 7. CHANGE IN EMPLOYMENT STATUS.

(a) **Termination of Employment**. Termination of employment as an Eligible Employee for any reason, including death, shall be treated as an automatic withdrawal from the Plan under Section 6(a). (A transfer from one Participating Company to another shall not be treated as a termination of employment.)

(b) **Leave of Absence**. For purposes of the Plan, employment shall not be deemed to terminate when the Participant goes on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing. Employment, however, shall be deemed to terminate 90 days after the Participant goes on a leave, unless a contract or statute guarantees his or her right to return to work. Employment shall be deemed to

terminate in any event when the approved leave ends, unless the Participant immediately returns to work.

(c) **Death**. In the event of the Participant's death, the amount credited to his or her Plan Account shall be paid to a beneficiary designated by him or her for this purpose on the prescribed form or, if none, to the Participant's estate. Such form shall be valid only if it was filed with the Company at the prescribed location before the Participant's death.

SECTION 8. PLAN ACCOUNTS AND PURCHASE OF SHARES.

(a) **Plan Accounts**. The Company shall maintain a Plan Account on its books in the name of each Participant. Whenever an amount is deducted from the Participant's Compensation for purposes of the Plan, such amount shall be credited to the Participant's Plan Account. Amounts credited to Plan Accounts shall not be trust funds and may be commingled with the Company's general assets and applied to general corporate purposes. No interest shall be credited to Plan Accounts, except to the extent otherwise provided by the Committee.

(b) **Purchase Price**. The Purchase Price for each share of Stock purchased at the close of an Accumulation Period shall not be less than the lower of:

(i) 85% of the Fair Market Value of such share on the last trading day before the commencement of the applicable Offering Period (as determined under Section 4(f)); or

(ii) 85% of the Fair Market Value of such share on the last trading day in such Accumulation Period.

(iii) The Committee may determine at any time prior to the start of an Accumulation Period that the Purchase Price will be such percentage of the Fair Market Value as the Committee shall determine provided that the price shall not be lower than 85% nor higher than 100% of the Fair Market Value of such share on the last trading day before the commencement of the applicable Offering Period or on the last trading day of an Accumulation Period (whichever of such days is selected by the Committee).

(c) **Number of Shares Purchased**. As of the last day of each Accumulation Period, each Participant shall be deemed to have elected to purchase the number of shares of Stock calculated in accordance with this Subsection (c), unless the Participant has previously elected to withdraw from the Plan in accordance with Section 6(a). The amount then in the Participant's Plan Account shall be divided by the Purchase Price, and the number of shares that results shall be purchased from the Company with the funds in the Participant's Plan Account. The foregoing notwithstanding, no Participant shall purchase more than 2,500 shares of Stock with respect to any Accumulation Period (or such lesser number established by the Committee prior to the beginning of an Accumulation Period) nor more than the amounts of Stock set forth in Sections 3(a) and 9(b). The Committee may determine with respect to all Participants that any fractional share, as calculated under this Subsection (c), shall be (i) rounded down to the next lower whole share or (ii) credited as a fractional share.

(d) **Available Shares Insufficient**. In the event that the aggregate number of shares that all Participants elect to purchase during an Accumulation Period exceeds the maximum number of shares remaining available for issuance under Section 3, then the number of shares to which each Participant is entitled shall be determined by multiplying the number of shares available for issuance by a fraction. The numerator of such fraction is the number of shares that such Participant has elected to purchase, and the denominator of such fraction is the number of shares that all Participants have elected to purchase.

(e) **Issuance of Stock**. Certificates representing the shares of Stock purchased by a Participant under the Plan shall be issued to him or her as soon as reasonably practicable after the close of the applicable Accumulation Period, except that the Committee may determine that such shares shall be held for each Participant's benefit by a broker designated by the Committee (unless the Participant has elected that certificates be issued to him or her). Shares may be registered in the name of the Participant or jointly in the name of the Participant and his or her spouse as joint tenants with right of survivorship or as community property.

(f) **Tax Withholding**. To the extent required by applicable federal, state, local or foreign law, a Participant shall make arrangements satisfactory to the Company for the satisfaction of any withholding tax obligations that arise in connection with the Plan. The Company shall not be required to issue any shares of Stock under the Plan until such obligations are satisfied.

(g) **Unused Cash Balances**. An amount remaining in the Participant's Plan Account that represents the Purchase Price for any fractional share shall be carried over in the Participant's Plan Account to the next Accumulation Period. Any amount remaining in the Participant's Plan Account that represents the Purchase Price for whole shares that could not be purchased by reason of Subsection (c) above, Section 3 or Section 9(b) shall be refunded to the Participant in cash, without interest.

(h) **Stockholder Approval**. Any other provision of the Plan notwithstanding, no shares of Stock shall be purchased under the Plan unless and until the Company's stockholders have approved the adoption of the Plan.

SECTION 9. LIMITATIONS ON STOCK OWNERSHIP.

(a) **Five Percent Limit**. Any other provision of the Plan notwithstanding, no Participant shall be granted a right to purchase Stock under the Plan if such Participant, immediately after his or her election to purchase such Stock, would own stock possessing more than 5% of the total combined voting power or value of all classes of stock of the Company or any parent or Subsidiary of the Company. For purposes of this Subsection (a), the following rules shall apply:

(i) Ownership of stock shall be determined after applying the attribution rules of Section 424(d) of the Code;

(ii) Each Participant shall be deemed to own any stock that he or she has a right or option to purchase under this or any other plan; and

(iii) Each Participant shall be deemed to have the right to purchase 2,500 shares of Stock under this Plan with respect to each Accumulation Period (or such lesser number established by the Committee prior to the beginning of an Accumulation Period).

(b) **Dollar Limit**. Any other provision of the Plan notwithstanding, no Participant shall purchase Stock with a Fair Market Value in excess of the following limit:

(i) In the case of Stock purchased during an Offering Period that commenced in the current calendar year, the limit shall be equal to (A) $25,000 minus (B) the Fair Market Value of the Stock that the Participant previously purchased under the Plan in the current calendar year.

(ii) In the case of Stock purchased during an Offering Period that commenced in the immediately preceding calendar year, the limit shall be equal to (A) $50,000 minus (B) the Fair Market Value of the Stock that the Participant previously purchased under the Plan in the current calendar year and in the immediately preceding calendar year.

(iii) In the case of Stock purchased during an Offering Period that commenced in the second preceding calendar year, the limit shall be equal to (A) $75,000 minus (B) the Fair Market Value of the Stock that the Participant previously purchased under the Plan in the current calendar year and in the two preceding calendar years.

For all purposes under this Subsection (b), the Fair Market Value of Stock shall be determined as of the beginning of the Offering Period in which such Stock is purchased. For all purposes under this Subsection (b), this Plan shall be aggregated with any other employee stock purchase plans of the Company (or any parent or Subsidiary of the Company) that is described in Section 423 of the Code, and employee stock purchase plans not described in Section 423 of the Code shall be disregarded. If a Participant is precluded by this Subsection (b) from purchasing additional Stock under the Plan, then his or her employee contributions shall automatically be discontinued and shall automatically resume at the beginning of the earliest Accumulation Period ending in the next calendar year (if he or she then is an Eligible Employee).

SECTION 10. RIGHTS NOT TRANSFERABLE.

The rights of any Participant under the Plan, or any Participant's interest in any Stock or moneys to which he or she may be entitled under the Plan, shall not be transferable by voluntary or involuntary assignment or by operation of law, or in any other manner other than by beneficiary designation or the laws of descent and distribution. If a Participant in any manner attempts to transfer, assign or otherwise encumber his or her rights or interest under the Plan, other than by beneficiary designation or the laws of descent and distribution, then such act shall be treated as an election by the Participant to withdraw from the Plan under Section 6(a).

SECTION 11. NO RIGHTS AS AN EMPLOYEE.

Nothing in the Plan or in any right granted under the Plan shall confer upon the Participant any right to continue in the employ of a Participating Company for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Participating Companies or of the Participant, which rights are hereby expressly reserved by each, to terminate his or her employment at any time and for any reason, with or without cause.

SECTION 12. NO RIGHTS AS A STOCKHOLDER.

A Participant shall have no rights as a stockholder with respect to any shares of Stock that he or she may have a right to purchase under the Plan until such shares have been purchased on the last day of the applicable Accumulation Period.

SECTION 13. SECURITIES LAW REQUIREMENTS.

Shares of Stock shall not be issued under the Plan unless the issuance and delivery of such shares comply with (or are exempt from) all applicable requirements of law, including (without limitation) the Securities Act of 1933, as amended, the rules and regulations promulgated thereunder, state securities laws and regulations, and the regulations of any stock exchange or other securities market on which the Company's securities may then be traded.

SECTION 14. AMENDMENT OR DISCONTINUANCE.

The Board or Committee shall have the right to amend, suspend or terminate the Plan at any time and without notice. Except as provided in Section 3, any increase in the aggregate number of shares of Stock that may be issued under the Plan shall be subject to the approval of the Company's stockholders. In addition, any other amendment of the Plan shall be subject to the approval of the Company's stockholders to the extent required by any applicable law or regulation. The Plan shall terminate automatically 20 years after its adoption by the Board, unless (a) the Plan is extended by the Board and (b) the extension is approved within 12 months by a vote of the stockholders of the Company.

SECTION 15. DEFINITIONS.

(a) "**Accumulation Period**" means a period during which contributions may be made toward the purchase of Stock under the Plan, as determined pursuant to Section 4(b).

(b) "**Board**" means the Board of Directors of the Company, as constituted from time to time.

(c) "**Code**" means the Internal Revenue Code of 1986, as amended.

(d) "**Committee**" means a committee of the Board, as described in Section 2.

(e) "**Company**" means Theravance, Inc., a Delaware corporation.

(f) "**Compensation**" means (i) the total compensation paid in cash to a Participant by a Participating Company, including salaries, wages, bonuses, incentive compensation, commissions, overtime pay and shift premiums, plus (ii) any pre-tax contributions made by the Participant under section 401(k) or 125 of the Code. "Compensation" shall exclude all non-cash items, moving or relocation allowances, cost-of-living equalization payments, car allowances, tuition reimbursements, imputed income attributable to cars or life insurance, severance pay, fringe benefits, contributions or benefits received under employee benefit plans, income attributable to the exercise of stock options, and similar items. The Committee shall determine whether a particular item is included in Compensation.

(g) "**Corporate Reorganization**" means:

(i) The consummation of a merger or consolidation of the Company with or into another entity or any other corporate reorganization; or

(ii) The sale, transfer or other disposition of all or substantially all of the Company's assets or the complete liquidation or dissolution of the Company.

(h) "**Eligible Employee**" means any employee of a Participating Company who meets both of the following requirements:

(i) His or her customary employment is for more than five months per calendar year and for more than 20 hours per week; and

(ii) He or she has been an employee of a Participating Company for such period (if any) as the Committee may determine before the beginning of the applicable Offering Period.

Officers of the Company shall not participate in the initial Offering Period or in any subsequent Offering Period unless the Committee announces prior to commencement of an Offering Period that officers shall be eligible to participate. The foregoing notwithstanding, an individual shall not be considered an Eligible Employee if his or her participation in the Plan is prohibited by the law of any country that has jurisdiction over him or her or if he or she is subject to a collective bargaining agreement that does not provide for participation in the Plan.

(i) "**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

(j) "**Fair Market Value**" means the market price of Stock, determined by the Committee as follows:

(i) If the Stock was traded on The Nasdaq National Market or The Nasdaq SmallCap Market on the date in question, then the Fair Market Value shall be equal to the last-transaction price quoted for such date by such Market;

(ii) If the Stock was traded on a stock exchange on the date in question, then the Fair Market Value shall be equal to the closing price reported by the applicable composite transactions report for such date; or

(iii) If none of the foregoing provisions is applicable, then the Committee shall determine the Fair Market Value in good faith on such basis as it deems appropriate.

Whenever possible, the determination of Fair Market Value by the Committee shall be based on the prices reported in The Wall Street Journal or as reported directly to the Company by Nasdaq or a stock exchange. Such determination shall be conclusive and binding on all persons.

(k) "**Offering Period**" means a period with respect to which the right to purchase Stock may be granted under the Plan, as determined pursuant to Section 4(a).

(l) "**Participant**" means an Eligible Employee who participates in the Plan, as provided in Section 4.

(m) "**Participating Company**" means (i) the Company and (ii) each present or future Subsidiary designated by the Committee as a Participating Company.

(n) "**Plan**" means this Theravance, Inc. 2004 Employee Stock Purchase Plan, as it may be amended from time to time.

(o) "**Plan Account**" means the account established for each Participant pursuant to Section 8(a).

(p) "**Purchase Price**" means the price at which Participants may purchase Stock under the Plan, as determined pursuant to Section 8(b).

(q) "**Stock**" means the Common Stock of the Company.

(r) "**Subsidiary**" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Addendum for International Participants

The Committee may allow Participants who are employed by a Participating Company designated by the Committee, who are not employed by the Company and who work or reside outside of the United States an opportunity to acquire Common Stock pursuant to the Plan in accordance with such special terms and conditions as the Committee may designate with respect to each such Participating Company. Without limiting the authority of the Committee, the special terms and conditions which may be established with respect to each such Participating Company, and which need not be the same for all Participating Companies, include but are not limited to the right to participate, procedures for elections to participate, the payment of any interest with respect to amounts received from or credited to accounts held for the benefit of Participants, the purchase price of any shares to be acquired, the length of any purchase period, the maximum amount of contributions, credits or Stock which may be acquired by any Participant, and a Participant's rights in the event of his or her death, disability, withdrawal from the Plan, termination of employment on behalf of the Company and all matters related thereto. This Addendum is not subject to Section 423 of the Code or any other provision of the Plan that refers to or is based upon such Section. For purposes of United States tax laws, this Addendum shall be treated as separate and apart from the balance of the Plan.

THERAVANCE, INC. 2004 EQUITY INCENTIVE PLAN

NOTICE OF RESTRICTED STOCK UNIT AWARD

You have been granted the number of restricted stock units indicated below by Theravance, Inc. (the "**Company**") on the following terms:

Name: «Name»

Restricted Stock Unit Award Details:

Date of Grant:	«DateGrant»
Restricted Stock Units:	«TotalShares»
Vesting Commencement Date:	«VestComDate»

Each restricted stock unit (the "r**estricted stock unit**") represents the right to receive one share of the Company's Common Stock subject to the terms and conditions contained in the Restricted Stock Unit Agreement (the "Agreement").

Vesting Schedule:

Vesting is dependent upon continuous service as an employee or consultant of the Company, a Parent, a Subsidiary or an Affiliate ("**Service**") throughout the vesting period. The units will vest as follows: «X»% on <<InitialVestDate>>; [«Y»% on <<SecondVestDate>>;] and an additional «Z»% on the final day of each 3-month period thereafter, provided that you remain in continuous Service through such date.

You and the Company agree that your right to receive the units is granted under and governed by the terms and conditions of the Plan and of the Agreement that is attached to and made a part of this document. Capitalized terms not defined herein have the meaning ascribed to such terms in the Plan.

You agree that the Company may deliver by email all documents relating to the Plan or this award (including, without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements). You also agree that the Company may deliver these documents by posting them on a web site maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a web site, it will notify you by email.

You agree to cover the applicable withholding taxes as set forth more fully herein. In connection with your receipt of the restricted stock units, you are simultaneously entering into a trading arrangement that complies with the requirements of Rule 10b5-1(c)(1) under the Securities Exchange Act of 1934 (a "10b5-1 Plan"). As of the date of the Agreement, you are not aware of any material nonpublic information concerning the Company or its securities, or, as of the date any sales are effected pursuant to the 10b5-1 Plan, you will not effect such sales on the basis of material nonpublic information about the securities or the Company of which you were aware at the time you entered into the Agreement.

THERAVANCE, INC. 2004 EQUITY INCENTIVE PLAN:
RESTRICTED STOCK UNIT AGREEMENT

Payment for Shares

No payment is required for the restricted stock units you are receiving.

Nature of Units

Your units are bookkeeping entries. They represent only the Company's unfunded and unsecured promise to issue shares of Common Stock on a future date. As a holder of units, you have no rights other than the rights of a general creditor of the Company.

Settlement of Units

Each of your units will be settled when it vests (unless you and the Company have agreed to a later settlement date pursuant to procedures that the Company may prescribe at its discretion).

At the time of settlement, you will receive one share of the Company's Common Stock for each vested unit.

Vesting

The restricted stock units that you are receiving will vest as shown in the Notice of Restricted Stock Unit Award.

If the Company is subject to a Change in Control (as defined in the Plan) before your Service terminates, the restricted stock units will vest in full if not assumed or replaced with a new award as set forth in Section 10.1 of the Plan.

For avoidance of doubt, the restricted stock units shall be treated as "shares" for purposes of acceleration of vesting under the Company's Change in Control Severance Plan and 2009 Change in Control Severance Plan (each, a "Severance Plan") to the extent you are eligible to participate in either such plan.

No additional units vest after your Service has terminated for any reason except as set forth in a Severance Plan to the extent you are eligible for benefits thereunder. It is intended that vesting in the restricted stock units is commensurate with a full-time work schedule. For possible adjustments that may be made by the Company, see the Section below entitled "Leaves of Absence and Part-Time Work."

Forfeiture

If your Service terminates for any reason then your restricted stock units that have not vested before the termination date and do not vest as a result of the termination pursuant to this Agreement or as set forth on the Notice of Restricted Stock Unit Award, will be forfeited. This means that the restricted stock units will revert to the Company. You receive no payment for restricted stock units that are forfeited. The Company determines when your Service terminates for this purpose.

Leaves of Absence and Part-Time Work

For purposes of this award, your Service does not terminate when you go on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing. If your leave of absence (other than a military leave) lasts for more than 6 months, then vesting will be suspended on the day that is 6 months and 1 day after the leave of absence began. Vesting will resume effective as of the second vesting date after you return from leave of absence provided you have worked at least one day during that vesting period.

In the case of all leaves, your Service terminates when the approved leave ends, unless you immediately return to active work.

If you and the Company agree to a reduction in your scheduled work hours, then the Company reserves the right to modify the rate at which the restricted stock units vest, so that the rate of vesting is commensurate with your reduced work schedule. Any such adjustment shall be consistent with the Company's policies for part-time or reduced work schedules or shall be pursuant to the terms of an agreement between you and the Company pertaining to your reduced work schedule.

The Company shall not be required to adjust any vesting schedule pursuant to this subsection.

Stock Certificates

No shares of Common Stock shall be issued to you prior to the date on which the restricted stock units vest. After any restricted stock units vest pursuant to this Agreement, the Company shall promptly cause to be issued in book-entry form, registered in your name or in the name of your legal representatives, beneficiaries or heirs, as the case may be, the number of shares of Common Stock representing your vested restricted stock units. No fractional shares shall be issued.

Section 409A

Unless you and the Company have agreed to a deferred settlement date (pursuant to procedures that the Company may prescribe at its discretion), settlement of these restricted stock units is intended to be exempt from the application of Code Section 409A pursuant to the "short-term deferral exemption" in Treasury Regulation 1.409A-1(b)(4) and shall be administrated and interpreted in a manner that complies with such exemption.

Notwithstanding the foregoing, to the extent it is determined that settlement of these restricted stock units is not exempt from Code Section 409A as a short-term deferral or otherwise and the Company determines that you are a "specified employee," as defined in the regulations under Code Section 409A, at the time of your "separation from service," as defined in those regulations, then any restricted stock units that otherwise would have been settled during the first six months following your separation from service will instead be settled

on the first business day following the six-month anniversary of your separation from service, unless the event triggering vesting is an event other than your separation from service.

Stockholder Rights

The restricted stock units do not entitle you to any of the rights of a stockholder of Common Stock. Upon settlement of the restricted stock units into shares of Common Stock, you will obtain full voting and other rights as a stockholder of the Company.

Units Restricted

You may not sell, transfer, pledge or otherwise dispose of any restricted stock units or rights under this Agreement other than by will or by the laws of descent and distribution. Notwithstanding the foregoing, you may designate a beneficiary or beneficiaries to receive any property distributable with respect to the restricted stock units upon your death.

Withholding Taxes

No shares will be distributed to you unless you have made arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of the settlement of this award. Prior to the relevant taxable event, you shall pay or make adequate arrangements satisfactory to the Company to satisfy all withholding obligations for applicable taxes.

You authorize the Company to instruct the broker whom it has selected for this purpose to sell a number of shares of Common Stock to be issued upon the vesting of your restricted stock units or a lesser number necessary to meet tax withholding obligations. Such sales shall be effected at a market price following the date that the restricted stock units vest (unless you and the Company have agreed to a later settlement date pursuant to procedures that the Company may prescribe at its discretion).

You acknowledge that the proceeds of any such sale may not be sufficient to satisfy your withholding obligations. To the extent the proceeds from such sale are insufficient to cover the taxes due, the Company may in its discretion (a) withhold the balance of all applicable taxes legally payable by you from your wages or other cash compensation paid to you by the Company and/or (b) withhold in shares of Common Stock, provided that the Company only withholds an amount of shares not in excess of the amount necessary to satisfy the minimum withholding amount. The fair market value of withheld shares, determined as of the date taxes otherwise would have been withheld in cash, will be applied against the withholding taxes. If the Company satisfies the obligation for taxes by withholding a number of shares of Common Stock as described above, you are deemed to have been issued the full number of shares subject to the award of restricted stock units.

Rule 10b5-1 Plan

You acknowledge that the instruction to the broker to sell in the foregoing section is intended to comply with the requirements of Rule 10b5-1(c)(1)(i)(B) under the Securities Exchange Act of 1934 (the "Exchange Act"), and to be interpreted to comply with the requirements of Rule 10b5-1(c)(1) under the Exchange Act (a "10b5-1 Plan"). This 10b5-1

Plan is adopted to be effective as of the first date on which the restricted stock units vest. This 10b5-1 Plan is being adopted to permit you to sell a number of shares awarded upon the vesting of restricted stock units sufficient to pay withholding taxes that become due as a result of this award or the vesting of the restricted stock units or, if you elect within thirty days following notification via the broker whom the Company has selected for this purpose of your restricted stock unit award, to permit you to sell all of the vested restricted stock units. You hereby appoint the Company as your agent and attorney-in-fact to instruct the broker with respect to the number of shares to be sold under this 10b5-1 Plan.

You hereby authorize the broker to sell the number of shares of Common Stock determined as set forth above and acknowledge that the broker is under no obligation to arrange for such sale at any particular price. You acknowledge that the broker may aggregate your sales with sales occurring on the same day that are effected on behalf of other Company employees pursuant to sales of shares vesting under Company options or restricted stock unit awards and your proceeds will be based on a blended price for all such sales. You acknowledge that you will be responsible for all brokerage fees and other costs of sale, and you agree to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale. You acknowledge that it may not be possible to sell Common Stock during the term of this 10b5-1 Plan due to (a) a legal or contractual restriction applicable to you or to the broker, (b) a market disruption, (c) rules governing order execution priority on the Nasdaq Global Market, (d) a sale effected pursuant to this 10b5-1 Plan that fails to comply (or in the reasonable opinion of the broker's counsel is likely not to comply) with Rule 144 under the Securities Act of 1933, if applicable, or (e) if the Company determines that sales may not be effected under this 10b5-1 Plan. You acknowledge that this 10b5-1 Plan is subject to the terms of any policy adopted now or hereafter by the Company governing the adoption of 10b5-1 plans.

Restrictions on Issuance The Company will not issue shares to you if the issuance of shares at that time would violate any law or regulation.

Restrictions on Resale You agree not to sell any shares of Common Stock you receive under this Agreement at a time when applicable laws, regulations, Company trading policies (including the Company's Insider Trading Policy, a copy of which can be found on the Company's intranet) or an

agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.

No Retention Rights Your award or this Agreement does not give you the right to be employed or retained by the Company (or a Parent or Subsidiary) in any capacity. The Company and its Parent and its Subsidiaries reserve the right to terminate your Service at any time, with or without cause.

Adjustments In the event of a stock split, a stock dividend or a similar change in Common Stock, the number of restricted stock units that will vest in any future installments will be adjusted accordingly.

Applicable Law This Agreement will be interpreted and enforced with respect to issues of contract law under the laws of the State of Delaware.

The Plan and Other Agreements The text of the Plan is incorporated in this Agreement by reference. A copy of the Plan is available on the Company's intranet or by request to the Finance Department.

This Agreement, the Notice of Restricted Stock Unit Award, and the Plan constitute the entire understanding between you and the Company regarding this award. Any prior agreements, commitments or negotiations concerning this award are superseded. This Agreement may be amended only by another written agreement between the parties.

BY ACCEPTING THIS RESTRICTED STOCK UNIT AWARD, YOU AGREE TO

ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

Form of RSA for Officers other than Executive Officers

THERAVANCE, INC. 2004 EQUITY INCENTIVE PLAN
NOTICE OF RESTRICTED STOCK AWARD

You have been granted restricted shares of Common Stock of Theravance, Inc. (the "Company") on the following terms:

Name of Recipient:	«Name»
Total Number of Shares Granted:	«TotalShares»
Date of Grant:	«DateGrant»

Vesting Schedule:

Vesting of the shares is dependent upon continuous service as an employee or consultant of the Company, a Parent, a Subsidiary or an Affiliate ("**Service**") throughout the vesting period. The shares will vest as follows: «X»% on <<InitialVestDate>>; [«Y»% on <<SecondVestDate>>;] and an additional «Z»% on the final day of each 3-month period thereafter, provided that you remain in continuous Service through such date.

You and the Company agree that these shares are granted under and governed by the terms and conditions of the Theravance, Inc. 2004 Equity Incentive Plan (the "Plan") and of the Agreement that is attached to and made a part of this document. Capitalized terms not defined herein have the meaning ascribed to such terms in the Plan.

You further agree that the Company may deliver by email all documents relating to the Plan or this award (including, without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements). You also agree that the Company may deliver these documents by posting them on a web site maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a web site, it will notify you by email.

You agree to cover the applicable withholding taxes as set forth more fully herein. In connection with your receipt of these shares, you are simultaneously entering into a trading arrangement that complies with the requirements of Rule 10b5-1(c)(1) under the Securities Exchange Act of 1934 (a "10b5-1 Plan"). As of the date of the Agreement, you are not aware of any material nonpublic information concerning the Company or its securities, or, as of the date any sales are effected pursuant to the 10b5-1 Plan, you will not effect such sales on the basis of material nonpublic information about the securities or the Company of which you were aware at the time you entered into the Agreement.

Form of RSA for Officers other than Executive Officers

THERAVANCE, INC. 2004 EQUITY INCENTIVE PLAN:
RESTRICTED STOCK AGREEMENT

Payment for Shares

The shares have been awarded to you in consideration of your past service to the Company and no payment is required for the shares that you are receiving, except for satisfying any withholding taxes that may be due as a result of the grant of this award or the vesting or transfer of the shares.

Transfer

On the terms and conditions set forth in the Notice of Restricted Stock Award and this Agreement, the Company agrees to transfer to you the number of shares of its Common Stock set forth in the Notice of Restricted Stock Award.

Vesting

The shares will vest as shown in the Notice of Restricted Stock Award.

The shares are eligible for vesting acceleration under the Company's Change in Control Severance Plan and 2009 Change in Control Severance Plan (each, a "Severance Plan") to the extent you are eligible to participate in either such Severance Plan.

No additional shares vest after your Service has terminated for any reason, except as set forth in the Notice of Restricted Stock Award, in this Agreement or, to the extent you are eligible to participate in a Severance Plan, in a Severance Plan.

It is intended that vesting in the shares is commensurate with a full-time work schedule. For possible adjustments that may be made by the Company, see the Section below entitled "Leaves of Absence and Part-Time Work."

Shares Restricted

Unvested shares will be considered "**Restricted Shares**."

You may not sell, transfer, pledge or otherwise dispose of any Restricted Shares without the written consent of the Company, except as provided in the next sentence. You may transfer Restricted Shares to your spouse, children or grandchildren or to a trust established by you for the benefit of yourself or your spouse, children or grandchildren. However, a transferee of Restricted Shares must agree in writing on a form prescribed by the Company to be bound by all provisions of this Agreement.

Forfeiture

If your Service terminates for any reason, then your shares will be forfeited to the extent that they have not vested before the termination date and do not vest as a result of the termination. This means that the

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Restricted Shares will revert to the Company. You receive no payment for Restricted Shares that are forfeited. The Company determines when your Service terminates for this purpose.

Leaves of Absence and Part-Time Work

For purposes of this award, your Service does not terminate when you go on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing. If your leave of absence (other than a military leave) lasts for more than 6 months, then vesting will be suspended on the day that is 6 months and 1 day after the leave of absence began. Vesting will resume effective as of the second vesting date after you return from leave of absence provided you have worked at least one day during that vesting period.

In the case of all leaves, your Service terminates when the approved leave ends, unless you immediately return to active work.

If you and the Company agree to a reduction in your scheduled work hours, then the Company reserves the right to modify the rate at which the shares vest, so that the rate of vesting is commensurate with your reduced work schedule. Any such adjustment shall be consistent with the Company's policies for part-time or reduced work schedules or shall be pursuant to the terms of an agreement between you and the Company pertaining to your reduced work schedule.

The Company shall not be required to adjust any vesting schedule pursuant to this subsection.

Stock Certificates

The Restricted Shares are issued in book-entry form, registered in your name, and held in escrow at the Company's designated brokerage pending the date on which shares vest. After shares vest, the Company will release from escrow the number of shares of Common Stock representing your vested shares, registered in your name or in the name of your legal representatives, beneficiaries or heirs, as the case may be.

Voting Rights

You may vote your shares even before they vest.

Dividend Rights

Any cash dividends distributed with respect to Restricted Shares shall be subject to the same terms and conditions as apply to the Restricted Shares to which they relate and shall be paid to you (less all applicable withholding taxes) promptly upon vesting.

Withholding Taxes

No shares will be released to you unless you have made arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of this award or the vesting of the shares. Prior to the relevant taxable event, you shall pay or make adequate arrangements satisfactory to the Company to satisfy all withholding obligations for applicable taxes.

You authorize the Company to instruct the broker whom it has selected for this purpose to sell a number of shares of Common Stock to be released to you upon the vesting of your Restricted Shares or a lesser number necessary to meet tax withholding obligations. Such sales shall be effected at a market price following the date that the Restricted Shares vest.

You acknowledge that the proceeds of any such sale may not be sufficient to satisfy your withholding obligations. To the extent the proceeds from such sale are insufficient to cover the taxes due, the Company may in its discretion (a) withhold the balance of all applicable taxes legally payable by you from your wages or other cash compensation paid to you by the Company and/or (b) withhold in shares of Common Stock, provided that the Company only withholds an amount of shares not in excess of the amount necessary to satisfy the minimum withholding amount. The fair market value of withheld shares, determined as of the date taxes otherwise would have been withheld in cash, will be applied against the withholding taxes. Even if the Company satisfies the obligation for taxes by withholding a number of shares of Common Stock as described above, you will be deemed to have received the full number of shares released from restrictions, including the number of shares sold or withheld to satisfy tax withholding obligations.

Rule 10b5-1 Plan

You acknowledge that the instruction to the broker to sell in the foregoing section is intended to comply with the requirements of Rule 10b5-1(c)(1)(i)(B) under the Securities Exchange Act of 1934 (the "Exchange Act"), and to be interpreted to comply with the requirements of Rule 10b5-1(c)(1) under the Exchange Act (a "10b5-1 Plan"). This 10b5-1 Plan is adopted to be effective as of the first date on which Restricted Shares vest. This 10b5-1 Plan is being adopted to permit you to sell a number of shares to be released to you upon the vesting of Restricted Shares sufficient to pay withholding taxes that become due as a result of this award or the vesting of the Restricted Shares or, if you elect within thirty days following notification via the broker whom the Company has selected for this purpose of your restricted stock award, to permit you to sell all of the vested Restricted Shares. You hereby appoint the Company as your agent and attorney-in-fact to instruct the broker with respect to the number of shares to be sold under this 10b5-1 Plan.

You hereby authorize the broker to sell the number of shares of Common Stock determined as set forth above and acknowledge that the broker is under no obligation to arrange for such sale at any particular price. You acknowledge that the broker may aggregate your sales with sales occurring on the same day that are effected on behalf of other Company employees pursuant to sales of shares vesting under Company options, restricted stock awards or restricted stock unit awards and your proceeds will be based on a blended price for all such sales. You acknowledge that you will be responsible for all brokerage fees and other costs of sale, and you agree to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale. You acknowledge that it may not be possible to sell

Common Stock during the term of this 10b5-1 Plan due to (a) a legal or contractual restriction applicable to you or to the broker, (b) a market disruption, (c) rules governing order execution priority on the Nasdaq Global Market, (d) a sale effected pursuant to this 10b5-1 Plan that fails to comply (or in the reasonable opinion of the broker's counsel is likely not to comply) with Rule 144 under the Securities Act of 1933, if applicable, or (e) if the Company determines that sales may not be effected under this 10b5-1 Plan. You acknowledge that this 10b5-1 Plan is subject to the terms of any policy adopted now or hereafter by the Company governing the adoption or administration of 10b5-1 plans.

Restrictions on Resale	You agree not to sell any shares at a time when applicable laws, regulations, Company policies (including the Company's Insider Trading Policy, a copy of which can be found on the Company's intranet) or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.
No Retention Rights	Your award or this Agreement does not give you the right to be employed or retained by the Company, a Parent, a Subsidiary or an Affiliate in any capacity. The Company and its Parent, Subsidiaries and Affiliates reserve the right to terminate your Service at any time, with or without cause.
Additional or Exchanged Securities and Property	In the event of a merger or consolidation of the Company with or into another entity, any other corporate reorganization, a stock split, the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, a recapitalization or a similar transaction affecting the Company's outstanding Common Stock, any securities or other property (including cash or cash equivalents) that are by reason of such transaction exchanged for, or distributed with respect to, any Restricted Shares shall be subject to the same terms and conditions (including, without limitation, vesting and forfeiture) as are applicable to the Restricted Shares under this Agreement and the Plan. Appropriate adjustments to reflect the exchange or distribution of such securities or property shall be made to the number and/or class of the Restricted Shares.
Applicable Law	This Agreement will be interpreted and enforced under the laws of the State of Delaware (without regard to their choice-of-law provisions).
The Plan and Other Agreements	The text of the Plan is incorporated in this Agreement by reference. This Agreement and the Plan constitute the entire understanding between you and the Company regarding this award. Any prior agreements, commitments or negotiations concerning this award are superseded. This Agreement may be amended only by another written agreement between the parties.

BY ACCEPTING THIS RESTRICTED STOCK AWARD, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

Exhibit 10.50

Form of RSA for Executive Officers

THERAVANCE, INC. 2004 EQUITY INCENTIVE PLAN
NOTICE OF RESTRICTED STOCK AWARD

You have been granted restricted shares of Common Stock of Theravance, Inc. (the "Company") on the following terms:

Name of Recipient:	«Name»
Total Number of Shares Granted:	«TotalShares»
Date of Grant:	«DateGrant»

Vesting Schedule:

Vesting of the shares is dependent upon continuous service as an employee or consultant of the Company, a Parent, a Subsidiary or an Affiliate ("**Service**") throughout the vesting period. The shares will vest as follows: «X»% on <<InitialVestDate>>; «Y»% on <<SecondVestDate>>; and an additional «Z»% on the final day of each 3-month period thereafter, provided that you remain in continuous Service through such date.

You and the Company agree that these shares are granted under and governed by the terms and conditions of the Theravance, Inc. 2004 Equity Incentive Plan (the "Plan") and of the Agreement that is attached to and made a part of this document. Capitalized terms not defined herein have the meaning ascribed to such terms in the Plan.

You further agree that the Company may deliver by email all documents relating to the Plan or this award (including, without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements). You also agree that the Company may deliver these documents by posting them on a web site maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a web site, it will notify you by email.

You agree to cover the applicable withholding taxes as set forth more fully herein.

Form of RSA for Executive Officers

THERAVANCE, INC. 2004 EQUITY INCENTIVE PLAN:
RESTRICTED STOCK AGREEMENT

Payment for Shares	The shares have been awarded to you in consideration of your past service to the Company and no payment is required for the shares that you are receiving, except for satisfying any withholding taxes that may be due as a result of the grant of this award or the vesting or transfer of the shares.
Transfer	On the terms and conditions set forth in the Notice of Restricted Stock Award and this Agreement, the Company agrees to transfer to you the number of shares of its Common Stock set forth in the Notice of Restricted Stock Award.
Vesting	The shares will vest as shown in the Notice of Restricted Stock Award. The shares are eligible for vesting acceleration under the Company's Change in Control Severance Plan and 2009 Change in Control Severance Plan (each, a "Severance Plan") to the extent you are eligible to participate in either such Severance Plan. No additional shares vest after your Service has terminated for any reason, except as set forth in the Notice of Restricted Stock Award, in this Agreement or, to the extent you are eligible to participate in a Severance Plan, in a Severance Plan. It is intended that vesting in the shares is commensurate with a full-time work schedule. For possible adjustments that may be made by the Company, see the Section below entitled "Leaves of Absence and Part-Time Work."
Shares Restricted	Unvested shares will be considered "**Restricted Shares**." You may not sell, transfer, pledge or otherwise dispose of any Restricted Shares without the written consent of the Company, except as provided in the next sentence. You may transfer Restricted Shares to your spouse, children or grandchildren or to a trust established by you for the benefit of yourself or your spouse, children or grandchildren. However, a transferee of Restricted Shares must agree in writing on a form prescribed by the Company to be bound by all provisions of this Agreement.
Forfeiture	If your Service terminates for any reason, then your shares will be forfeited to the extent that they have not vested before the termination date and do not vest as a result of the termination. This means that the

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Restricted Shares will revert to the Company. You receive no payment for Restricted Shares that are forfeited. The Company determines when your Service terminates for this purpose.

Leaves of Absence and Part-Time Work

For purposes of this award, your Service does not terminate when you go on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing. If your leave of absence (other than a military leave) lasts for more than 6 months, then vesting will be suspended on the day that is 6 months and 1 day after the leave of absence began. Vesting will resume effective as of the second vesting date after you return from leave of absence provided you have worked at least one day during that vesting period.

In the case of all leaves, your Service terminates when the approved leave ends, unless you immediately return to active work.

If you and the Company agree to a reduction in your scheduled work hours, then the Company reserves the right to modify the rate at which the shares vest, so that the rate of vesting is commensurate with your reduced work schedule. Any such adjustment shall be consistent with the Company's policies for part-time or reduced work schedules or shall be pursuant to the terms of an agreement between you and the Company pertaining to your reduced work schedule.

The Company shall not be required to adjust any vesting schedule pursuant to this subsection.

Stock Certificates

The Restricted Shares are issued in book-entry form, registered in your name, and held in escrow at the Company's designated brokerage pending the date on which shares vest. After shares vest, the Company will release from escrow the number of shares of Common Stock representing your vested shares, registered in your name or in the name of your legal representatives, beneficiaries or heirs, as the case may be.

Voting Rights

You may vote your shares even before they vest.

Dividend Rights

Any cash dividends distributed with respect to Restricted Shares shall be subject to the same terms and conditions as apply to the Restricted Shares to which they relate and shall be paid to you (less all applicable withholding taxes) promptly upon vesting.

Withholding Taxes

No shares will be released to you unless you have made arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of this award or the vesting of the shares. Prior to the relevant taxable event, you shall pay or make adequate arrangements satisfactory to the Company to satisfy all withholding obligations for applicable taxes.

At your discretion, these arrangements may include (a) payment in cash, (b) payment from the proceeds of the sale of shares through a Company-approved broker or (c) withholding shares of Company stock that otherwise would be released to you upon vesting with a fair market value not in excess of the amount necessary to satisfy the minimum withholding amount, provided that the Company, acting through the Board of Directors or Compensation Committee, may provide prospectively that it no longer authorizes (c) withholding of shares.

If the Company satisfies the obligation for taxes by withholding a number of shares of Common Stock as described above, you will be deemed to have received the full number of shares released from restrictions, including the number of shares withheld to satisfy tax withholding obligations, and the fair market value of these shares, determined as of the date when taxes otherwise would have been withheld in cash, will be applied to the withholding taxes.

You acknowledge that the proceeds of a sale pursuant to (b) above or withholding pursuant to (c) above may not be sufficient to satisfy your withholding obligations. To the extent the proceeds from such sale are insufficient to cover the taxes due, the Company may in its discretion withhold the balance of all applicable taxes legally payable by you from your wages or other cash compensation paid to you by the Company.

Restrictions on Resale

You agree not to sell any shares at a time when applicable laws, regulations, Company policies (including the Company's Insider Trading Policy, a copy of which can be found on the Company's intranet) or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.

No Retention Rights

Your award or this Agreement does not give you the right to be employed or retained by the Company, a Parent, a Subsidiary or an Affiliate in any capacity. The Company and its Parent, Subsidiaries and Affiliates reserve the right to terminate your Service at any time, with or without cause.

Additional or Exchanged Securities and Property

In the event of a merger or consolidation of the Company with or into another entity, any other corporate reorganization, a stock split, the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, a recapitalization or a similar transaction affecting the Company's outstanding Common Stock, any securities or other property (including cash or cash equivalents) that are by reason of such transaction exchanged for, or distributed with respect to, any Restricted Shares shall be subject to the same terms and conditions

	(including, without limitation, vesting and forfeiture) as are applicable to the Restricted Shares under this Agreement and the Plan. Appropriate adjustments to reflect the exchange or distribution of such securities or property shall be made to the number and/or class of the Restricted Shares.
Applicable Law	This Agreement will be interpreted and enforced under the laws of the State of Delaware (without regard to their choice-of-law provisions).
The Plan and Other Agreements	The text of the Plan is incorporated in this Agreement by reference. This Agreement and the Plan constitute the entire understanding between you and the Company regarding this award. Any prior agreements, commitments or negotiations concerning this award are superseded. This Agreement may be amended only by another written agreement between the parties.

BY ACCEPTING THIS RESTRICTED STOCK AWARD, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

Exhibit 10.51

THERAVANCE, INC. 2004 EQUITY INCENTIVE PLAN
NOTICE OF RESTRICTED STOCK AWARD

You have been granted restricted shares of Common Stock of Theravance, Inc. (the "Company") on the following terms:

Name of Recipient:	«Name»
Base Shares:	«BaseShares»
Total Number of Shares Granted:	«TotalShares»
Date of Grant:	«DateGrant»
Base Value:	«Base Value»
Expiration Date:	«ExpDate»

Vesting Schedule:

Vesting of the shares is dependent upon achievement of both the performance-based conditions and service-based conditions set forth below, both of which must be satisfied in order for the shares to vest.

Performance-Based Conditions

Upon achievement prior to the Expiration Date of performance targets with the aggregate number of points set forth in the table below, the performance-based conditions will be achieved with respect to the number of shares indicated in the table below:

Aggregate Number of Points	Number of Shares
	x Base Shares ("**Tranche 1**")
	x Base Shares ("**Tranche 2**")
	x Base Shares ("**Tranche 3**")

The following performance targets and points associated with each performance target will apply to this award:

Performance Target	Number of Points Related to Performance Target

A performance target will not be deemed achieved unless and until the Compensation Committee certifies in writing that the performance target has been achieved. Minutes of a Compensation Committee meeting or an action by unanimous written consent with resolutions approving achievement constitute written certification.

Service-Based Conditions

Subject to achievement of the performance-based conditions described above, the service-based conditions applicable to the shares will be satisfied if you remain in continuous service as an employee of the Company, a Parent, a Subsidiary or an Affiliate ("**Service**") from the Date of Grant until the following date:

- Tranche 1 — The first Company Vesting Date on or after «Tranche 1 Service Condition».
- Tranche 2 — The first Company Vesting Date on or after «Tranche 2 Service Condition».
- Tranche 3 - The first Company Vesting Date on or after «Tranche 3 Service Condition».

A "**Company Vesting Date**" means February 20, May 20, August 20 or November 20.

A share will be considered "**vested**" when both the performance-based conditions and the service-based conditions applicable to the share have been satisfied.

You and the Company agree that these shares are granted under and governed by the terms and conditions of the Theravance, Inc. 2004 Equity Incentive Plan (the "Plan") and of the Agreement that is attached to and made a part of this document. Capitalized terms not defined herein have the meaning ascribed to such terms in the Plan.

You further agree that the Company may deliver by email all documents relating to the Plan or this award (including, without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements). You also agree that the Company may deliver these documents by posting them on a web site maintained by the Company or by a third party under contract with the Company. If the Company posts these documents on a web site, it will notify you by email.

You agree to cover the applicable withholding taxes as set forth more fully herein.

THERAVANCE, INC. 2004 EQUITY INCENTIVE PLAN:
RESTRICTED STOCK AGREEMENT

Payment for Shares

The shares have been awarded to you in consideration of your past service to the Company and no payment is required for the shares that you are receiving, except for satisfying any withholding taxes that may be due as a result of the grant of this award or the vesting or transfer of the shares.

Transfer

On the terms and conditions set forth in the Notice of Restricted Stock Award and this Agreement, the Company agrees to transfer to you the number of shares of its Common Stock set forth in the Notice of Restricted Stock Award.

Vesting

The shares will vest as shown in the Notice of Restricted Stock Award.

The shares are eligible for vesting acceleration under the Company's Change in Control Severance Plan and 2009 Change in Control Severance Plan (each, a "**Severance Plan**") to the extent you are eligible to participate in either such Severance Plan. However, notwithstanding the fact that the Severance Plans provide for vesting acceleration of all unvested shares under certain circumstances, the number of unvested shares subject to this award that are eligible for vesting acceleration under the Severance Plans will be reduced as follows:

- If the performance-conditions applicable to any unvested shares have been satisfied and the shares are unvested solely because the service-based conditions have not yet been satisfied, all of those unvested shares ("**Performance Shares**") will be eligible for vesting acceleration pursuant to a Severance Plan regardless of the Change in Control Value (as defined below). Any unvested shares (determined as of the date vesting would otherwise occur pursuant to a Severance Plan) that are not Performance Shares shall be referred to as the "**Remaining Unvested Shares**."

- If the Change in Control Value is less than or equal to the Base Value (as defined below), none of the Remaining Unvested Shares will be eligible for vesting acceleration pursuant to a Severance Plan.

- If the Change in Control Value is greater than the Base Value but less than two times the Base Value, the number of Remaining Unvested Shares that are eligible for vesting acceleration pursuant to a Severance Plan will be equal to 1% of the Remaining Unvested Shares for each 1% (rounded down to the nearest whole percent) that the Change in Control Value is greater than the Base Value.

- If the Change in Control Value is equal to or greater than two times the Base Value, all of the Remaining Unvested Shares will be eligible for vesting acceleration pursuant to a Severance Plan.

"**Base Value**" means the Base Value specified in the Notice of Restricted Stock Award, which is equal to the closing price of the Company's Common Stock on the Date of Grant. In the event of a stock split or any other event described in Section 11.1 of the Plan, a corresponding adjustment will be made in the Base Value.

"**Change in Control Value**" means the total per share value to be received by a holder of the Company's Common Stock in a Change in Control (as defined in the applicable Severance Plan), determined as of the closing date of the Change in Control. Any non-cash transaction proceeds will be valued by the Compensation Committee in good faith using, if applicable, the same valuation methodology set forth in the definitive agreement evidencing the Change in Control. To the extent not all of the transaction proceeds will be paid at closing (for example, because of an escrow or earn-out arrangement), the Compensation Committee will take into account reasonable discounts for the time value of money, the risk of forfeiture or non-achievement of future payment milestones and other contingencies in order to determine the Change in Control Value as of the closing date. The Compensation Committee's good faith determination of the Change in Control Value will be final and binding.

No additional shares vest after your Service has terminated for any reason, except as set forth in the Notice of Restricted Stock Award, in this Agreement or, to the extent you are eligible to participate in a Severance Plan, in a Severance Plan.

It is intended that vesting in the shares is commensurate with a full-time work schedule. For possible adjustments that may be made by the Company, see the Section below entitled "Leaves of Absence and Part-Time Work."

Shares Restricted

Unvested shares will be considered "**Restricted Shares**."

You may not sell, transfer, pledge or otherwise dispose of any Restricted Shares without the written consent of the Company, except as provided in the next sentence. You may transfer Restricted Shares to your spouse, children or grandchildren or to a trust established by you for the benefit of yourself or your spouse, children or grandchildren. However, a transferee of Restricted Shares must agree in writing on a form prescribed by the Company to be bound by all provisions of this Agreement.

Forfeiture

If your Service terminates for any reason, then your shares will be forfeited to the extent that they have not vested before the termination date and do not vest as a result of the termination of your Service. This means that the Restricted Shares will revert to the Company. You receive no payment for Restricted Shares that are forfeited. The Company determines when your Service terminates for this purpose.

Even if your Service has not terminated, all shares that are Restricted Shares on the Expiration Date set forth in the Notice of Restricted Stock Award will be forfeited to the Company, except to the extent the performance-based conditions applicable to the Restricted Shares were achieved prior to the Expiration Date. To the extent some of the performance-based conditions applicable to the Restricted Shares were achieved prior to the Expiration Date, then those Restricted Shares will remain eligible to vest based on the service-based conditions applicable to those shares.

Leaves of Absence and Part-Time Work

For purposes of this award, your Service does not terminate when you go on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing. If your leave of absence (other than a military leave) lasts for more than 6 months, then vesting will be suspended on the day that is 6 months and 1 day after the leave of absence began. Vesting will resume as of the second Company Vesting Date after you return from leave of absence provided you have worked at least one day during that vesting period. In this regard, if the Compensation Committee certifies achievement of performance-based conditions applicable to a share while vesting is suspended, then the performance-based conditions applicable to the share will be deemed achieved on the date vesting resumes and the service-based conditions applicable to the share will be measured from such date.

In the case of all leaves, your Service terminates when the approved leave ends, unless you immediately return to active work.

If you and the Company agree to a reduction in your scheduled work hours, then the Company reserves the right to modify the rate at which the shares vest, so that the rate of vesting is commensurate with your reduced work schedule. Any such adjustment shall be consistent with the Company's policies for part-time or reduced work schedules or shall be pursuant to the terms of an agreement between you and the Company pertaining to your reduced work schedule.

The Company shall not be required to adjust any vesting schedule pursuant to this subsection.

Stock Certificates

The Restricted Shares are issued in book-entry form, registered in your name, and held in escrow at the Company's designated brokerage pending the date on which shares vest. After shares vest, the Company will

release from escrow the number of shares of Common Stock representing your vested shares, registered in your name or in the name of your legal representatives, beneficiaries or heirs, as the case may be.

Voting Rights

You may vote your shares even before they vest.

Dividend Rights

Any cash dividends distributed with respect to Restricted Shares shall be subject to the same terms and conditions as apply to the Restricted Shares to which they relate and shall be paid to you (less all applicable withholding taxes) promptly upon vesting.

Withholding Taxes

No shares will be released to you unless you have made arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of this award or the vesting of the shares. Prior to the relevant taxable event, you shall pay or make adequate arrangements satisfactory to the Company to satisfy all withholding obligations for applicable taxes.

At your discretion, these arrangements may include (a) payment in cash, (b) payment from the proceeds of the sale of shares through a Company-approved broker or (c) withholding shares of Company stock that otherwise would be released to you upon vesting, provided that the Company, acting through the Board of Directors or Compensation Committee, may provide prospectively that it no longer authorizes (c) withholding of shares.

If the Company satisfies the withholding tax obligation by withholding a number of shares of Common Stock as described above, you will be deemed to have received the full number of shares released from restrictions, including the number of shares withheld to satisfy tax withholding obligations, and the fair market value of these shares, determined as of the date when taxes otherwise would have been withheld in cash, will be applied to the withholding taxes.

You acknowledge that the proceeds of a sale pursuant to (b) above or withholding pursuant to (c) above may not be sufficient to satisfy your withholding obligations. To the extent the proceeds from such sale are insufficient to cover the taxes due, the Company may in its discretion withhold the balance of all applicable taxes legally payable by you from your wages or other cash compensation paid to you by the Company.

Restrictions on Resale

You agree not to sell any shares at a time when applicable laws, regulations, Company policies (including the Company's Insider Trading Policy, a copy of which can be found on the Company's intranet) or an agreement between the Company and its underwriters prohibit a sale. This restriction will apply as long as your Service continues and for such period of time after the termination of your Service as the Company may specify.

No Retention Rights

Your award or this Agreement does not give you the right to be employed or retained by the Company, a Parent, a Subsidiary or an Affiliate in any capacity. The Company and its Parent, Subsidiaries and Affiliates reserve

	the right to terminate your Service at any time, with or without cause.
Additional or Exchanged Securities and Property	In the event of a merger or consolidation of the Company with or into another entity, any other corporate reorganization, a stock split, the declaration of a stock dividend, the declaration of an extraordinary dividend payable in a form other than stock, a spin-off, a recapitalization or a similar transaction affecting the Company's outstanding Common Stock, any securities or other property (including cash or cash equivalents) that are by reason of such transaction exchanged for, or distributed with respect to, any Restricted Shares shall be subject to the same terms and conditions (including, without limitation, vesting and forfeiture) as are applicable to the Restricted Shares under this Agreement and the Plan. Appropriate adjustments to reflect the exchange or distribution of such securities or property shall be made to the number and/or class of the Restricted Shares.
Applicable Law	This Agreement will be interpreted and enforced under the laws of the State of Delaware (without regard to Delaware choice-of-law provisions).
The Plan and Other Agreements	The text of the Plan is incorporated in this Agreement by reference. This Agreement and the Plan constitute the entire understanding between you and the Company regarding this award. Any prior agreements, commitments or negotiations concerning this award are superseded. This Agreement may be amended only by another written agreement between the parties.

BY ACCEPTING THIS RESTRICTED STOCK AWARD, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

THERAVANCE, INC. 2004 EQUITY INCENTIVE PLAN:
PERFORMANCE CASH AWARD AGREEMENT

You have been granted a Performance Cash Award by Theravance, Inc. (the "**Company**") on the terms set forth in this Performance Cash Award Agreement (the "**Agreement**"):

Name: «Name»

Performance Cash Award Details:

Date of Grant: «DateGrant»
Base Amount: $«BaseAmount»
Maximum Amount: $«MaxAmount»
Base Value: $«BaseValue»
Expiration Date: «ExpirationDate»

Grant of Award

This Performance Cash Award is granted under and governed by the terms and conditions of the Theravance, Inc. 2004 Equity Incentive Plan (the "**Plan**") and represents the right to receive one or more cash payments (each, a "**Payment**"), subject to the terms and conditions set forth in this Agreement and the Plan.

Certain capitalized terms are defined in the Section of this Agreement entitled "Definitions". Capitalized terms not otherwise defined herein have the meaning ascribed to such terms in the Plan.

Vesting

Your right to receive the Payments is subject to vesting based on the achievement of both the performance-based conditions and service-based conditions set forth on Exhibit A, both of which must be satisfied in order for a Payment to vest.

A Payment will be considered "**vested**" when both the performance-based conditions and service-based conditions applicable to the Payment have been satisfied, or when a Payment vests in accordance with the post-Change in Control vesting rules set forth in the Section below entitled "Change in Control."

In no event will the aggregate Payments under this Award exceed the Maximum Amount specified above. In addition, if the Maximum Amount is greater than $2,000,000, in no event will you be paid more than $2,000,000 per fiscal year under this award. In the event that the vesting schedule set forth in this Agreement results in Payments in excess of $2,000,000 in a fiscal year, the excess will be forfeited.

It is intended that the vesting schedule applicable to the Payments is commensurate with a full-time work schedule. For possible adjustments that may be made by the Company, see the Section below entitled "Leaves of

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Absence and Part-Time Work."

Change in Control

If the Company is subject to a Change in Control prior to the Expiration Date, the following rules will apply to the portion of this award that is unvested as of the date of the Change in Control:

- If the performance-based conditions applicable to a Payment have been achieved prior to the Change in Control, but the service-based conditions applicable to such Payment have not yet been achieved as of the date of the Change in Control, that Payment (a, "**Pre-CIC Performance Payment**") will remain eligible to vest based on the applicable service-based conditions.

- If the performance-based conditions applicable to any remaining Payments have not been achieved as of the date of the Change in Control, then such Payments (collectively, the "**Remaining Amount**") will be reduced (such reduced amount, the "**Retention Amount**") and the balance of the Remaining Amount will be forfeited as follows:

    - If the Change in Control Value is less than or equal to the Base Value, then the Retention Amount will be $0 and 100% of the Remaining Amount will be forfeited as of the date of the Change in Control;

    - If the Change in Control Value is greater than the Base Value but less than two times the Base Value, then the Retention Amount will be equal to 1% of the Remaining Amount for each 1% (rounded down to the nearest whole percent) that the Change in Control Value is greater than the Base Value and the remainder of the Remaining Amount will be forfeited as of the date of the Change in Control; and

    - If the Change in Control Value is equal to or greater than two times the Base Amount, the Retention Amount will be equal to the Remaining Amount and no portion of such amount will be forfeited.

- In lieu of the performance-based conditions and service-based conditions set forth on Exhibit A, the following vesting schedule will apply to the Retention Amount after the Change in Control: 50% of the Retention Amount will vest on the one-year anniversary of the Change in Control and the remaining 50% of the Retention Amount will vest on the two-year anniversary of the Change in Control, subject to your continuous Service through the applicable vesting date.

- If you are subject to an Involuntary Termination within 3 months

prior to or 24 months after a Change in Control, provided you execute a Release, you will become vested in (i) any unvested Pre-CIC Performance Payments and (ii) any unvested portion of the Retention Amount. If you do not sign and return a Release, and the Release does not become effective, on or before the date specified by the Company, then no vesting will occur as a result of your Involuntary Termination. Notwithstanding the definitions of "Pre-CIC Performance Payment," "Remaining Amount" and "Retention Amount" set forth above, in the event of an Involuntary Termination within 3 months prior to a Change in Control, the amount of any Pre-CIC Performance Payment, the Remaining Amount and the Retention Amount will be determined based on the achievement of the applicable performance-based conditions as of the date of your Involuntary Termination.

Termination of Service and Forfeiture

No additional Payments will vest after your Service has terminated for any reason, except as set forth above in the event of an Involuntary Termination within 3 months prior to a Change in Control (in which case vesting will occur on the date of the Change in Control).

If your Service terminates for any reason, then any portion of this award that has not vested before the termination date and does not vest as a result of the termination of your Service pursuant to this Agreement will be forfeited. The Company determines when your Service terminates for this purpose.

Even if your Service has not terminated, unless a Change in Control occurs prior to the Expiration Date, any unvested Payments will be forfeited on the Expiration Date. Notwithstanding the foregoing, if the performance-based conditions applicable to a Payment were achieved prior to the Expiration Date, the Payment will remain eligible to vest based on the service-based conditions applicable to the Payment.

In addition, a portion of this award may be forfeited in connection with a Change in Control as described in the Section entitled "Change in Control."

Leaves of Absence and Part-Time Work

For purposes of this award, your Service does not terminate when you go on a military leave, a sick leave or another *bona fide* leave of absence, if the leave was approved by the Company in writing. If your leave of absence (other than a military leave) lasts for more than 6 months, then vesting will be suspended on the day that is 6 months and 1 day after the leave of absence began. Vesting will resume as of the second Company Vesting Date after you return from leave of absence provided you have worked at least one day during that vesting period. In this regard, if the Compensation Committee certifies achievement of the performance-based conditions applicable to a Payment while vesting is suspended, then the performance-based conditions applicable to the Payment will be deemed achieved on the date vesting resumes and the service-based conditions applicable to the Payment will be measured from

such date.

In the case of all leaves, your Service terminates when the approved leave ends, unless you immediately return to active work.

If you and the Company agree to a reduction in your scheduled work hours, then the Company reserves the right to modify the rate at which the Payments vest, so that the rate of vesting is commensurate with your reduced work schedule. Any such adjustment shall be consistent with the Company's policies for part-time or reduced work schedules or shall be pursuant to the terms of an agreement between you and the Company pertaining to your reduced work schedule.

The Company shall not be required to make any adjustments pursuant to this Section.

Payment of Award

A vested Payment will be paid to you as soon as practicable, but in any event within 60 days, after vesting. The actual payment date will be selected by the Company in its sole discretion. In addition, if vesting of a Payment is contingent on your execution of a Release and the 60 day payment period described above spans two calendar years, then the Payment will in any event be made in the second calendar year. The Company will reduce the amount of any Payment by the amount of any withholding taxes that apply to the Payment.

[*Include if applicable:*]

Golden Parachute Limitation

The Internal Revenue Code imposes a 20% excise tax on certain payments and other benefits received by certain officers and stockholders in connection with a change of control involving the Company. Such payments can include severance pay and vesting acceleration.

Basic Rule

In the event that it is determined that any payment or distribution of any type to or for your benefit made by the Company, by any of its affiliates, by any person who acquires ownership or effective control of the Company or ownership of a substantial portion of the Company's assets (within the meaning of section 280G of the Code and the regulations thereunder) or by any affiliate of such person, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or under any other agreement including your equity award agreements (the "**Total Payments**"), would be subject to the excise tax imposed by section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest or penalties, are collectively referred to as the "**Excise Tax**"), then the Total Payments shall be made to you either (i) in full or (ii) as to such lesser amount as would result in no portion of the Total Payments being subject to Excise Tax (a "**Reduced Payment**"), whichever of the foregoing results in your receipt on an after-tax basis, of benefits of the greatest value, notwithstanding that all or some

portion of the Total Payments may be subject to the Excise Tax.

Reduction of Payments

For purposes of determining whether to make a Reduced Payment, the Company shall cause to be taken into account all federal, state and local income and employment taxes and excise taxes applicable to you (including the Excise Tax). If a Reduced Payment is made, the Company shall reduce or eliminate the Total Payments in the following order: (1) cancellation of accelerated vesting of stock options with no intrinsic value, (2) reduction of cash payments, (3) cancellation of accelerated vesting of equity awards other than stock options, (4) cancellation of accelerated vesting of stock options with intrinsic value and (5) reduction of other benefits paid to you. In the event that acceleration of vesting is reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of your equity awards. In the event that cash payments or other benefits are reduced, such reduction shall occur in reverse order beginning with payments or benefits which are to be paid the farthest in time from the date of the Determination (as defined below). For avoidance of doubt, an option will be considered to have no intrinsic value if the exercise price of the shares subject to the option exceeds the fair market value of such shares.

All mathematical determinations and all determinations of whether any of the Total Payments are "parachute payments" (within the meaning of Section 280G of the Code) shall be made by an independent accounting firm selected by the Company (the "**Accounting Firm**"), which shall provide its determination (the "**Determination**"), together with detailed supporting calculations, both to you and the Company within seven business days of the date your Service terminates, if applicable, or such earlier time as is requested by the Company or by you (if you reasonably believe that any of the Total Payments may be subject to Excise Tax). In any event, as promptly as practicable following the Accounting Firm's Determination, the Company shall pay or transfer to or for your benefit such amounts as are then due to you and shall promptly pay or transfer to or for your benefit in the future such amounts as become due to you. Any determination by the Accounting Firm shall be binding upon you and the Company, absent manifest error.

Underpayments and Overpayments.

As a result of uncertainty in the application of Sections 4999 and 280G of the Code at the time of an initial Determination by the Accounting Firm hereunder, it is possible that payments will have been made by the Company which should not have been made (an "**Overpayment**") or that additional payments which will not have been made by the Company could have been made (an "**Underpayment**"), consistent in each case with the calculation of whether and to what extent a Reduced Payment shall be made hereunder. In either event, the Accounting Firm shall determine the amount

of the Overpayment or Underpayment that has occurred. In the event that the Accounting Firm determines that an Overpayment has occurred, such Overpayment shall be treated for all purposes as a loan to you that you shall repay to the Company, together with interest at the applicable federal rate provided in Section 7872(f)(2) of the Code; provided, however, that no amount shall be payable by you to the Company if and to the extent that such payment would not reduce the amount that is subject to taxation under Section 4999 of the Code. In the event that the Accounting Firm determines that an Underpayment has occurred, such Underpayment shall promptly be paid or transferred by the Company to or for your benefit, together with interest at the applicable federal rate provided in section 7872(f)(2) of the Code.

If this Section is applicable, it shall supersede any contrary provision of any plan, arrangement or agreement governing your rights to the Total Payments.

Unfunded Status of Award The Company's obligations hereunder are unfunded and unsecured, and you have no rights other than the rights of a general creditor of the Company.

No Assignment of Benefits You may not sell, assign, transfer, pledge or otherwise dispose of any rights under this Agreement other than by will or by the laws of descent and distribution.

No Retention Rights Your award or this Agreement does not give you the right to be employed or retained by the Company (or a Parent, Subsidiary or Affiliate) in any capacity. The Company and its Parent, Subsidiaries and Affiliates reserve the right to terminate your Service at any time, with or without cause.

Company's Successors This Agreement shall be binding upon any successor (whether direct or indirect and whether by purchase, merger, consolidation, Change in Control or otherwise) to all or substantially all of the Company's business and/or assets. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets that becomes bound by this Agreement.

Section 409A Payments under this award are intended to be exempt from the application of Section 409A of the Code by virtue of Treasury Regulation 1.409A-1(b)(4) and any ambiguities herein will be interpreted consistent with that intent.

Notwithstanding the foregoing, if no exemption is available for one or more payments under this award and if the Company determines that you are a "specified employee" (as defined in the regulations under Code Section 409A) at the time of your "separation from service" (as defined in those regulations), then any such payments that would otherwise have been made within six months after your separation from service will instead be made on the first business day following the six-month anniversary of your separation from

service, unless the event triggering vesting is an event other than your separation from service.

For purposes of Code Section 409A, each payment to be made under this award is hereby designated as a separate payment.

Applicable Law This Agreement will be interpreted and enforced with respect to issues of contract law under the laws of the State of California.

The Plan and Other Agreements The text of the Plan is incorporated in this Agreement by reference. A copy of the Plan is available on the Company's intranet or by request to the Finance Department.

This Agreement and the Plan constitute the entire understanding between you and the Company regarding this award. Any prior agreements, commitments or negotiations concerning this award are superseded. This Agreement may be amended only by another written agreement between the parties.

Definitions:

Base Value "Base Value" means the Base Value specified in this Agreement, which is equal to the closing price of the Company's Common Stock on , 20 . In the event of a stock split or any other event described in Section 11.1 of the Plan, a corresponding adjustment will be made in the Base Value.

Change in Control "Change in Control" shall have the meaning set forth in the Plan, provided that the transaction or occurrence also constitutes a "change in control event" under Treasury Regulation 1.409A-3(a)(5).

Change in Control Value "Change in Control Value" means the total per share value to be received by a holder of the Company's Common Stock in a Change in Control, determined as of the closing date of the Change in Control. Any non-cash transaction proceeds will be valued by the Compensation Committee in good faith using, if applicable, the same valuation methodology set forth in the definitive agreement evidencing the Change in Control. To the extent not all of the transaction proceeds will be paid at closing (for example, because of an escrow or earn-out arrangement), the Compensation Committee will take into account reasonable discounts for the time value of money, the risk of forfeiture or non-achievement of future payment milestones and other contingencies in order to determine the Change in Control Value as of the closing date. The Compensation Committee's good faith determination of the Change in Control Value will be final and binding.

Company Vesting Date "Company Vesting Date" means February 20, May 20, August 20 or November 20.

Involuntary Termination "Involuntary Termination" means a termination of your Service which occurs by reason of (i) an involuntary dismissal or discharge by the

Company for reasons other than Misconduct or (ii) your voluntary resignation following (A) a material diminution in your authority, duties or responsibilities, (B) a material reduction in your base compensation, (C) a material change in the geographic location at which you must perform services for the Company or (D) any other action or inaction that constitutes a material breach by the Company of the agreement under which you provide services, provided that, in either case, a "separation from service" (as defined in the regulations under Code Section 409A) occurs. In order for vesting to accelerate under this Agreement as a result of your voluntary resignation under clause (ii), all of the following requirements must be satisfied: (1) you must provide notice to the Company of your intent to assert clause (ii) within 90 days of the initial existence of one or more of the conditions set forth in subclauses (A) through (D), (2) the Company will have 30 days from the date of such notice to remedy the condition and, if it does so, you may withdraw your resignation or resign without any vesting acceleration under this Agreement, and (3) any termination of employment under clause (ii) must occur within two years of the initial existence of one or more of the conditions set forth in subclauses (A) through (D). Should the Company remedy the condition as set forth above and then one or more of the conditions arises again within two years following the occurrence of a Change in Control, you may assert clause (ii) again subject to all of the conditions set forth herein.

Misconduct "Misconduct" means your commission of any material act of fraud, embezzlement or dishonesty, your material unauthorized use or disclosure of confidential information or trade secrets of the Company (or any Parent, Subsidiary or Affiliate) or any other intentional material misconduct adversely affecting the business or affairs of the Company (or any Parent, Subsidiary or Affiliate).

Release "Release" means a waiver and general release of all claims you may have against the Company or persons affiliated with the Company, in a form provided by the Company. You must execute and return the Release on or before the date specified by the Company, which will in no event be later than 50 days after your Involuntary Termination. The Release must become effective on or before the date specified by the Company, which will in no event be later than 60 days after your Involuntary Termination.

Service "Service" means your continuous service as an employee of the Company, a Parent, a Subsidiary or an Affiliate.

BY SIGNING THIS PERFORMANCE CASH AWARD AGREEMENT, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

RECIPIENT: **THERAVANCE, INC.**

By: _____

EXHIBIT A

VESTING SCHEDULE

Performance-Based Conditions

Upon achievement, prior to the Expiration Date specified in the Agreement, of performance targets with the aggregate number of points set forth in the table below, the performance-based conditions will be achieved with respect to the Payment indicated in the table below:

Aggregate Number of Points	Dollar Amount of Payment
	x Base Amount (“First Payment”)
	x Base Amount (“Second Payment”)
	x Base Amount (“Third Payment”)

The following performance targets and points associated with each performance target will apply to this award:

Performance Target	Number of Points Related to Performance Target

A performance target will not be deemed achieved unless and until the Compensation Committee certifies in writing that the performance target has been achieved. Minutes of a Compensation Committee meeting or an action by unanimous written consent with resolutions approving achievement constitute written certification.

Service-Based Conditions

Subject to achievement of the performance-based conditions described above, the service-based conditions applicable to a Payment will be satisfied if you remain in continuous Service from the Date of Grant until the following date:

- First Payment — The first Company Vesting Date on or after the «First Payment Service Condition».
- Second Payment — The first Company Vesting Date on or after «Second Payment Service Condition».
- Third Payment - The first Company Vesting Date on or after «Third Payment Service Condition».

Exhibit 10.53

THERAVANCE, INC.

COMMON STOCK PURCHASE AGREEMENT

[date]

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THERAVANCE, INC.
COMMON STOCK PURCHASE AGREEMENT

THIS COMMON STOCK PURCHASE AGREEMENT (the "Agreement") is made as of the day of , by and among Theravance, Inc., a Delaware corporation (the "Company"), Glaxo Group Limited, a limited liability company organized under the laws of England and Wales (the "Investor"), and solely for the purposes of Sections 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.9, 6.10, 6.11, 6.12, 6.13, 6.14, 6.17 and 6.18 hereof, GlaxoSmithKline LLC, a Delaware limited liability company, the successor entity to SmithKline Beecham Corporation, a Pennsylvania corporation ("GSK").

THE PARTIES HEREBY AGREE AS FOLLOWS:

1. Purchase and Sale of Stock.

1.1 Sale and Issuance of Common Stock.

(a) On or prior to the Closing (as defined below), the Company shall have authorized the sale and issuance to the Investor of shares of its Common Stock (the "Shares"). The Shares shall have the rights, preferences, privileges and restrictions set forth in the Company's Amended and Restated Certificate of Incorporation (the "Restated Certificate").

(b) Subject to the terms and conditions of this Agreement, the Investor agrees to purchase at the Closing and the Company agrees to sell and issue to the Investor at the Closing, ( ) Shares for ($) per Share, resulting in an aggregate purchase price of ($) (the "Aggregate Purchase Price").

1.2 Closing. The purchase and sale of the Shares shall take place at the offices of Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP, 1200 Seaport Blvd., Redwood City, CA 94063. Within three (3) Business Days of the execution and delivery of this Agreement by each of the parties, the Investor will initiate an irrevocable wire transfer in the amount of the Aggregate Purchase Price to the account set forth on Exhibit A hereto. Immediately upon the Company's receipt of the Aggregate Purchase Price the purchase and sale of the Shares shall be consummated (which time is designated as the "Closing"). As promptly as practicable following the Closing, the Company shall use all commercially reasonable efforts to arrange for the Company's transfer agent to deliver to the Investor a certificate representing the Shares that the Investor has purchased pursuant to this Agreement. As used herein, "Business Day" shall mean any weekday that is not a day on which banking institutions in the City of San Francisco are authorized or obligated to close.

2. Representations and Warranties of the Company. The Company hereby represents and warrants to the Investor that, as of the date hereof, except as set forth in the SEC Reports (as defined below, but excluding for the purposes of Section 2, other than Section 2.8, any risk factor disclosures contained in such documents under the heading "Risk Factors" and

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any disclosure of risks included in any "forward-looking statements" disclaimer or other statements that are similarly non-specific and are predictive or forward-looking in nature), which exceptions shall be deemed to be representations and warranties as if made hereunder:

2.1 Organization, Good Standing and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to (i) execute, deliver and perform its obligations under this Agreement, (ii) to issue and sell the Common Stock hereunder, (iii) to perform its obligations under the Restated Certificate, and (iv) to carry on its business as now conducted and as proposed to be conducted. The Company is duly qualified to transact business and is in good standing in each jurisdiction in which the failure to so qualify would have a material adverse effect on its business or properties.

2.2 Authorization.

(a) All corporate action on the part of the Company, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Agreement, the performance of all obligations of the Company hereunder, and the authorization, issuance (or reservation for issuance), sale and delivery of the Common Stock being sold hereunder has been taken or will be taken prior to the Closing, and this Agreement constitutes a valid and legally binding obligation of the Company, enforceable in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally and (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

(b) The Board of Directors of the Company (the "Board of Directors") has approved the entry by the Company into this Agreement, the performance of the Company's obligations hereunder and consummation of the transactions contemplated hereby for purposes of paragraph (a)(1) of Section 203 of the Delaware General Corporation Law ("DGCL Section 203"), and, to the Company's knowledge, no other "moratorium", "control share acquisition", "business combination", "fair price" or other form of anti-takeover or similar law of any jurisdiction is applicable to the Company and the transactions contemplated by this Agreement.

2.3 Valid Issuance of Common Stock. The Common Stock that is being purchased by the Investor hereunder, when issued, sold and delivered in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid, and nonassessable, and will be free of restrictions on transfer other than restrictions on transfer under this Agreement, the Amended and Restated Governance Agreement dated June 4, 2004, as amended April 25, 2007 and November 29, 2010, by and among the Company, GSK, and solely with respect to Articles III, IV and VI thereof, GlaxoSmithKline plc, an English public limited company, and the Investor (the "Governance Agreement") and under applicable state and federal securities laws. The Common Stock that is being purchased by the Investor hereunder will not be subject to preemptive rights or rights of first refusal that have not been waived or complied with.

2.4 Governmental Consents. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of the Company is required in connection with the consummation of the transactions contemplated by this Agreement, except certain post-closing filings as may be required pursuant to federal securities laws and under the "Blue Sky" laws of the various states.

2.5 Offering. Subject in part to the truth and accuracy of the Investor's representations set forth in Section 3 of this Agreement, the offer, sale and issuance of the Common Stock as contemplated by this Agreement are exempt from the registration requirements of any applicable state and federal securities laws, and neither the Company nor any authorized agent acting on its behalf will take any action (including any offering of any securities of the Company under circumstances which would require the integration of such offering with the offering of any of the Securities to be issued pursuant to this Agreement under the Securities Act and the rules and regulations of the Commission thereunder) hereafter that would cause the loss of such exemption.

2.6 Litigation. There is no action, suit, proceeding or investigation pending or, to the Company's knowledge, currently threatened against the Company that questions the validity of this Agreement or the right of the Company to enter into this Agreement or to consummate the transactions contemplated hereby or thereby.

2.7 Compliance with Other Instruments. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby and thereby will not violate or be in conflict with or constitute, with or without the passage of time and giving of notice, either a default under any statute, rule or regulation applicable to the Company or any instrument, judgment, order, writ, decree or contract or an event that results in the creation of any lien, charge or encumbrance upon any assets of the Company or the suspension, revocation, impairment, forfeiture, or nonrenewal of any material permit, license, authorization, or approval applicable to the Company, its business or operations or any of its assets or properties.

2.8 SEC Reports; Financial Statements. The Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act of 1933, as amended (the "Securities Act") or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including pursuant to Section 13(a) or 15(d) thereof, for the three (3) years preceding the date hereof (the foregoing materials being collectively referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the Securities and Exchange Commission (the "Commission") promulgated thereunder, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. No executive officer of the Company has failed in any respect to make the certifications required of him or her under Section 302 or 906 of the Sarbanes-Oxley Act of 2002. The financial statements of the

Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

2.9 Absence of Certain Events and Changes. Since , (i) there has not been any event, change or development which, individually or in the aggregate, has had or is reasonably likely to have a material adverse effect on the Company; (ii) the Company has not incurred any material liabilities (contingent or otherwise) other than trade payables and accrued expenses incurred in the ordinary course of business; (iii) the Company has not declared or made any dividend or distribution of cash or other property to its stockholders; and (iv) other than the surrender to the Company of shares of Common Stock by employees of the Company in connection with the Company's payment of withholding taxes due upon the vesting or settlement of employees' equity awards, the Company has not purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock.

2.10 Corporate Documents. The Restated Certificate and Bylaws of the Company are in the form as set forth as exhibits in the SEC Reports.

2.11 Registration Rights. Except as required pursuant to the Amended and Restated Investors' Rights Agreement dated May 11, 2004, by and among the Company and the investors who are parties thereto (the "Investors' Rights Agreement"), the Company is not presently under any obligation, and has not granted, any rights to register any of the Company's presently outstanding securities or any of its securities that may hereafter be issued.

3. Representations and Warranties of the Investor. The Investor hereby represents and warrants that:

3.1 Authorization. The Investor has full power and authority to enter into this Agreement and this Agreement constitutes a valid and legally binding obligation, enforceable in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally and (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

3.2 Purchase Entirely for Own Account. This Agreement is made with the Investor in reliance upon the Investor's representation to the Company, which by the Investor's execution of this Agreement the Investor hereby confirms, that the Common Stock to be received by the Investor (the "Securities") will be acquired for investment for the Investor's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Investor has no present intention of selling, granting any participation in, or

otherwise distributing the same in violation of applicable securities laws. By executing this Agreement, the Investor further represents that the Investor does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Securities.

3.3 Disclosure of Information. The Investor further represents that it has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of the Common Stock and the business, properties, prospects and financial condition of the Company. The Investor acknowledges that it has read the "Risk Factors" Section contained in the Company's and understands the Company's business and recognizes that a purchase of the Company's Common Stock involves risks and uncertainties. The foregoing, however, does not limit or modify the representations and warranties of the Company in Section 2 of this Agreement or the right of the Investor to rely thereon.

3.4 Investment Experience. The Investor is an investor in securities of companies in the development stage and acknowledges that it is able to fend for itself, can bear the economic risk of its investment, and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of the investment in the Common Stock. The Investor also represents that it has not been organized for the purpose of acquiring the Common Stock.

3.5 Accredited Investor. The Investor is an "accredited investor" within the meaning of Rule 501 of Regulation D adopted pursuant to the Act, as presently in effect.

3.6 Restricted Securities. The Investor understands that the Securities it is purchasing are characterized as "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such laws and applicable regulations such securities may be resold without registration under the Act, only in certain limited circumstances. In this connection, the Investor represents that it is familiar with Rule 144 adopted pursuant to the Act, as presently in effect, and understands the resale limitations imposed thereby and by the Act.

3.7 Governance Agreement. The Investor acknowledges and agrees that (a) the Shares it is purchasing hereunder are "Voting Stock" (as defined in the Governance Agreement), (b) the Shares are subject to the terms and conditions of the Governance Agreement, including, but not limited to, the resale restrictions and voting obligations contained therein, (c) it is a GSK Affiliate under the Governance Agreement, and (d) it is purchasing the Shares pursuant to Section 2.1(d) of the Governance Agreement.

4. Conditions of Investor's Obligations at Closing. The obligations of the Investor under subsection 1.1(b) of this Agreement are subject to the fulfillment on or before the Closing of each of the following conditions, the waiver of which shall not be effective against the Investor if it does not consent thereto:

4.1 Performance. The Company shall have performed and complied with all agreements, obligations and conditions contained in this Agreement that are required to be performed or complied with by it on or before the Closing.

4.2 Representations and Warranties. The representations and warranties of the Company contained in Section 2 shall have been true on and as of the Closing.

4.3 Qualifications. All authorizations, approvals, or permits, if any, of any governmental authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Securities pursuant to this Agreement shall be duly obtained and effective as of the Closing.

4.4 Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated at the Closing and all documents incident thereto shall be reasonably satisfactory in form and substance to the Investor, and they shall have received all such counterpart original and certified or other copies of such documents as they may reasonably request.

4.5 Section 203 of DGCL. The Board of Directors shall have approved the entry by the Company into this Agreement and the performance of the Company's obligations hereunder and consummation of the transactions contemplated hereby for purposes of paragraph (a)(1) of DGCL Section 203.

5. Conditions of the Company's Obligations at Closing. The obligations of the Company to the Investor under this Agreement are subject to the fulfillment on or before the Closing of each of the following conditions by the Investor:

5.1 Representations and Warranties. The representations and warranties of the Investor contained in Section 3 shall have been true on and as of the Closing.

5.2 Qualifications. All authorizations, approvals, or permits, if any, of any governmental authority or regulatory body of the United States or of any state that are required in connection with the lawful issuance and sale of the Securities pursuant to this Agreement shall be duly obtained and effective as of the Closing.

6. Miscellaneous.

6.1 Survival of Warranties. The warranties, representations and covenants of the Company, the Investor and GSK contained in or made pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing and shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of the Investor, GSK or the Company.

6.2 Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties (including transferees of any Securities). Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto

or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

6.3 Governing Law. This Agreement shall be governed by and construed in accordance with and governed by the law of the State of Delaware, without regard to the conflicts of laws principles thereof. Any action brought, arising out of, or relating to this Agreement shall be brought in the Court of Chancery of the State of Delaware. Each party hereby irrevocably submits to the exclusive jurisdiction of said Court in respect of any claim relating to the validity, interpretation and enforcement of this Agreement, and hereby waives, and agrees not to assert, as a defense in any action, suit or proceeding in which any such claim is made that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in such courts, or that the venue thereof may not be appropriate or that this agreement may not be enforced in or by such courts. The parties hereby consent to and grant the Court of Chancery of the State of Delaware jurisdiction over such parties and over the subject matter of any such claim and agree that mailing of process or other papers in connection with any such action, suit or proceeding in the manner provided in Section 6.7, or in such other manner as may be permitted by law, shall be valid and sufficient thereof.

6.4 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

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

6.6 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

6.7 Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, if not, then on the next business day or (c) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. Notwithstanding the foregoing or any provision to the contrary in the Investors' Rights Agreement or the Restated Certificate, the Company agrees that when any notice is given to the Investor or GSK, whether under this Agreement, the Investors' Rights Agreement or the Restated Certificate, such notice shall not be deemed to be effectively given until a copy of such notice is transmitted to the Investor and GSK via facsimile. All notices and certificates will be addressed to the Investor and GSK at their respective addresses set forth on the signature page hereto or at such other address as the Company or the Investor or GSK may designate by ten (10) days advance written notice to the other parties hereto.

6.8 Finder's Fee. The Investor agrees to indemnify and to hold harmless the Company from any liability for any commission or compensation in the nature of a finders' fee

(and the costs and expenses of defending against such liability or asserted liability) for which the Investor or any of its officers, partners, employees, or representatives is responsible.

The Company agrees to indemnify and hold harmless the Investor from any liability for any commission or compensation in the nature of a finders' fee (and the costs and expenses of defending against such liability or asserted liability) for which the Company or any of its officers, employees or representatives is responsible.

6.9 Expenses. Irrespective of whether the Closing is effected, each party shall bear their own costs and expenses incurred with respect to the negotiation, execution, delivery and performance of this Agreement. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement or the Restated Certificate, the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

6.10 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company, the Investor and GSK. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any securities purchased under this Agreement at the time outstanding, each future holder of all such securities, and the Company.

6.11 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

6.12 Confidentiality. Any confidential information obtained by the Investor or GSK pursuant to this Agreement which is labeled or otherwise identified as confidential or proprietary shall be treated as confidential and shall not be disclosed to a third party without the prior written consent of the Company and shall not be used by the Investor or GSK for any purpose other than monitoring the Investor's or GSK's investment in the Company, except that the Investor or GSK may disclose such information (i) to its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company, (ii) to its affiliates, officers, directors, shareholders, members and/or partners in the ordinary course of business or pursuant to disclosure obligation to affiliates, shareholders, members and/or partners; provided that such information is provided to such persons and entities with notice that such information is confidential and should be treated as such, (iii) to any prospective purchaser of the Investor's or GSK's shares of the Company, provided (in the case of disclosure in clause (iii)) the recipient agrees to keep such information confidential and to use such information solely for evaluation of such proposed purchase, or (iv) as may otherwise be required by law. Notwithstanding the foregoing, such information shall not be deemed confidential for the purpose of enforcement of this Agreement and said information shall not be deemed confidential after it becomes publicly known through no fault of the recipient. The provisions of this Section 6.12 shall be in addition to, and not in substitution for, the

provisions of any separate confidentiality agreements executed by the parties hereto; provided that if there is any conflict between the provisions of this Section 6.12 and the

more restrictive provisions of such separate confidentiality agreements, the provisions of such separate confidentiality agreements shall prevail.

6.13 Publicity. No party or any affiliate of a party shall make, or cause to be made, any publicity, news release or other such general public announcement or make any other disclosure to any third party in respect of this Agreement or the transactions contemplated hereby (including, without limitation, disclosure of Investor's or GSK's ownership interest in the Company) without the prior written consent of the other party; provided however, that the foregoing provision is not intended to limit communications deemed reasonably necessary or appropriate by a party or its affiliates to its employees, stockholders, partners, directors, officers, potential investors, accountants and legal counsel who are under an obligation to preserve the confidentiality of the foregoing. Notwithstanding the foregoing provision, the parties and their respective affiliates shall not be prohibited from making any disclosure or release that is required by law, court order, or applicable regulation, or is considered necessary by legal counsel to fulfill an obligation under securities laws or the rules of a national stock exchange.

6.14 Entire Agreement. This Agreement and the documents referred to herein constitute the entire agreement among the parties and no party shall be liable or bound to any other party in any manner by any warranties, representations, or covenants except as specifically set forth herein or therein.

6.15 Legends. It is understood that the certificates evidencing the Securities may bear one or all of the following legends:

(a) "The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "Act"). The shares may not be sold, transferred or assigned in the absence of an effective registration for these shares under the Act or an opinion of the corporation's counsel that registration is not required under the Act."

(b) "The sale, pledge, hypothecation, assignment or transfer of the securities represented by this certificate is subject to the terms and conditions of a Governance Agreement by and between the stockholder and the corporation. Copies of such agreement may be obtained upon written request to the Secretary of the Corporation."

(c) Any legend required by the laws of any state.

6.16 Nasdaq Listing. The Company shall use all commercially reasonable efforts to have the Shares acquired by the Investor at the Closing authorized for listing on Nasdaq.

6.17 Miscellaneous. GSK, the Investor, and the Company agree and acknowledge that (a) none of GSK, the Investor nor any of their affiliates currently have any right to nominate or designate any individual to serve as a member or observer of the Board of Directors pursuant to section 1.1(a) of the Governance Agreement, and (b) notwithstanding the purchase of the Shares by the Investor hereunder or any other acquisition of shares of Voting Stock (as defined in the Governance Agreement) by GSK, the Investor or any of their affiliates, none of GSK, the Investor nor any of their affiliates will following the Closing have any right to nominate or designate any individual to serve as a member or observer of the Board of Directors

pursuant to section 1.1(a) of the Governance Agreement. GSK, the Investor and the Company agree that neither the execution of this Agreement nor the consummation by it of the transactions contemplated hereby does or will, violate, conflict with or result in the breach or termination of, or constitute a default under the terms of, any existing agreement between GSK or any of its affiliates, on the one hand, and the Company or any of its affiliates, on the other hand.

6.18 Authorization. GSK has full power and authority to enter into this Agreement, and this Agreement constitutes a valid and legally binding obligation, enforceable in accordance with its respective terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws of general application affecting enforcement of creditors' rights generally and (ii) as limited by laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

6.19 Registrable Securities. The Shares purchased by the Investor pursuant to this Agreement shall constitute Registrable Securities as defined in, and in accordance with the limitations set forth in, the Investors' Rights Agreement.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

THERAVANCE, INC.

By: _____

Rick E Winningham
Chief Executive Officer

SIGNATURE PAGE TO Q[ ] 201[ ] COMMON STOCK PURCHASE AGREEMENT

INVESTOR:

Glaxo Group Limited
Name of Investor

By: _____
Signature of Authorized Person
Name:
Title:

Address:

Fax No:

GlaxoSmithKline LLC
(Solely with respect to Sections 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.9, 6.10, 6.11, 6.12, 6.13, 6.14, 6.17 and 6.18)

By: _____
Signature of Authorized Person
Name:
Title:

Address:

Fax No:

SIGNATURE PAGE TO Q[ ] 201[ ] COMMON STOCK PURCHASE AGREEMENT

Exhibit A

Account Information

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Rick E Winningham, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Theravance, Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 4, 2011	/s/ Rick E Winningham
(Date)	**Rick E Winningham** **Chief Executive Officer** **(Principal Executive Officer)**

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael W. Aguiar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Theravance Inc.;

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

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 4, 2011
(Date)

/s/ Michael W. Aguiar
Michael W. Aguiar
Senior Vice President, Finance and
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Rick E Winningham, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Theravance Inc. on Form 10-Q for the three months ended March 31, 2011 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition of Theravance, Inc. at the end of the periods covered by such Quarterly Report on Form 10-Q and results of operations of Theravance, Inc. for the periods covered by such Quarterly Report on Form 10-Q.

May 4, 2011 By: /s/ Rick E Winningham
(Date) **Name: Rick E Winningham**
Title: Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael W. Aguiar, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Theravance Inc. on Form 10-Q for the three months ended March 31, 2011 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition of Theravance, Inc. at the end of the periods covered by such Quarterly Report on Form 10-Q and results of operations of Theravance, Inc. for the periods covered by such Quarterly Report on Form 10-Q.

May 4, 2011 By: /s/ Michael W. Aguiar
(Date) **Name: Michael W. Aguiar**
Title: Senior Vice President, Finance and Chief Financial Officer