UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event Reported): **May 31, 2014**

THERAVANCE BIOPHARMA, INC.

(Exact Name of Registrant as Specified in its Charter)

Cayman Islands	**001-36033**	**Not Applicable**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

Ugland House, South Church Street
George Town, Grand Cayman, Cayman Islands KY1-1104
(650) 808-6000
(Addresses, including zip code, and telephone numbers, including area code, of principal executive offices)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement

On June 1, 2014, Theravance Biopharma, Inc. ("Theravance Biopharma" or "we") entered into a separation and distribution agreement with Theravance, Inc. ("Theravance") (the "Separation Agreement") pursuant to which Theravance transferred its research and development operations to Theravance Biopharma and agreed to distribute 100% of the outstanding shares of Theravance Biopharma to Theravance's stockholders (the "Spin-Off"). The Spin-Off occurred on June 2, 2014, the payment date for the dividend of 32,260,105 ordinary shares of Theravance Biopharma to Theravance's stockholders. As a result of the Spin-Off, Theravance Biopharma is now an independent public company trading under the symbol "TBPH" on the Nasdaq Global Market.

The Separation Agreement provides, among other things, for the principal corporate transactions that effected the Spin-Off and certain other agreements governing Theravance Biopharma's relationship with Theravance after the Spin-Off. The Separation Agreement identifies the assets transferred, liabilities assumed and contracts assigned to Theravance Biopharma as part of the Spin-Off, and describes when and how these transfers, assumptions and assignments occur. Pursuant to the Separation Agreement, Theravance made an initial payment to Theravance Biopharma of $393.0 million in cash, cash equivalents and marketable securities. In addition, Theravance will make an additional cash contribution to Theravance Biopharma following the companies' agreement on the amount of current liabilities assumed by Theravance Biopharma related to accrued nondiscretionary cash bonus expenses, accrued clinical and development expenses, and accrued sales and marketing expenses, which additional payment is expected to be made in late June or early July. A copy of the Separation Agreement is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

In connection with the Spin-Off and in addition to the Separation Agreement, Theravance Biopharma entered into various agreements with Theravance to provide a framework for Theravance Biopharma's relationship with Theravance after the Spin-Off, including the following agreements:

- Transition Services Agreement between Theravance and Theravance Biopharma dated June 2, 2014, a copy of which is attached hereto as Exhibit 10.2 and is incorporated herein by reference;

- Tax Matters Agreement between Theravance and Theravance Biopharma dated June 2, 2014, a copy of which is attached hereto as Exhibit 10.3 and is incorporated herein by reference;

- Employee Matters Agreement between Theravance and Theravance Biopharma dated June 1, 2014, a copy of which is attached hereto as Exhibit 10.4 and is incorporated herein by reference; and

- Theravance Respiratory Company, LLC Limited Liability Company Agreement between Theravance and Theravance Biopharma dated May 31, 2014, a copy of which is attached hereto as Exhibit 10.5 and is incorporated herein by reference.

A summary of these agreements can be found in Theravance Biopharma's information statement (the "Information Statement"), which was filed as Exhibit 99.1 to Amendment No. 6 to the Registration Statement on Form 10 filed by Theravance Biopharma with the Securities and Exchange Commission on May 7, 2014, under the section entitled "Our Relationship with Theravance, Inc. after the Spin Off." These summaries are incorporated by reference into this Item 1.01 as if restated in full and are also qualified by reference to Exhibits 10.1, 10.2, 10.3, 10.4 and 10.5 hereto.

In addition, on June 1, 2014, Theravance Biopharma assigned its interests in Theravance Respiratory Company, LLC to Theravance Biopharma R&D, Inc., a wholly-owned subsidiary of Theravance Biopharma.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On June 2, 2014, immediately after the Spin-Off, Michael G. Atieh, Eran Broshy and Dean J. Mitchell (collectively, the "New Directors") became members of the Board of Directors of Theravance Biopharma. Mr. Atieh will serve on the Audit Committee of the Board. The Theravance Biopharma Board of Directors has determined that each of the New Directors is independent within the meaning of the independent director standards of the Securities and Exchange Commission and Nasdaq Stock Market.

In connection with their appointment to the Board, each of the New Directors will be entitled to receive cash and equity compensation consistent with that of Theravance Biopharma's other non-employee directors. Each New Director will be paid an annual retainer of $50,000 as well as $1,000 for each Board and committee meeting attended ($500 for scheduled in-person meetings that a Board member attends by video or telephone conference). In addition, if any New Director is named the chairperson of a committee of the Board, he will be paid the additional compensation described in the Information Statement. On June 3, 2014, the New Directors will each be granted an initial nonstatutory share option covering 12,000 ordinary shares. These initial option grants will vest monthly over the director's first three years of service. In addition, also on June 3, 2014, each New Director will be granted an annual nonstatutory share option covering 12,000 ordinary shares. These annual option grants will vest monthly over the twelve month period of service following the date of grant and will become fully vested on the date of the first regular annual meeting of Theravance Biopharma's shareholders if the director remains in continuous service on such date. In addition, all equity awards to the New Directors will vest in full if we are subject to a change in control or the New Director dies while in service. Each share option will have an exercise price equal to the fair market value of our ordinary shares on the date of grant, a term of up to ten years and will remain exercisable for three years following termination of a director's service other than for cause.

Item 8.01 Other Events

On June 2, 2014, Theravance and Theravance Biopharma issued a joint press release, a copy of which is hereby incorporated by reference and attached hereto as Exhibit 99.1.

Forward-Looking Statements

This Form 8-K contains certain "forward-looking" statements as that term is defined in the Private Securities Litigation Reform Act of 1995 regarding, among other things, statements relating to goals, plans, objectives and future events. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Examples of such statements include the statement relating to the expected timing of the payment of additional cash amounts to us by Theravance. Forward-looking statements are subject to risks, uncertainties, changes in circumstances, assumptions and other factors that may cause our actual results to be materially different from those reflected in the forward-looking statements. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include, among others, risks related to the disruption of our operations during the transition period following the Spin-Off, including the diversion of our management's and employees' attention, adverse impacts upon the progress of our discovery and development efforts, disruption of our relationships with collaborators and increased employee turnover, and difficulties or delays in reaching agreement with Theravance on the amount of liabilities assumed by us. Other risks affecting us are described under the heading "Risk Factors" contained in our Information Statement filed with the Securities and Exchange Commission (SEC) on May 7, 2014 as Exhibit 99.1 to our Registration Statement on Form 10. Given these uncertainties, you should not place undue reliance on these forward-looking statements. We assume no obligation to update our forward-looking statements.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

10.1	Separation and Distribution Agreement between Theravance and Theravance Biopharma, dated June 1, 2014.
10.2	Transition Services Agreement between Theravance and Theravance Biopharma, dated June 2, 2014.
10.3	Tax Matters Agreement between Theravance and Theravance Biopharma, dated June 2, 2014.
10.4	Employee Matters Agreement between Theravance and Theravance Biopharma, dated June 1, 2014.
10.5	Theravance Respiratory Company, LLC Limited Liability Company Agreement between Theravance and Theravance Biopharma, dated May 31, 2014.
99.1	Press Release dated June 2, 2014.

SIGNATURE

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

THERAVANCE BIOPHARMA, INC.

Date: June 3, 2014

By: /s/ Rick E Winningham
Rick E Winningham
Chief Executive Officer

Exhibit 10.1

SEPARATION AND DISTRIBUTION AGREEMENT

by and between

THERAVANCE, INC.

and

THERAVANCE BIOPHARMA, INC.

Dated as of June 1, 2014

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SEPARATION AND DISTRIBUTION AGREEMENT

This SEPARATION AND DISTRIBUTION AGREEMENT (this "Agreement"), dated as of June 1, 2014, is entered into by and between Theravance, Inc., a Delaware corporation ("ParentCo"), and Theravance Biopharma, Inc., a Cayman Islands corporation ("SpinCo") (each a "Party" and collectively, the "Parties"). Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to them in Article I.

RECITALS

WHEREAS, the Board of Directors of ParentCo has determined that it is appropriate, desirable and in the best interests of ParentCo and its stockholders to separate its two businesses, the ParentCo Business and the SpinCo Business, into ParentCo and SpinCo respectively, two publicly traded companies, by means of the transfer/assumption of certain assets and liabilities from ParentCo to SpinCo or any of the SpinCo Subsidiaries, all as more fully described in this Agreement and the Ancillary Agreements (the "Separation");

WHEREAS, in order to effect the Separation, the Board of Directors of ParentCo has further determined that it is appropriate, desirable and in the best interests of ParentCo and its stockholders to distribute to holders of shares of ParentCo Common Stock, on a pro rata basis, all of the issued and outstanding ordinary shares, par value $0.00001 per share, of SpinCo, all as more fully described in this Agreement and the Ancillary Agreements (such shares, the "SpinCo Common Shares", and such distribution, the "Distribution"); and

WHEREAS, the Parties intend in this Agreement to set forth the principal corporate arrangements between the Parties with respect to the Separation and the Distribution.

NOW, THEREFORE, in consideration of the foregoing and the terms, conditions, covenants and provisions of this Agreement, ParentCo and SpinCo mutually covenant and agree as follows:

Article I

DEFINITIONS

1.1 "Action" shall mean any demand, action, cause of action, suit, countersuit, arbitration, inquiry, proceeding or investigation by or before any federal, state, local, foreign or international Governmental entity or any arbitration or mediation tribunal.

1.2 "Affiliate" of a Person shall mean any firm, individual, corporation, business trust, joint venture, association, company, limited liability company, partnership, or other organization or entity, that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control (provided that such common control is not by a natural person) with such specified Person. As used herein, "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities or other interests, by contract or otherwise; provided that if control is deemed solely on the basis of ownership of voting securities or other interests, such ownership must be in excess of fifty percent (50%) of the then-

outstanding shares of common stock or the combined voting power of such Person. For the sake of clarity, neither SpinCo nor any of the SpinCo Subsidiaries shall be considered Affiliates of ParentCo and the ParentCo Subsidiaries under this Agreement and vice versa.

1.3 "Agent" shall have the meaning set forth in Section 3.1(a).

1.4 "Ancillary Agreements" shall mean all of the contracts, obligations, indentures, agreements, leases, purchase orders, commitments, permits, licenses, notes, bonds, mortgages, arrangements or undertakings (whether written or oral and whether express or implied) that are legally binding on either Party or any part of its property under applicable Law entered into in connection with the transactions contemplated hereby, including the documents listed on Attachment 1.4, to be delivered by SpinCo and ParentCo in connection with the Separation.

1.5 "ANORO" means (a) the combination medicine comprising UMEC with VI, with no other therapeutically active component, and explicitly excluding either component as a monotherapy, and which is proposed, as of the date hereof, to be sold under the brand name "ANORO® ELLIPTA®", and (b) any and all product improvements, additional claims, line extensions, dosage changes and alternate delivery systems, in each case, with respect to only such combination medicine set forth in subsection (a) comprising UMEC with VI, with no other therapeutically active component (and explicitly excluding either component as a monotherapy).

1.6 "BREO/RELVAR" means (a) the combination medicine comprising FF and VI, with no other therapeutically active component, and explicitly excluding either component as a monotherapy, and which is proposed, as of the date hereof, to be sold under the brand name "BREO® ELLIPTA®" in the United States and "RELVAR® ELLIPTA®" in the European Union and Japan, and (b) any and all product improvements, additional claims, line extensions, dosage changes and alternate delivery systems, in each case, with respect only to such combination medicine set forth in subsection (a) comprising FF and VI, with no other therapeutically active component (and explicitly excluding either component as a monotherapy).

1.7 "Collaboration Agreement" means that certain Collaboration Agreement, dated as of November 14, 2002, by and between ParentCo and Glaxo Group Limited, including all amendments and supplements thereto.

1.8 "Combined Books and Records" shall have the meaning set forth in Section 8.1(b).

1.9 "Consents" shall mean any and all consents, waivers or approvals from, or notification requirements to, any Third Parties, including those set forth on Attachment 1.9.

1.10 "Contract" shall mean any contract, obligation, indenture, agreement, lease, purchase order, commitment, permit, license, note, bond, mortgage, arrangement or undertaking (whether written or oral and whether express or implied) that is legally binding on any Person or any part of its property under applicable Law, but excluding this Agreement and any Ancillary Agreement save as otherwise expressly provided in this Agreement or any Ancillary Agreement.

1.11 "Convertible and Non-Recourse Debt" shall mean the (i) 2.125% Convertible Subordinated Notes due 2023 issued by ParentCo and (ii) notes issued by LABA Royalty Sub

LLC, a wholly owned subsidiary of ParentCo, pursuant to April 17, 2014 note purchase agreements relating to the private placement of $450.0 million aggregate principal amount of non-recourse 9% fixed rate term notes due 2029.

1.12 "Distribution" shall have the meaning set forth in the recitals hereto.

1.13 "Distribution Date" shall mean the date on which the Distribution to the stockholders of ParentCo is effective, which is June 2, 2014.

1.14 "Effective Time" shall mean 12:01 a.m. Pacific Daylight Time on the day immediately preceding the Distribution Date.

1.15 "Environmental Laws" shall mean any environmental laws, rules and regulations of any jurisdiction.

1.16 "Environmental Liabilities" shall mean any Liabilities relating to Environmental Laws.

1.17 "Exchange" shall mean the NASDAQ Global Market.

1.18 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time that reference is made thereto.

1.19 "Excluded Assets" shall mean all assets solely relating to the ParentCo Business, including (a) the Excluded Intellectual Property and the Excluded Products; (b) and any and all Contracts of ParentCo (including, without limitation and for the avoidance of doubt, the Collaboration Agreement) other than the Assumed Contracts and the Leases; (c) all of ParentCo's right, title and interest in and to any and all other assets that are expressly contemplated to be retained by ParentCo by this Agreement or any Ancillary Agreement (or the Attachments and Schedules hereto or thereto), including all of the TRC Class A Units and 750 of the TRC Class C Units; (d) all of the assets held by TRC; and (e) all of the capital stock of ParentCo Subsidiary.

1.20 "Excluded Intellectual Property" shall mean (a) the Trademarks listed in Attachment 1.20(a); (b) the patents and patent applications listed in Attachment 1.20(b), and any patents of addition, re-examinations, reissues, extensions, granted supplementary protection certifications, substitutions, confirmations, registrations, revalidations, revisions, additions and the like, of or to said patents and any and all divisionals, continuations and continuations-in-part, and any patents issuing therefrom, as well as any patent applications related thereto; (c) the domain names listed in Attachment 1.20(c), (d) all U.S. and foreign copyrights and copyrightable subject matter solely related to the ParentCo Business (but excluding the SpinCo Copyrights), whether registered or unregistered, published or unpublished, statutory or common law, and all Actions against past, present, and future infringement, misappropriation, or other violation of the foregoing; and (e) all other Intellectual Property solely related to the ParentCo Business.

1.21 "Excluded Liabilities" shall mean (a) any and all Liabilities of ParentCo and its Affiliates, relating solely to the ParentCo Business or arising out of or relating to the Excluded

Assets, (b) any and all Liabilities of ParentCo and its Affiliates, relating to ParentCo's guaranty of TRC's performance under the portion of the Collaboration Agreement assigned to TRC and under the Strategic Alliance Agreement, (c) any and all Liabilities of ParentCo and its Affiliates relating to, arising out of or resulting from ParentCo's performance or obligations under any Ancillary Agreement or this Agreement and (d) the Convertible and Non-Recourse Debt.

1.22 "Excluded Products" shall mean any products developed under the Collaboration Agreement and under the Strategic Alliance Agreement.

1.23 "FF" shall mean the inhaled corticosteroid known as Fluticasone Furorate (with the chemical structure as set forth in Attachment 1.23) or an ester, salt or other noncovalent derivative thereof.

1.24 "Form 10" shall mean the registration statement on Form 10 filed by SpinCo with the SEC relating to the SpinCo Common Shares, as amended from time to time.

1.25 "Governmental Approvals" shall mean any notices, reports or other filings to be made, or any consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Entity.

1.26 "Governmental Entity" shall mean any federal, state, local, foreign or international court, government department, commission, board, bureau, agency, official or other regulatory, administrative or governmental entity.

1.27 "IND" shall mean an investigational new drug application, including any amendments and supplements thereto, and all reports, correspondence and other submissions related thereto.

1.28 "Indemnifying Party" shall have the meaning set forth in Section 5.4(a).

1.29 "Indemnitee" shall have the meaning set forth in Section 5.4(a).

1.30 "Indemnity Payment" shall have the meaning set forth in Section 5.4(a).

1.31 "Information" shall mean information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), communications and materials otherwise related to or made or prepared in connection with or in preparation for any legal proceeding, and other technical, financial, employee or business information or data.

1.32 "Insurance Proceeds" shall mean those monies (a) received by an insured from an unaffiliated Third Party insurer under any ParentCo Pre-Distribution Policy, or (b) paid by such Third Party insurer on behalf of an insured under any ParentCo Pre-Distribution Policy, in either

case net of any applicable premium adjustment, retrospectively-rated premium, deductible, retention, or cost of reserve paid or held by or for the benefit of such insured.

1.33 "Intellectual Property" shall mean all intellectual property and industrial property rights of any kind or nature, including all United States and foreign (a) patents, patent applications, patent disclosures, and all related continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions and extensions thereof, (b) Trademarks and all goodwill associated therewith, (c) copyrights and copyrightable subject matter, whether statutory or common law, registered or unregistered and published or unpublished, (d) rights of publicity, (e) moral rights and rights of attribution and integrity, (f) rights in Software, (g) trade secrets and all other confidential and proprietary information, know-how, inventions, improvements, processes, formulae, models and methodologies, (h) rights to domain names, (i) rights to personal information, (j) telephone numbers and internet protocol addresses, (k) applications and registrations for the foregoing, and (l) Actions against past, present, and future infringement, misappropriation, or other violation of the foregoing.

1.34 "Law" shall mean any United States or non-United States federal, national, supranational, state, provincial, local or similar statute, law, ordinance, regulation, rule, code, order, requirement or rule of law (including common law).

1.35 "Leases" shall mean that certain (i) Amended and Restated Lease Agreement, 951 Gateway Boulevard, between ParentCo and HMS Gateway Office L.P., dated as of January 1, 2001 and (ii) Lease Agreement, 901 Gateway Boulevard, between ParentCo and HMS Gateway Office L.P., dated as of January 1, 2001, in each case, including all amendments and supplements thereto.

1.36 "Liabilities" shall mean any and all debts, liabilities, and obligations, whether accrued or fixed, known or unknown, absolute or contingent, matured or unmatured, reserved or unreserved, or determined or determinable of any kind or nature whatsoever, including those arising under any Law or Action, whether asserted or unasserted, or order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental entity, and those arising under any Contract or any fines, damages or equitable relief which may be imposed in connection with any of the foregoing and including all costs and expenses related thereto.

1.37 "NDA" shall mean a new drug application, including any amendments or supplements thereto, and all reports, correspondence and other submissions related thereto.

1.38 "Opening SpinCo Balance Sheet" shall mean the combined balance sheet of SpinCo, dated as of the Distribution Date, prepared on the same basis as the unaudited pro forma condensed combined balance sheet, dated December 31, 2013, included in the Form 10.

1.39 "ParentCo Business" shall mean the pharmaceutical royalty management business of ParentCo, other than the SpinCo Business, as conducted or proposed to be conducted by ParentCo prior to or as of the Effective Time. For the avoidance of doubt, the ParentCo Business includes the management of ParentCo's rights to receive payments under the Collaboration Agreement and Strategic Alliance Agreement with respect to the Excluded Products, including

as a result of ownership of the TRC Class A Units and TRC Class C Units, rights to receive distributions from TRC with respect to the TRC Class A Units and TRC Class C Units, and other assets, Contracts and Liabilities related the foregoing.

1.40 "ParentCo Common Stock" shall mean the Common Stock, $0.01 par value per share, of ParentCo.

1.41 "ParentCo Consolidated Balance Sheet" shall have the meaning set forth in Section 2.5(a).

1.42 "ParentCo Employee" shall mean an active employee or an employee on vacation or on approved leave of absence (including maternity, paternity, family, sick leave, salary continuation, qualified military service under the Uniformed Services Employment and Reemployment Rights Act of 1994, and leave under the Family Medical Leave Act and other approved leaves) who, on the Distribution Date, is employed or will be employed by ParentCo.

1.43 "ParentCo Fixed Assets" shall mean the fixed assets listed on Attachment 1.43 and such other fixed assets of SpinCo with an aggregate value of no more than $20,000 that the parties may determine within six (6) months after the Effective Time are reasonably required by ParentCo for the ParentCo Business.

1.44 "ParentCo General Liability Policies" shall mean all ParentCo Pre-Distribution Policies that respond to claims on an occurrence basis.

1.45 "ParentCo Policies" shall mean all ParentCo Pre-Distribution Policies that respond to claims on a claims-made basis.

1.46 "ParentCo Pre-Distribution Policies" shall mean all Policies, other than the SpinCo Policies and including the ParentCo General Liability Policies and the ParentCo Policies, entered prior to or as of the Effective Time, which are between or among ParentCo and one or more Third Parties, that benefit either or both the ParentCo Business and the SpinCo Business.

1.47 "ParentCo Subsidiary" shall mean Advanced Medicine East, Inc., a Delaware corporation.

1.48 "Party" shall have the meaning set forth in the preamble hereof.

1.49 "Person" shall mean any natural person, firm, individual, corporation, business trust, joint venture, association, company, limited liability company, partnership, or other organization or entity, whether incorporated or unincorporated, or any governmental entity.

1.50 "Policies" shall mean insurance policies and insurance Contracts of any kind (other than life and benefits policies or Contracts), including primary, excess and umbrella policies, comprehensive general liability policies, director and officer liability, fiduciary liability, automobile, aircraft, property and casualty, business interruption, workers' compensation and employee dishonesty insurance policies, bonds and self-insurance and captive insurance company arrangements, together with the rights, benefits and privileges thereunder.

1.51 "Post-Closing Cash" shall have the meaning set forth in Section 2.5(d).

1.52 "Products" shall mean, individually and collectively, telavancin and all of the products under development, regardless of the state of development, by ParentCo, other than the Excluded Products.

1.53 "Record Date" shall mean the close of business on the date to be determined by the ParentCo Board of Directors as the record date for the Distribution.

1.54 "SEC" shall mean the United States Securities and Exchange Commission or any successor agency thereto.

1.55 "Security Interest" shall mean any mortgage, security interest, pledge, lien, charge, claim, option, right to acquire, voting or other restriction, right-of-way, covenant, condition, easement, encroachment, restriction on transfer, or other encumbrance of any nature whatsoever, excluding restrictions on transfer under security Laws.

1.56 "Selected Liabilities" shall have the meaning set forth in Section 2.5(b).

1.57 "Selected Liabilities Statement" shall have the meaning set forth in Section 2.5(d).

1.58 "Separation" shall have the meaning set forth in the recitals hereto.

1.59 "Software" shall mean all computer programs (whether in source code, object code, or other form), algorithms, databases, compilations and data, and technology supporting the foregoing, and all documentation, including flowcharts and other logic and design diagrams, technical, functional and other specifications, and user manuals and training materials related to any of the foregoing.

1.60 "SpinCo Assets" shall mean:

(a) All categories of assets that are reflected as assets of SpinCo in the unaudited pro forma condensed combined balance sheet of SpinCo, dated December 31, 2013, included in the Form 10, with the value of such asset as reflected in the Opening SpinCo Balance Sheet.

(b) All of ParentCo's rights, title and interest in and to the patents and patent applications listed in Attachment 1.60(b), and any patents of addition, re-examinations, reissues, extensions, granted supplementary protection certifications, substitutions, confirmations, registrations, revalidations, revisions, additions and the like, of or to said patents and any and all divisionals, continuations and continuations-in-part, and any patents issuing therefrom, as well as any patent applications related thereto and all Actions against past, present, and future infringement, misappropriation, or other violation of the foregoing.

(c) All of ParentCo's rights, title and interest in and to the Trademarks listed on Attachment 1.60(c), together with (i) all common law rights to such Trademarks, (ii) the goodwill of the SpinCo Business symbolized by such Trademarks, (iii) all Actions for, or arising

from any infringement, dilution, unfair competition, or other violation, including past infringement, dilution, unfair competition, or other violation, of such Trademarks, and (iv) all rights corresponding thereto throughout the world.

(d) All of ParentCo's rights, title and interest in and to the domain names listed in Attachment 1.60(d) and all Actions against past, present, and future infringement, misappropriation, or other violation of the foregoing.

(e) All U.S. and foreign copyrights and copyrightable subject matter related to the SpinCo Business, whether registered or unregistered, published or unpublished, statutory or common law, including all related registrations, applications and common law rights, in any labels, product marketing materials or other copyrighted works related to the SpinCo Business and all Actions against past, present, and future infringement, misappropriation, or other violation of the foregoing ("SpinCo Copyrights").

(f) All of ParentCo's rights, title and interest in and to all Intellectual Property, including trade secrets, not hereto forth described in the definition of SpinCo Assets that are reasonably likely to be used in the SpinCo Business, but excluding the Excluded Intellectual Property.

(g) With respect to the Products, all (i) material regulatory filings and regulatory approvals, registrations and governmental authorizations, (ii) each NDA, (iii) each IND or equivalent, (iv) all licenses and permits relating to the Products, and (v) all applications to the FDA or the comparable foreign law or bodies in effect or pending at the Effective Time, all as set forth on Attachment 1.60(g), and all other information contained therein or materials relating thereto (collectively, the "Registrations").

(h) All SpinCo Books and Records. "SpinCo Books and Records" shall mean books and records which relate to SpinCo, the SpinCo Assets, the SpinCo Liabilities or the conduct of the SpinCo Business.

(i) All pre-clinical and clinical data related to the SpinCo Business and which is contained in ParentCo's databases or otherwise in ParentCo's possession or control.

(j) All fixed assets of ParentCo as of the Effective Time except for the ParentCo Fixed Assets.

(k) All rights and benefits of ParentCo in existence as of the Effective Time or arising after the Effective Time under the Contracts listed in Attachment 1.60(k) (the "Assumed Contracts"), including any rights to Intellectual Property or SpinCo Copyrights contained therein. The Assumed Contracts shall be deemed to include all purchase, work and change orders related thereto.

(l) All of ParentCo's rights, title and interest in and to the Trial Materials.

(m) All of ParentCo's rights, title and interest in and to the Trial Study Reports.

(n) Cash and cash equivalents in the amount of three hundred ninety three million U.S. Dollars ($393,000,000) in the aggregate plus the amount of the Post-Closing Cash, as determined in accordance with Section 2.5.

(o) All of ParentCo's rights under the Leases, including the right to possess, use and occupy the Premises and the Subleased Premises (as defined in the Leases), and all of ParentCo's rights, title and interest in and to the Lessee Improvements and the Sublessee Improvements (as those terms are defined in the Leases).

(p) Any and all interest in the SpinCo Subsidiaries, including, without limitation, all of the capital stock of Theravance UK Limited.

(q) All of the TRC Class B Units and 6,375 TRC Class C Units.

(r) SpinCo Policies.

(s) All of ParentCo's rights, title and interest in and to any and all other assets that are expressly contemplated by this Agreement or any Ancillary Agreement (or the Attachments and Schedules hereto or thereto) to be transferred to SpinCo or any of the SpinCo Subsidiaries.

For the avoidance of doubt and notwithstanding anything to the contrary herein, SpinCo Assets shall not include (i) any cash or cash equivalents other than as described in clause (n) above, (ii) any net operating losses, net operating loss carry-forwards or other Tax attributes of ParentCo, whether or not relating to SpinCo or the SpinCo Business, or (iii) the Excluded Assets.

1.61 "SpinCo Business" shall mean the business of ParentCo related to (i) the discovery, development and commercialization of medicines and technologies related thereto, including the Products (but excluding the Excluded Products), as conducted or proposed to be conducted by ParentCo prior to or as of the Effective Time and (ii) ownership of all of the TRC Class B Units and 6,375 TRC Class C Units.

1.62 "SpinCo Employees" shall mean all employees of Theravance Biopharma US, Inc., a Delaware corporation, listed on Attachment 1.62.

1.63 "SpinCo Liabilities" shall mean:

(a) All categories of Liabilities that are reflected as liabilities of SpinCo in the unaudited pro forma condensed combined balance sheet of SpinCo, dated December 31, 2013, included in the Form 10 with the value of such liabilities as reflected in the Opening SpinCo Balance Sheet.

(b) All Liabilities under the Assumed Contracts.

(c) All Liabilities under the Leases.

(d) All Liabilities under the Registrations arising after the Effective Time.

(e) All other Liabilities (other than Excluded Liabilities) arising out of the conduct of ParentCo's business prior to the Effective Time, other than liabilities solely related to the ParentCo Business, including Liabilities arising out of the conduct of the SpinCo Business or arising out of or related to the SpinCo Assets.

(f) Any and all Environmental Liabilities.

(g) Any and all Liabilities expressly set forth on Attachment 1.63(g).

(h) The Selected Liabilities, as described in Section 2.5.

(i) Any and all other Liabilities of SpinCo relating to, arising out of or resulting from SpinCo's performance or obligations under any Ancillary Agreement or this Agreement.

(j) Any and all other Liabilities that are expressly contemplated by this Agreement or any Ancillary Agreement (or the Attachments and Schedules hereto or thereto) to be transferred to and assumed by SpinCo or any of the SpinCo Subsidiaries.

For the avoidance of doubt, SpinCo Liabilities shall not include the Excluded Liabilities.

1.64 "SpinCo Policies" shall mean all Policies, current or past, which are owned or maintained by or on behalf of ParentCo or its Subsidiaries, which relate solely to the SpinCo Business and are assignable to SpinCo, as listed on Attachment 1.64.

1.65 "SpinCo Subsidiaries" shall mean Theravance Biopharma US, Inc., a Delaware corporation, Theravance Biopharma Antibiotics, Inc., a Cayman Islands exempted company, Theravance Biopharma R&D, Inc., a Cayman Islands exempted company, Theravance Biopharma R&D IP, LLC, a Delaware limited liability company, Theravance Biopharma Antibiotics IP, LLC, a Delaware limited liability company, and Theravance UK Limited, a company organized under the laws of the United Kingdom.

1.66 "Strategic Alliance Agreement" means that certain Strategic Alliance Agreement, dated as of March 30, 2004, by and between ParentCo and Glaxo Group Limited, including all amendments and supplements thereto.

1.67 "Subsidiary" of a Person shall mean any firm, individual, corporation, business trust, joint venture, association, company, limited liability company, partnership, or other organization or entity, whether incorporated or unincorporated of which at least a majority of the securities or interests having by the terms thereof ordinary voting power to elect at least a majority of the board of directors or others performing similar functions with respect to such corporation or other organization, that is directly or indirectly owned or controlled by such Person or by any one or more of its Subsidiaries, or by such Person and one or more of its Subsidiaries; provided, however, that no Person that is not directly or indirectly wholly owned by any other Person shall be a Subsidiary of such other Person unless such other Person controls, or has the right, power or ability to control, that Person. For the sake of clarity, SpinCo shall not be considered a Subsidiary of ParentCo under this Agreement, and TRC shall be considered a Subsidiary of ParentCo.

1.68 "Third Party" shall mean any Person other than ParentCo, any ParentCo Affiliate, SpinCo and any SpinCo Affiliate.

1.69 "Third-Party Claim" shall have the meaning set forth in Section 5.5(a).

1.70 "Trademarks" shall mean all trademarks, service marks, trade names, names, slogans, taglines, logos, design marks, trade dress, product designs, and product packaging, including all applications for and registrations of the foregoing, and including those at common law.

1.71 "Transfer" shall have the meaning set forth in Section 2.2(a).

1.72 "TRC" shall mean Theravance Respiratory Company, LLC, a Delaware limited liability company.

1.73 "TRC Class A Units" shall mean the Class A membership units in TRC.

1.74 "TRC Class B Units" shall mean the Class B membership units in TRC.

1.75 "TRC Class C Units" shall mean the Class C membership units in TRC.

1.76 "TRC Operating Agreement" shall mean that certain Limited Liability Company Agreement of Theravance Respiratory Company, LLC, dated as of May 31, 2014, by and between ParentCo and SpinCo.

1.77 "Trial" shall mean a pre-clinical or clinical trial related to the Products.

1.78 "Trial Materials" shall mean the Products and the placebo for each of these Products for use in Trials, whether in bulk, formulated or finished form and whether or not in existence at the Effective Time.

1.79 "Trial Study Reports" shall mean all reports or summaries of all data, records and documents resulting from the Trials.

1.80 "UMEC" means the long-acting muscarinic antagonist umeclidinium bromide (with the chemical structure as set forth in Attachment 1.80) or an ester, salt or other noncovalent derivative thereof.

1.81 "VI" means the long-acting $beta_2$ agonist vilanterol (with the chemical structure as set forth in Attachment 1.81) or an ester, salt or other noncovalent derivative thereof.

1.82 "VI Monotherapy" means (a) VI, solely as a monotherapy (i.e., excluding VI in combination with any one or more other therapeutically active component(s)), and (b) any and all product improvements, additional claims, line extensions, dosage changes and alternate delivery systems, in each case, with respect to only VI solely as a monotherapy (i.e., excluding VI in combination with any one or more other therapeutically active component(s)).

Article II

THE SEPARATION

2.1 General. Subject to the terms and conditions of this Agreement, the Parties shall use, and shall cause any of their respective Subsidiaries to use, their respective reasonable best efforts to consummate the transactions contemplated hereby.

2.2 Transfer of SpinCo Assets and Assumption of SpinCo Liabilities. Subject to Sections 2.3, 2.4 and 2.5:

(a) At the Effective Time, ParentCo shall, and hereby does, transfer, contribute, assign, distribute and convey, or cause to be transferred, contributed, assigned, distributed and conveyed, to SpinCo and/or its designated Subsidiaries all of ParentCo's right, title and interest in and to the SpinCo Assets (the "Transfer").

(b) At the Effective Time, SpinCo shall, and hereby does, on behalf of itself and certain of its Subsidiaries, accept the Transfer from ParentCo.

(c) On or before the Distribution Date, ParentCo shall transfer, or cause to be transferred, the SpinCo Employees to SpinCo and/or its designated Subsidiaries, as the case may be and as more particularly set forth on Attachment 1.62.

(d) Except as otherwise specifically set forth in this Agreement or any Ancillary Agreement, at the Effective Time SpinCo shall, and hereby does, accept, assume or, as applicable, retain (on behalf of itself and /or its designated Subsidiaries) all the SpinCo Liabilities and shall after the Effective Time perform, discharge and fulfill (or cause its Subsidiaries to perform, discharge and fulfill), in accordance with their respective terms, all the SpinCo Liabilities, in each case, unless specified otherwise in the definition of SpinCo Liabilities, regardless of (i) when or where such Liabilities arose or arise, (ii) where or against whom such Liabilities are asserted or determined, (iii) which entity is named in any action associated with any Liability, and (iv) whether the facts on which they are based occurred prior to, on or after the Effective Time (the "Assumption"). Notwithstanding the foregoing, SpinCo shall not assume (on behalf of itself and /or its designated Subsidiaries) any Liability attributable to the failure of ParentCo or its officers, directors, employees, agents or Affiliates to materially perform ParentCo's obligations to SpinCo pursuant to this Agreement or the Ancillary Agreements.

(e) If at any time, after the Effective Time, the Parties agree that ParentCo or its Subsidiaries possess any assets or liabilities related to the SpinCo Business, ParentCo shall as promptly as practicable transfer or cause to be transferred, at SpinCo's expense, and SpinCo shall accept such transfer and/or assume (on behalf of itself and /or its designated Subsidiaries), for no additional consideration, such SpinCo Asset and/or Liability, including any and all economic benefits or detriments generated from such SpinCo Asset and/or Liabilities after the Effective Time, to SpinCo. Each such transferred asset or liability shall be deemed a SpinCo Asset or a SpinCo Liability, respectively, and shall be subject to the terms and conditions of this Agreement applicable thereto.

(f) If at any time, after the Effective Time, the Parties agree that SpinCo or its Subsidiaries possess any assets or liabilities solely related to the ParentCo Business, SpinCo shall as promptly as practicable transfer or cause to be transferred (on behalf of itself and /or its designated Subsidiaries), at ParentCo's expense, and ParentCo shall accept such transfer and/or assume, for no consideration, such ParentCo Asset and/or Liability, including any and all economic benefits or detriments generated from such ParentCo Asset and/or Liabilities after the Effective Time, to ParentCo. Each such transferred asset or liability shall be deemed a ParentCo Asset or a ParentCo Liability, respectively, and shall be subject to the terms and conditions of this Agreement applicable thereto.

(g) In furtherance of the Transfer and the assumption of the SpinCo Liabilities by SpinCo as set forth above, and simultaneously with the execution and delivery of this Agreement (i) ParentCo shall execute and deliver such bills of sale, stock powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment as and to the extent necessary to evidence the Transfer, and (ii) SpinCo (on behalf of itself and /or its designated Subsidiaries) shall execute and deliver to ParentCo such bills of sale, stock powers, certificates of title, assumptions of contracts, indemnity agreements and other instruments of assumption as and to the extent necessary to evidence the valid and effective Assumption.

2.3 Governmental Approvals; Consents.

(a) To the extent that the Transfer or the Assumption requires any Governmental Approvals, the Parties shall use reasonable best efforts to obtain any such Governmental Approvals. If and to the extent that the Transfer or the Assumption would be a violation of applicable laws or require any Governmental Approval in connection with the Separation or the Distribution, then, unless ParentCo shall otherwise determine, the Transfer to or Assumption by SpinCo of such SpinCo Assets or SpinCo Liabilities, as the case may be, shall be automatically deemed deferred and any such purported Transfer or the Assumption shall be null and void until such time as all legal impediments are removed and/or each of such Governmental Approval has been obtained.

(b) The Parties shall use reasonable best efforts to obtain any Consents required in connection with the transactions contemplated by this Agreement. Notwithstanding the foregoing, no Party shall be obligated to pay any consideration therefor to any Third Party from whom any such Consent, substitution or amendment is requested (unless such Party is fully reimbursed by the requesting Party).

2.4 Deferred Transfers/Assumptions.

(a) If the Transfer of any SpinCo Asset or Assumption intended to be Transferred and assumed hereunder is not consummated prior to or at the Effective Time, whether as a result of the provisions of Section 2.3 or for any other reason, then ParentCo shall thereafter hold such SpinCo Asset for the use and benefit of SpinCo if permitted by Law.

(b) If and when the Consents and/or Governmental Approvals, or any other impediments to Transfer or Assumption, the absence of which caused the deferral of Transfer of

any SpinCo Asset or Assumption pursuant to Section 2.3 or otherwise, are obtained or removed (as appropriate), the Transfer of the applicable SpinCo Asset or Assumption shall be effected in accordance with the terms of this Agreement and/or the applicable Ancillary Agreement.

(c) With respect to any SpinCo Asset retained by ParentCo due to the deferral of the Transfer of such SpinCo Asset, ParentCo shall take such actions with respect to such SpinCo Asset as may be reasonably requested by SpinCo (and SpinCo shall fully reimburse ParentCo for all costs and expenses associated therewith).

(d) If the Parties are unable to obtain, or to cause to be obtained, any such required Governmental Approvals, Consents, release, substitution or amendment pursuant to Section 2.3 or otherwise, ParentCo shall (i) continue to be bound by such Contract, license or other obligation, which shall not constitute a Liability of ParentCo (unless not permitted by Law or the terms thereof), (ii) as agent or subcontractor for SpinCo, pay, perform and discharge fully all the obligations or other SpinCo Liabilities thereunder after the Effective Time, and (iii) deliver to SpinCo any payments, benefits or other consideration received by ParentCo under such Contract, license or other obligation; provided, however, that ParentCo shall not be obligated to extend, renew or otherwise cause such Contract, license or other obligation to remain in effect beyond the term in effect as of the Effective Time. SpinCo shall have the right to direct ParentCo to exercise ParentCo's rights under such Contract, license or other obligation for the benefit of SpinCo. SpinCo shall fully indemnify ParentCo and its Affiliates, officers, directors, employees, agents and hold each of them harmless against any and all obligations or SpinCo Liabilities arising in connection therewith and also for any actions requested by SpinCo pursuant to Section 2.4(c), provided, however, that SpinCo shall have no obligation to indemnify ParentCo with respect to any matter to the extent that ParentCo has engaged in any violation of Law or fraud in connection therewith. ParentCo shall, without further consideration, promptly pay and remit, or cause to be promptly paid or remitted, to SpinCo, all money, rights and other consideration received by it or any of its Subsidiaries in respect of such performance on behalf of SpinCo (unless any such consideration is an Excluded Asset of ParentCo pursuant to this Agreement). If and when any such Governmental Approval, Consent, release, substitution or amendment shall be obtained or such agreement, lease, license or other rights or obligations shall otherwise become assignable or capable of novation, ParentCo shall promptly assign, or cause to be assigned, all rights, obligations and other SpinCo Liabilities thereunder of ParentCo's to SpinCo or its designated Subsidiary without payment of any further consideration and SpinCo (or its designated Subsidiary, as applicable), without the payment of any further consideration, shall assume such rights and obligations and other SpinCo Liabilities.

2.5 Calculation, Adjustment and Payment of Selected Liabilities.

(a) "ParentCo Consolidated Balance Sheet" shall mean the unaudited consolidated balance sheet of ParentCo, dated as of the day immediately preceding the Distribution Date, prepared on a basis consistent with the basis on which the unaudited consolidated balance sheet included in ParentCo's Quarterly Report on Form 10-Q for the three-month period ended March 31, 2014 and filed with the Securities and Exchange Commission on May 7, 2014 was prepared. As soon as reasonably practicable after the Effective Time, the Parties shall coordinate in the preparation of the ParentCo Consolidated Balance Sheet.

(b) "Selected Liabilities" shall mean certain current liabilities that are both recorded on the ParentCo Consolidated Balance Sheet in accordance with U.S. generally accepted accounting principles ("GAAP") and unpaid as of the Effective Time, in the following categories: accrued nondiscretionary cash bonus expenses, accrued clinical and development expenses, and accrued sales and marketing expenses. For clarity, the Selected Liabilities shall be recorded on the Opening SpinCo Balance Sheet.

(c) Payment of Current Liabilities. ParentCo shall under the terms of each respective Contract remit payment to payees for all current liabilities that are both recorded on the ParentCo Consolidated Balance Sheet in accordance with GAAP and unpaid as of the Effective Time, with the exception of (i) the Selected Liabilities and (ii) any deferred revenue, deferred rent, accrued vacation expenses, and accrued discretionary cash bonus expenses that are recorded on the Opening SpinCo Balance Sheet. SpinCo shall remit payment for the Selected Liabilities to the payees identified by ParentCo under the terms of each respective Contract.

(d) Initial Selected Liabilities Statement and Post-Closing Cash. SpinCo shall provide ParentCo in writing with its estimate for the amount of the Selected Liabilities within fifteen (15) business days after the Effective Time (the "Selected Liabilities Statement"). ParentCo shall have ten (10) business days following the receipt of the Selected Liabilities Statement to review and analyze SpinCo's calculation of the amount set forth in the Selected Liabilities Statement (the "Post-Closing Cash") and ParentCo shall then pay to SpinCo any undisputed part of the Post-Closing Cash. If ParentCo does not agree with SpinCo's calculation of the Post-Closing Cash, the parties shall work in good faith to resolve the disagreement. After resolution of such disagreement, any payments owing either to SpinCo as a result of such adjustment shall be made within five (5) business days after the agreement of the parties.

2.6 Termination of Agreements. Except with respect to this Agreement and the Ancillary Agreements (and agreements expressly contemplated herein or therein to survive by their terms), the Parties hereby terminate any and all written or oral agreements, arrangements, commitments or understandings, between or among them, effective as of the Effective Time; and each Party shall, at the reasonable request of the other Party, take, or cause to be taken, such other actions as may be necessary to effect the foregoing.

2.7 Disclaimer of Representations and Warranties. THE PARTIES UNDERSTAND AND AGREE THAT, EXCEPT AS EXPRESSLY SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, NO PARTY TO THIS AGREEMENT, ANY ANCILLARY AGREEMENT OR ANY OTHER AGREEMENT OR DOCUMENT CONTEMPLATED BY THIS AGREEMENT HEREBY OR THEREBY, IS REPRESENTING OR WARRANTING IN ANY WAY AS TO THE SPINCO ASSETS, SPINCO BUSINESS OR SPINCO LIABILITIES CONTRIBUTED, TRANSFERRED, DISTRIBUTED OR ASSUMED AS CONTEMPLATED HEREBY OR THEREBY, AS TO ANY CONSENTS OR GOVERNMENTAL APPROVALS REQUIRED IN CONNECTION HEREWITH OR THEREWITH, AS TO THE VALUE OR FREEDOM FROM ANY SECURITY INTERESTS OF, OR ANY OTHER MATTER CONCERNING, ANY SPINCO ASSETS, SPINCO BUSINESS OR SPINCO LIABILITIES OR AS TO THE ABSENCE OF ANY DEFENSES OR RIGHT OF SETOFF OR FREEDOM FROM COUNTERCLAIM WITH RESPECT TO ANY CLAIM, INCLUDING ANY

ACCOUNTS RECEIVABLE, OF ANY PARTY, OR AS TO THE LEGAL SUFFICIENCY OF ANY CONTRIBUTION, DISTRIBUTION, ASSIGNMENT, DOCUMENT, CERTIFICATE OR INSTRUMENT DELIVERED HEREUNDER TO CONVEY TITLE TO ANY SPINCO ASSET OR THING OF VALUE UPON THE EXECUTION, DELIVERY AND FILING HEREOF OR THEREOF. EXCEPT AS MAY EXPRESSLY BE SET FORTH HEREIN OR IN ANY ANCILLARY AGREEMENT, ALL SUCH SPINCO ASSETS ARE BEING TRANSFERRED ON AN "AS IS," "WHERE IS" BASIS AND SO LONG AS THE TRANSFEROR IS IN COMPLIANCE WITH THE TERMS OF THIS AGREEMENT RELATING TO THE TRANSFER, THE TRANSFEREE SHALL BEAR THE ECONOMIC AND LEGAL RISKS THAT (I) ANY CONVEYANCE SHALL PROVE TO BE INSUFFICIENT TO VEST IN THE TRANSFEREE GOOD AND MARKETABLE TITLE, FREE AND CLEAR OF ANY SECURITY INTEREST, AND (II) ANY NECESSARY CONSENTS OR GOVERNMENTAL APPROVALS ARE NOT OBTAINED OR THAT THE REQUIREMENTS OF LAWS, CONTRACTS, OR JUDGMENTS ARE NOT COMPLIED WITH.

Article III

THE DISTRIBUTION

3.1 The Distribution.

(a) Subject to Section 3.3, on or prior to the Distribution Date, for the benefit of and distribution to the holders of ParentCo Common Stock on the Record Date, ParentCo will deliver stock certificates, endorsed by ParentCo in blank, to the distribution agent, Computershare (the "Agent"), representing all of the outstanding and issued SpinCo Common Shares then owned by ParentCo. ParentCo shall instruct the Agent to electronically distribute on the Distribution Date the appropriate number of such SpinCo Common Shares to each such holder or designated transferee or transferees of such holder.

(b) Subject to Section 3.4, each holder of ParentCo Common Stock on the Record Date (or such holder's designated transferee or transferees) will be entitled to receive in the Distribution one (1) SpinCo Common Share for every three and one-half (3.5) shares of ParentCo Common Stock. No investment decision or action by any such stockholder shall be necessary for such stockholder (or such stockholder's designated transferee or transferees) to receive the applicable number of SpinCo Common Shares.

(c) SpinCo and ParentCo, as the case may be, will provide to the Agent any and all information required in order to complete the Distribution.

3.2 Actions in Connection with the Distribution.

(a) SpinCo shall prepare and, in accordance with applicable Law, file with the SEC and cause to become effective the Form 10, including amendments, supplements, exhibits and any such other documentation which is necessary or desirable to effectuate the Separation and the Distribution, and ParentCo and SpinCo shall each use reasonable best efforts to obtain all necessary approvals from the SEC with respect thereto as soon as practicable.

(b) In connection with the Distribution, ParentCo and SpinCo shall prepare and mail to the holders of ParentCo Common Stock such information concerning SpinCo, the SpinCo Business, the SpinCo Assets, the SpinCo Liabilities, operations and management, the Distribution, the Separation and such other matters as ParentCo shall reasonably determine and as may be required by Law.

(c) SpinCo shall also prepare, file with the SEC and cause to become effective any registration statements or amendments thereto required to effect the establishment of, or amendments to, any employee benefit and other plans necessary or appropriate in connection with the transactions contemplated by this Agreement, or any of the Ancillary Agreements.

(d) ParentCo and SpinCo shall take all such action as may be necessary or appropriate under the securities or blue sky laws of the states or other political subdivisions of the United States or of other foreign jurisdictions in connection with the Distribution.

(e) ParentCo and SpinCo shall take all reasonable steps necessary and appropriate to cause the conditions set forth in Section 3.3 to be satisfied and to effect the Distribution on the Distribution Date.

(f) SpinCo shall prepare and file, and shall use reasonable best efforts to have approved and made effective, an application for the original listing on the Exchange of the SpinCo Common Shares to be distributed in the Distribution, subject to official notice of distribution.

(g) ParentCo shall give the Exchange not less than ten (10) days' advance notice of the Record Date in compliance with Rule 10b-17 under the Exchange Act.

(h) ParentCo and SpinCo shall take all actions necessary to cause, immediately prior to the Distribution, the number of SpinCo Common Shares issued and outstanding to be increased to equal the number of SpinCo Common Shares to be distributed to holders of ParentCo Common Stock in accordance with this Agreement.

(i) ParentCo and SpinCo shall cooperate to change the name, effective on or prior to the Distribution Date, of any entity that is part of (i) SpinCo and any of its Affiliates so that the word "Theravance," without "Biopharma" immediately following, is changed to "Theravance Biopharma", and (ii) ParentCo and its Affiliates so that the words "Theravance Biopharma" are changed to "Theravance" without "Biopharma" as part of any such name. The parties acknowledge and agree that the name of Theravance UK Limited will not be changed to "Theravance Biopharma UK Limited" or a comparable name prior to the Distribution Date, but SpinCo agrees to do so promptly following the Distribution Date.

(j) The Board of Directors of ParentCo and SpinCo shall have obtained an opinion from a nationally recognized appraisal, valuation and investment banking firm, in a form reasonably satisfactory to the Parties, substantially to the effect that each of ParentCo and SpinCo will be solvent and adequately capitalized immediately after the Distribution and ParentCo has sufficient surplus under the Laws of Delaware to distribute the SpinCo Common Shares.

3.3 Conditions to Distribution. Subject to Section 3.2, the following are conditions to the consummation of Distribution. The conditions are for the sole benefit of ParentCo and shall not give rise to or create any duty on the part of ParentCo or the Board of Directors of ParentCo to waive or not waive any such condition:

(a) The Form 10 shall have been declared effective by the SEC, with no stop order in effect with respect thereto;

(b) All permits, registrations and consents required under the securities or blue sky laws of the states or other political subdivisions of the United States or of other foreign jurisdictions in connection with the Separation and the Distribution shall have been obtained and be in full force and effect;

(c) All material Government Approvals and other consents necessary to consummate the Separation and the Distribution shall have been obtained and be in full force and effect;

(d) No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Separation and the Distribution shall be in effect and no other event outside the control of ParentCo shall have occurred or failed to occur that prevents the consummation of the Distribution;

(e) The Board of Directors of ParentCo shall have authorized and approved the Distribution and not withdrawn such authorization and approval;

(f) The Board of Directors of ParentCo shall have approved the basis of the determination of the Selected Liabilities and categories of assets and liabilities included in both the Opening SpinCo Balance Sheet and the ParentCo Consolidated Balance Sheet.

(g) The SpinCo Common Shares to be delivered in the Distribution shall have been approved for listing on the Exchange;

(h) ParentCo shall have completed the Transfer of SpinCo Assets and transfer of SpinCo Employees to SpinCo, and the Assumption of all the SpinCo Liabilities by SpinCo shall be completed;

(i) All Ancillary Agreements shall have been entered into by the Parties and all other Parties thereto, as applicable, and shall remain in full force and effect; and

(j) No other events or developments shall have occurred that, in the sole discretion of the Board of Directors of ParentCo, would result in the Distribution having a material adverse effect on ParentCo or on the stockholders of ParentCo or not being in the best interest of ParentCo and its stockholders.

3.4 Fractional Shares. The Agent and ParentCo shall, as soon as practicable after the Distribution Date (a) determine the number of whole and fractional of SpinCo Common Shares allocable to each holder of record or beneficial owner of ParentCo Common Stock as of close of business on the Record Date, (b) aggregate all such fractional shares into whole shares and sell

the whole shares obtained thereby in open market transactions at then-prevailing trading prices on behalf of holders who would otherwise be entitled to fractional share interests, and (c) distribute to each such holder, or for the benefit of each such beneficial owner, such holder's or owner's ratable share of the net proceeds of such sale, based upon the average gross selling price per SpinCo Common Share after making appropriate deductions for any amount required to be withheld for United States federal income tax purposes. The Agent, in its sole discretion, will determine the timing and method of selling such fractional shares, the selling price of such fractional shares and the broker-dealer to which such fractional shares will be sold, provided that the designated broker-dealer is not an Affiliate of ParentCo or SpinCo. Neither ParentCo nor SpinCo will pay any interest on the proceeds from the sale of fractional shares.

Article IV

INSURANCE

4.1 Policies and Rights Included Within the SpinCo Assets. Without limiting the generality of the definition of the SpinCo Assets, the SpinCo Assets shall include (a) the SpinCo Policies and (b) any and all rights of an insured Party or its Affiliates under each of the ParentCo Pre-Distribution Policies, to the extent allowable under such Policies, including rights of indemnity and the right to be defended by or at the expense of the insurer, with respect to all injuries, losses, Liabilities, damages and expenses incurred or claimed to have been incurred prior to the Effective Time by any Party or any of its Affiliates in connection with the SpinCo Business (provided ParentCo shall have equal rights with respect to indemnity and the right to be defended to the extent practical and appropriate) and which injuries, losses, liabilities, damages and expenses may arise out of insured or insurable occurrences or events under one or more of the ParentCo Pre-Distribution Policies; provided, however, that nothing in this Section 4.1 shall be deemed to constitute (or to reflect) the assignment of the ParentCo Pre-Distribution Policies, or any of them, to SpinCo.

4.2 Post-Effective Time Claims.

(a) If, subsequent to the Effective Time, any Person shall assert a claim against SpinCo or its Affiliates with respect to any injury, loss, Liability, damage or expense incurred or claimed to have been incurred prior to the Effective Time, including claims related to the SpinCo Business, or in connection with the Distribution, and such injury, loss, Liability, damage or expense may have or has arisen out of insured or insurable occurrences, claims or events under one or more of the ParentCo Pre-Distribution Policies, ParentCo shall at the time such claim is asserted (except to the extent inconsistent with Section 4.1 and to the extent allowable under the ParentCo Pre-Distribution Policies) be deemed to assign, without need of further documentation, to SpinCo or its Affiliates, any and all rights of an insured party under the applicable ParentCo Pre-Distribution Policy with respect to such asserted claim, including rights of indemnity and the right to be defended by or at the expense of the insurer; provided, however, that nothing in this Section 4.2 shall be deemed to constitute (or to reflect) the assignment of the ParentCo Pre-Distribution Policies, or any of them, to SpinCo.

(b) In the event that any ParentCo Pre-Distribution Policy does not allow such assignment of a claim to SpinCo or its Affiliates, at SpinCo's sole option, cost and expense,

claims for coverage of insured SpinCo Liabilities shall be tendered by ParentCo as necessary to invoke the benefit of the ParentCo Pre-Distribution Policies. If such insurers do not promptly acknowledge insurance coverage in connection with such insured SpinCo Liabilities, then, with respect to such insured SpinCo Liabilities, SpinCo, on an as-incurred basis (i) shall advance all amounts expended by ParentCo, incurred at the request of SpinCo, for or with respect to such insured SpinCo Liabilities, including all costs and expenses in connection with the defense and settlement and in satisfaction of any judgment incurred, and amounts sufficient to cover any Liabilities required to be paid by ParentCo or its Subsidiaries, and (ii) shall pay all costs incurred in connection with pursuing and recovering Insurance Proceeds with respect to the insured SpinCo Liabilities, but only to the extent so requested by SpinCo, which shall be entitled to direct such recovery efforts. Any payments made to ParentCo or its Subsidiaries by SpinCo or the SpinCo Subsidiaries on account of such insured SpinCo Liabilities shall be deemed to be advances pursuant to this Section 4.2. SpinCo and the SpinCo Subsidiaries shall have the right to recover any advances made pursuant to Section 4.3 from ParentCo and its Subsidiaries, and ParentCo and its Subsidiaries shall have the obligation promptly to reimburse SpinCo and the SpinCo Subsidiaries for such advances, solely from the Insurance Proceeds of the ParentCo Pre-Distribution Policies that cover such insured SpinCo Liabilities and that are received by ParentCo or its Subsidiaries. ParentCo and its Subsidiaries (i) shall, at all times until paid to SpinCo, hold Insurance Proceeds received for or with respect to insured SpinCo Liabilities in trust for the benefit of SpinCo; and (ii) shall promptly remit such Insurance Proceeds to SpinCo.

4.3 ParentCo Policies. ParentCo shall, to the extent that the ParentCo Policies cover the SpinCo Liabilities, after discussion with SpinCo, either (a) maintain the ParentCo Policies, (b) buy replacement insurance, or (c) purchase an extended reporting period endorsement for the ParentCo Policies. In each of (a), (b) and (c), such coverage shall be at the expense of SpinCo and be of a type and with a limit and terms and conditions similar to those in force under the ParentCo Policies as of the Effective Time and shall be maintained for a minimum of eight (8) years after the Effective Time.

Article V

RELEASES AND INDEMNIFICATION

5.1 Release of Pre-Distribution Claims.

(a) Except as otherwise provided in this Agreement or any Ancillary Agreement, SpinCo, together with its Subsidiaries, executors, administrators, successors and assigns, does hereby, effective as of the Effective Time, remise, release and forever discharge ParentCo, its respective Affiliates and all Persons who at any time prior to the Effective Time were stockholders, directors, officers, agents or employees of ParentCo or any of its Affiliates (in each case, in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, from all Liabilities existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Effective Time.

(b) Except as otherwise provided in this Agreement or any Ancillary Agreement, ParentCo, together with its respective Subsidiaries, executors, administrators,

successors and assigns, does hereby, effective as of the Effective Time, remise, release and forever discharge SpinCo, its respective Affiliates and all Persons who at any time prior to the Effective Time were stockholders, directors, officers, agents or employees of SpinCo or any of its Affiliates (in each case, in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, from all Liabilities existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Effective Time.

(c) Nothing contained in Section 5.1(a) and Section 5.1(b) shall impair or otherwise affect any right of any Party to enforce this Agreement or any Ancillary Agreement. In addition, nothing contained in Section 5.1(a) and Section 5.1(b) shall release any Party from:

(i) any Liability assumed by, or transferred, or assigned or allocated to, a Party or its respective Affiliates pursuant to or contemplated by this Agreement or any Ancillary Agreement;

(ii) any Liability provided in or resulting from any other Contract or understanding that is entered into after the Effective Time between one Party (and/or a member of such Party's Affiliates), on the one hand, and the other Party (and/or a member of such Party's Affiliates), on the other hand; and

(iii) any Liability that the Parties may have with respect to indemnification or contribution pursuant to this Agreement or otherwise for claims brought against the Parties by a Third Party, which Liability shall be governed by the provisions of this Article V and, if applicable, the appropriate provisions of the Ancillary Agreements.

(d) Each Party shall not, and shall not permit any of its Subsidiaries to, make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or indemnification, against the other Party or any member of the other Party's Affiliates, or any other Person released pursuant to Section 5.1(a) and Section 5.1(b), with respect to any and all Liabilities released pursuant to Section 5.1(a) and Section 5.1(b). If a Party breaches this Section 5.1(d), such breaching Party shall be liable for all related expenses, including court costs, attorneys' fees, and all other legal expenses of the other Party.

(e) It is the intent of each Party, by virtue of the provisions of this Section 5.1, to provide for a full and complete release and discharge of all Liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the Effective Time, whether known or unknown, between one Party (and/or any Affiliate of such Party) and the other Party (and/or a member of such other Party) (including any contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the Effective Time), except as otherwise set forth in this Section 5.1.

(f) Each Party hereby acknowledges that it has considered the possibility that it may not now fully know the nature or value of the claims which are generally released pursuant to this Section 5.1 and that such general release extends to all claims of every nature

and kind, known or unknown, suspected or unsuspected, past or present, however arising, and that any and all rights granted to such Party pursuant to Section 1542 of the California Civil Code or any analogous applicable state or federal law or regulation are hereby expressly waived. Said Section 1542 of the Civil Code of the State of California reads as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

(g) If any Person associated with a Party (including any director, officer or employee of a Party) initiates an Action with respect to claims released by this Section 5.1, the Party with which such Person is associated shall indemnify the other Party against such Action in accordance with the provisions set forth in this Article V.

(h) At any time, at the request of a Party, each Party shall, and to the extent practicable, cause each other Person on whose behalf it released Liabilities pursuant to this Section 5.1, to execute and deliver releases in customary form reflecting the provisions hereof.

5.2 Indemnification by SpinCo. Except as otherwise provided in this Agreement or any Ancillary Agreement, following the Effective Time, SpinCo shall indemnify, defend and hold harmless ParentCo and its Affiliates and all Persons who at any time prior to the Effective Time were directors, officers, agents or employees of ParentCo or any of its Affiliates (in each case, in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns (collectively, the "ParentCo Indemnitees"), from and against any and all Liabilities and related losses of the ParentCo Indemnitees relating to, arising out of or resulting from any of the following:

(a) The failure of SpinCo, its Subsidiaries or any of their respective Affiliates or any other Person to pay, perform or otherwise promptly discharge after the Effective Time any SpinCo Liabilities in accordance with their respective terms;

(b) The SpinCo Liabilities (including any subsequently identified SpinCo Liabilities under Section 2.2(e));

(c) Any untrue statement, alleged untrue statement, omission or alleged omission of a material fact in the Form 10, resulting in a misleading statement, with respect to all information contained in the Form 10; and

(d) Any breach by SpinCo of this Agreement or any of the Ancillary Agreements.

5.3 Indemnification by ParentCo. Except as otherwise provided in this Agreement or any Ancillary Agreement, following the Effective Time, ParentCo shall indemnify, defend and hold harmless SpinCo, its Subsidiaries and any of their respective Affiliates and all Persons who are directors, officers, agents or employees of SpinCo, its Subsidiaries or any of their respective Affiliates (in each case, in their respective capacities as such), in each case, together with their

respective heirs, executors, administrators, successors and assigns (collectively, the "SpinCo Indemnitees"), from and against any and all Liabilities and related losses of the SpinCo Indemnitees relating to, arising out of or resulting from any of the following items:

(a) The failure of ParentCo, its Affiliates or any other Person to pay, perform or otherwise promptly discharge after the Effective Time any Excluded Liabilities;

(b) The Excluded Liabilities; and

(c) Any breach by ParentCo of this Agreement or any of the Ancillary Agreements.

5.4 Reduction for Insurance Proceeds and Other Recoveries.

(a) The amount that any Party is required to provide indemnification (the "Indemnifying Party") to or on behalf of the Party entitled to such indemnification (the "Indemnitee") pursuant to this Article V, shall be reduced (retroactively or prospectively) by Insurance Proceeds or other amounts actually recovered from Third Parties on behalf of such Indemnitee in respect of the Liability or related loss. If an Indemnitee receives a payment as required by this Agreement from an Indemnifying Party in respect of any Liability or related loss (an "Indemnity Payment") and subsequently receives Insurance Proceeds in respect of such Liability or related loss, then such Indemnitee shall hold such Insurance Proceeds in trust for the benefit of the Indemnifying Party (or Indemnifying Parties) and shall pay to the Indemnifying Party, as promptly as practicable after receipt, a sum equal to the amount of such Insurance Proceeds received, up to the aggregate amount of any payments received from the Indemnifying Party pursuant to this Agreement in respect of such indemnifiable loss of such Insurance Proceeds.

(b) An insurer who would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of the indemnification provisions hereof, have any subrogation rights with respect thereto, it being expressly understood and agreed that no insurer or any other Third Party shall be entitled to a "windfall" (i.e., a benefit they would not be entitled to receive in the absence of the indemnification provisions) by virtue of the indemnification provisions hereof. Notwithstanding the foregoing, each Party shall be required to use reasonable best efforts to collect or recover any available Insurance Proceeds.

5.5 Procedures For Indemnification of Third-Party Claims. The following procedures shall apply to indemnification of Third-Party Claims under this Agreement.

(a) If an Indemnitee shall receive notice or otherwise learn of the assertion by a Third Party (including any Governmental entity) of any claim or of the commencement by any such Person of any Action (collectively, a "Third-Party Claim") with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnitee, such Indemnitee shall give such Indemnifying Party and each Party to this Agreement, written notice thereof as soon as reasonably practicable, but no later than thirty (30) days after becoming aware of such Third-Party Claim. Any such notice shall describe the Third-Party Claim in reasonable detail. If any Party shall receive notice or otherwise learn of the assertion of a Third-Party Claim which may reasonably be determined to be a Liability of the Parties, such Party shall give the

other Party to this Agreement written notice thereof within thirty (30) days after becoming aware of such Third-Party Claim. Any such notice shall describe the Third-Party Claim in reasonable detail. Notwithstanding the foregoing, the failure of any Indemnitee or other Party to give notice as provided in this Section 5.5(a) shall not relieve the related Indemnifying Party of its obligations under this Article V, except to the extent that such Indemnifying Party is actually prejudiced by such failure to give notice.

(b) An Indemnifying Party shall be entitled to participate in the defense of any Third-Party Claim, at such Indemnifying Party's own expense and by such Indemnifying Party's own counsel; provided that if the defendants in any such claim include both the Indemnifying Party and one or more Indemnitees and in such Indemnitees' reasonable judgment a conflict of interest between such Indemnitees and such Indemnifying Party exists in respect of such claim, such Indemnitees shall have the right to employ separate counsel and in that event the reasonable fees and expenses of such separate counsel (but not more than one separate counsel reasonably satisfactory to the Indemnifying Party) shall be paid by such Indemnifying Party. Within thirty (30) days after the receipt of notice from an Indemnitee in accordance with Section 5.5(a) (or sooner, if the nature of such Third-Party Claim so requires), the Indemnifying Party shall notify the Indemnitee of its election whether the Indemnifying Party will assume responsibility for defending such Third-Party Claim. After notice from an Indemnifying Party to an Indemnitee of its election to assume the defense of a Third-Party Claim, such Indemnitee shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, but the fees and expenses of such counsel shall be the expense of such Indemnitee.

(c) With respect to any Third-Party Claim, the Indemnifying Party and Indemnitees agree, and shall cause their respective counsel (if applicable), to cooperate fully (in a manner that will preserve all attorney-client privilege or other privileges) to mitigate any such claim and minimize the defense costs associated therewith.

(d) If an Indemnifying Party fails to assume the defense of a Third-Party Claim within thirty (30) days after receipt of written notice of such claim, the Indemnitee will, upon delivering notice to such effect to the Indemnifying Party, have the right to undertake the defense, compromise or settlement of such Third-Party Claim on behalf of and for the account of the Indemnifying Party subject to the limitations as set forth in this Section 5.5; provided, however, that such Third-Party Claim shall not be compromised or settled without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld, delayed or conditioned. If the Indemnitee assumes the defense of any Third-Party Claim, it shall keep the Indemnifying Party reasonably informed of the progress of any such defense, compromise or settlement. The Indemnifying Party shall reimburse all such costs and expenses of the Indemnitee in the event it is ultimately determined that the Indemnifying Party is obligated to indemnify the Indemnitee with respect to such Third-Party Claim. In no event shall an Indemnifying Party be liable for any settlement effected without its consent, which consent will not be unreasonably withheld, delayed or conditioned.

5.6 Additional Matters. The following shall apply to indemnification matters under this Agreement.

(a) Any claim on account of a Liability which does not result from a Third-Party Claim shall be asserted by written notice given by the Indemnitee to the related Indemnifying Party. Such Indemnifying Party shall have a period of thirty (30) days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such sixty (60) day period, such Indemnifying Party shall be deemed to have accepted responsibility to make payment. If such Indemnifying Party rejects such claim in whole or in part, such Indemnitee shall be free to pursue such remedies as may be available to such party as contemplated by this Agreement and the Ancillary Agreements.

(b) In the event of payment by or on behalf of any Indemnifying Party to any Indemnitee in connection with any Third-Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third-Party Claim against any claimant or plaintiff asserting such Third-Party Claim or against any other person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense (including allocated costs of in-house counsel and other in-house personnel) of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

(c) In the event of an Action in which the Indemnifying Party is not a named defendant, if the Indemnifying Party shall so request, the Parties shall endeavor to substitute the Indemnifying Party for the named defendant, and add the Indemnifying Party as a named defendant if at all practicable. If such substitution or addition cannot be achieved for any reason or is not requested, the named defendant shall allow the Indemnifying Party to manage the Action as set forth in this section and subject to Section 5.5 with respect to Liabilities, the Indemnifying Party shall fully indemnify the named defendant against all costs of defending the Action (including court costs, sanctions imposed by a court, attorneys' fees, experts' fees and all other external expenses, and the allocated costs of in-house counsel and other in-house personnel), the costs of any judgment or settlement, and the cost of any interest or penalties relating to any judgment or settlement.

5.7 Survival of Indemnities. The rights and obligations of each Party and their respective Indemnitees under this Article V shall survive the sale or other transfer by any Party or its Affiliates of any assets or businesses or the assignment by it of any and all Liabilities.

Article VI

CERTAIN COVENANTS AND OTHER AGREEMENTS OF THE PARTIES

6.1 Legal Names. Absent a written agreement to the contrary, as soon as reasonably practicable and in any event within one hundred eighty (180) days after the Distribution Date, each Party shall (i) cease to make any use of the other Party's respective name and any Trademarks related thereto or containing or comprising the foregoing, including any name or mark confusingly similar thereto or dilutive thereof (the "Marks"), (ii) take all steps necessary,

and fully cooperate with the other Party and its Affiliates, to remove the Marks from any corporate, trade, and assumed names and cancel any recordation of such names with any Governmental entity, and change any corporate, trade, and assumed name that uses the Marks to a name that does not include the Marks or any variation, derivation, or colorable imitation thereof, and (iii) remove, strike over or otherwise obliterate all Marks from (or otherwise not use) in all materials owned by each Party and its Affiliates, including without limitation, any business cards, stationary, packaging materials, displays, signs, promotional and advertising materials, and other materials or media including any internet usage or domain names that include the Marks.

6.2 Preparation of Opening SpinCo Balance Sheet. As soon as practicable after the Distribution Date, the Parties shall cooperate in the preparation of the Opening SpinCo Balance Sheet, prepared on the same basis as the unaudited pro forma condensed combined balance sheet of SpinCo, dated as of December 31, 2013, included in the Form 10.

Article VII

CONFIDENTIALITY

7.1 Confidentiality.

(a) Notwithstanding any termination of this Agreement and subject to Section 7.2, for a period of ten (10) years after the Distribution Date, each Party agrees to hold, and to cause its respective Subsidiaries, Affiliates, directors, officers, employees, agents, accountants, counsel and other advisors and representatives to hold, in strict confidence, and undertake all reasonable precautions to safeguard and protect the confidentiality of, all Information concerning the other Party that is in its possession after the Distribution Date or furnished by the other Party or its respective directors, officers, employees, agents, accountants, counsel and other advisors and representatives at any time pursuant to this Agreement, any Ancillary Agreement or otherwise, and shall not use any such Information other than for such purposes as shall be expressly permitted hereunder or thereunder, except, in each case, to the extent that such Information has been (i) in the public domain through no fault of such Party, its respective Subsidiaries, Affiliates, directors, officers, employees, agents, accountants, counsel and other advisors and representatives, (ii) lawfully acquired from other sources, which are not bound by a confidentiality obligation, by such Party or its respective Subsidiaries or Affiliates, or (iii) independently generated without reference to any proprietary or confidential Information of the other Party or its Subsidiaries.

(b) Each Party agrees not to release or disclose, or permit to be released or disclosed, any such Information to any other Person, except its directors, officers, employees, agents, accountants, counsel and other advisors and representatives who need to know such Information and who are informed and advised that the Information is confidential and subject to the obligations hereunder, except in compliance with Section 7.2. Without limiting the foregoing, when any Information is no longer needed for the purposes contemplated by this Agreement or any Ancillary Agreement, each Party will promptly after request of the other Party either (i) destroy all copies of the Information in such Party's possession, custody or control (including any that may be stored in any computer, word processor, or similar device, to the

extent not commercially impractical to destroy such copies) including any copies, summaries, analyses, compilations, reports, extracts or other reproductions, in whole or in part, of such written, electronic or other tangible material or any other materials in written, electronic or other tangible format based on, reflecting or containing Information prepared by such Party, and/or (ii) return to the requesting Party, at the expense of the requesting Party, all copies of the Information furnished to such Party by or on behalf of the requesting Party. Notwithstanding the foregoing, each Party may maintain the confidential Information of the other Party that is contained in such Party's electronic back-up files that are created in the normal course of business pursuant to such Party's standard protocol for preserving its electronic records.

7.2 Protective Arrangements. In the event that either Party or their respective Subsidiaries or Affiliates, either (i) determines after consultation with counsel, in the opinion of such counsel that it is required by law to disclose any Information, or (ii) receives any demand under lawful process or from any Governmental entity to disclose or provide Information of the other Party or their respective Subsidiaries that is subject to the confidentiality provisions hereof, such Party shall notify the other Party prior to disclosing or providing such Information and shall cooperate at the expense of the requesting party (and to the extent legally permissible) in seeking any reasonable protective arrangements requested by such other Party. Subject to the foregoing, the Party that received such request may thereafter (i) furnish only that portion of the Confidential Information that is legally required, (ii) give notice to the other Party of the Information to be disclosed as far in advance as is practical, and (iii) exercise reasonable best efforts to obtain reliable assurance that the confidential nature of such Information shall be maintained.

Article VIII

ACCESS TO INFORMATION AND SERVICES

8.1 Provision of Books and Records.

(a) Except as otherwise provided in any Ancillary Agreement, as soon as practicable after the Distribution Date, ParentCo and SpinCo shall cooperate to provide that originals of SpinCo Books and Records (including all documents and electronically stored information except e-mails or other electronic correspondence not readily available in hard copy) which solely relate to SpinCo or the conduct of the SpinCo Business, as the case may be, up to the Effective Time, are in the possession or control of SpinCo or a SpinCo Subsidiary.

(b) With respect to SpinCo Books and Records (including e-mails and other electronic correspondence not readily available in hard copy) that relate to both the SpinCo Business and the ParentCo Business (the "Combined Books and Records"), (i) the Parties shall use good faith efforts to divide as soon as practicable but no later than six (6) months following the Distribution Date such Combined Books and Records into the books and records which solely relate to ParentCo or the conduct of the ParentCo Business and those that relate solely to SpinCo and the SpinCo Business, as the case may be, up to the Effective Time, as appropriate, and (ii) to the extent such Combined Books and Records are not so divided, each Party shall keep and maintain copies of such Combined Books and Records as reasonably appropriate under the

circumstances, subject to applicable confidentiality provisions hereof and of any Ancillary Agreement.

8.2 Access to Information. Except as otherwise provided in any Ancillary Agreement, after the Distribution Date, each Party shall provide the other Party and such other Party's authorized accountants, counsel and other designated representatives reasonable access and duplicating rights during normal business hours to all records, books, contracts, instruments, computer data and other data and Information relating to pre-Distribution operations of the SpinCo Business or ParentCo Business, as applicable, or within such Party's possession or control or such other Information reasonably necessary for the preparation, review or auditing for spin-out financials for such other Party (including using reasonable best efforts to give access to Persons or firms possessing Information) insofar as such access is reasonably required by such other Party for the conduct of the SpinCo Business or ParentCo Business, as applicable, subject to appropriate restrictions for classified or privileged information.

8.3 Production of Witnesses. At all times after the Effective Time, each of SpinCo and ParentCo shall use reasonable best efforts to make available to the other, upon prior written request, its and its Subsidiaries' officers, directors, employees and agents as witnesses to the extent that such Persons may reasonably be required in connection with any Action.

8.4 Reimbursement. Except to the extent otherwise contemplated in any Ancillary Agreements, a Party providing any information under Section 8.2 or witness services under Section 8.3 to the other Party shall be entitled to receive from the recipient, upon the presentation of invoices therefor, payments of such amounts, relating to supplies, disbursements and other out-of-pocket expenses (at cost) and direct and indirect expenses of employees who are witnesses or otherwise furnish assistance (at cost), as may be reasonably incurred in providing any such information under Section 8.2 or witness services under Section 8.3.

8.5 Privileged Matters. To allocate the interests of each Party with respect to privileged information, the Parties agree as follows:

(a) ParentCo shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged information which relates solely to the ParentCo Business, whether or not the privileged information is in the possession of or under the control of ParentCo or SpinCo. ParentCo shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged information that relates solely to the subject matter of any claims constituting Liabilities of ParentCo and its Affiliates and all Persons who at any time prior to or as of the Effective Time were directors, officers, agents or employees of ParentCo or any of its Affiliates (in each case, in their respective capacities as such), in each case, together with their respective heirs, executors, administrators, successors and assigns, now pending or which may be asserted in the future, in any lawsuits or other Actions initiated against or by ParentCo, whether or not the privileged information is in the possession of or under the control of ParentCo or SpinCo.

(b) SpinCo shall be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged information which relates solely to the SpinCo Business, whether or not the privileged information is in the possession of or under the control of

ParentCo or SpinCo. SpinCo shall also be entitled, in perpetuity, to control the assertion or waiver of all privileges in connection with privileged information which relates solely to the subject matter of any claims constituting SpinCo Liabilities, now pending or which may be asserted in the future, in any lawsuits or other Actions initiated against or by SpinCo, whether or not the privileged information is in the possession of SpinCo or under the control of ParentCo or SpinCo.

(c) ParentCo and SpinCo agree that they shall have a shared privilege, with equal right to assert or waive, subject to the restrictions of this Section 8.5, with respect to all privileges not allocated pursuant to the terms of Sections 8.5(a) and (b). All privileges relating to any claims, proceedings, litigation, disputes or other matters which involve both ParentCo and SpinCo in respect of which ParentCo and SpinCo retain any responsibility or liability under this Agreement shall be subject to a shared privilege.

(d) No Party may waive any privilege which could be asserted under any applicable law, if the other Party has a shared privilege, without the consent of the other Party, except to the extent reasonably required in connection with any litigation with Third Parties or as provided in Section 8.5(e). Such consent shall be in writing, or shall be deemed to be granted unless written objection is made within twenty (20) days after notice upon the other Party requesting such consent.

(e) In the event of any litigation or dispute between the Parties and any of its Affiliates, either Party may waive a privilege in which the other Party has a shared privilege, without obtaining the consent of the other Party, provided that such waiver of a shared privilege shall be effective only as to the use of Information with respect to the litigation or dispute between the Parties and any of its Affiliates, and shall not operate as a waiver of the shared privilege with respect to Third Parties.

(f) If a dispute arises between the Parties regarding whether a privilege should be waived to protect or advance the interest of either Party, each Party agrees that it shall negotiate in good faith, shall endeavor to minimize any prejudice to the rights of the other Party, and shall not unreasonably withhold consent to any request for waiver by the other Party. Each Party specifically agrees that it will not withhold consent to waiver for any purpose except to protect its own legitimate interests.

(g) Upon receipt by any Party of any subpoena, discovery or other request which arguably calls for the production or disclosure of Information subject to a shared privilege or as to which the other Party has the sole right hereunder to assert a privilege, or if any Party obtains knowledge that any of its current or former directors, officers, agents or employees has received any subpoena, discovery or other request which arguably calls for the production or disclosure of such privileged information, such Party shall promptly notify the other Party of the existence of the request and shall provide the other Party a reasonable opportunity to review the Information and to assert any rights it may have under this Section 8.5 or otherwise to prevent the production or disclosure of such privileged information.

(h) The transfer of all Information pursuant to this Agreement is made in reliance on the agreement of ParentCo and SpinCo, as set forth in this Section 8.5 and elsewhere

in this Agreement, to maintain the confidentiality of privileged information and to assert and maintain applicable privileges. The access to Information being granted pursuant to Sections 8.1 and 8.2, the agreement to provide witnesses and individuals pursuant to Section 8.3 and the transfer of privileged information between the Parties pursuant to this Agreement shall not be deemed a waiver of any privilege that has been or may be asserted under this Agreement or otherwise.

8.6 GSK Agreements. Notwithstanding any other provision contained herein, ParentCo shall not, and shall cause its Affiliates and its and its Affiliates' officers, directors, employees, agents and representatives (collectively, "Representatives") not to, take (or omit to take) any action (including, without limitation, the disclosure of any information to SpinCo or any of its Representatives), that is or would be reasonably expected to result in a breach or violation of, or be in conflict with, any ParentCo confidentiality obligation to GSK under the Collaboration Agreement and/or the Strategic Alliance Agreement. To the extent that SpinCo or any of its Representatives becomes aware or believes that it has or may have received from ParentCo or any of its Representatives Confidential Information (as defined in the Collaboration Agreement or the Strategic Alliance Agreement) of GSK, it will promptly notify ParentCo in writing, will follow any reasonable instructions from ParentCo with respect to the return or destruction of such information, and will not use or disclose such information unless ParentCo confirms that it is not Confidential Information (as defined in the Collaboration Agreement or the Strategic Alliance Agreement) of GSK. Each party agrees and understands that monetary damages would not adequately compensate the non-breaching party for a breach of this Section 8.6, that this Section 8.6 shall, to the fullest extent permitted by law, be specifically enforceable, and that any breach or threatened breach of this Section 8.6 shall be the proper subject of a temporary or permanent injunction or restraining order sought pursuant to Section 12.9 hereof. Further, ParentCo and SpinCo waive, to the fullest extent permitted by law, any claim or defense that there is an adequate remedy at law for such breach or threatened breach. Notwithstanding any other provision contained herein, SpinCo acknowledges and agrees that it has no rights to any non-public information under the Collaboration Agreement and/or the Strategic Alliance Agreement, the disclosure of which by ParentCo or any of its Representatives to SpinCo or any of its Representatives is or would be reasonably expected to result in a breach or violation of, or be in conflict with, any ParentCo confidentiality obligation to GSK under the Collaboration Agreement and/or the Strategic Alliance Agreement. Notwithstanding anything else to the contrary, in the event of any conflict between this Section 8.6, or any covenant, right, agreement, obligation or duty of ParentCo or SpinCo (or any of their respective Representatives) under this Section 8.6, on the one hand, and any other provision of this Agreement, or any attachment hereto or any covenant, right, agreement, obligation or duty of ParentCo or SpinCo (or any of their respective Representatives) thereunder, on the other hand, this Section 8.6 shall govern and supersede such other provision, attachment, covenant, agreement, obligation or duty. Each party will be liable for breach of this Section 8.6 by any of its Representatives.

Article IX

DISPUTE RESOLUTION

9.1 Disputes and Negotiation. ParentCo and SpinCo recognize that disputes as to certain matters may from time to time arise during the effectiveness of this Agreement and the

Ancillary Agreements which relate to either Party's rights and obligations hereunder or thereunder. It is the objective of the Parties to establish procedures to facilitate the resolution of disputes arising under this Agreement and the Ancillary Agreements (other than the TRC Operating Agreement) in an expedient manner by mutual cooperation and without resort to litigation. To accomplish this objective, the Parties agree to follow the procedures set forth in this Article IX if and when a dispute arises under this Agreement or the Ancillary Agreements (other than the TRC Operating Agreement). In the event of a dispute between the Parties, a designated representative of each of ParentCo and SpinCo will meet as reasonably requested by either Party to review any such dispute. If the disagreement is not resolved by the designated representatives by mutual agreement within thirty (30) days after a meeting to discuss the disagreement, either Party may at any time thereafter provide the other Party written notice specifying the terms of such disagreement in reasonable detail. Upon receipt of such notice, the chief executive officers of ParentCo and SpinCo shall meet at a mutually agreed upon time and location for the purpose of resolving such disagreement. The chief executive officers of ParentCo and SpinCo will discuss such disagreement and/or negotiate for a period of up to sixty (60) days in an effort to resolve such disagreement or negotiate an acceptable interpretation or revision of the applicable portion of this Agreement or the Ancillary Agreements (other than the TRC Operating Agreement) mutually agreeable to both Parties, without the necessity of formal procedures relating thereto. During the course of such negotiations, the Parties will reasonably cooperate and provide information that is not materially confidential in order that each of the Parties may be fully informed with respect to the issues in dispute. The institution of a formal proceeding, including arbitration under Section 9.2, to resolve the disagreement may occur by written notice to the other Party only after the earlier of: (i) the chief executive officers of ParentCo and SpinCo mutually agreeing that resolution of the disagreement through continued negotiation is not likely to occur; or (ii) the expiration of the sixty (60) day negotiation period.

9.2 Dispute Resolution and Arbitration. Disputes arising out of, relating to or in connection with this Agreement or the Ancillary Agreements (other than the TRC Operating Agreement), or in relations between the parties with respect to the subject matter hereof, for any reason or under any circumstances, will be finally settled by a single arbitrator in a binding arbitration in accordance with the Judicial Arbitration and Mediation Services ("JAMS") Comprehensive Arbitration Rules and Procedures (the "Rules"). Upon receipt of written notice by one Party to the other of the existence of a dispute, the Parties shall, within thirty (30) days conduct a meeting of one or more senior executives of each Party, with full settlement authority, in an attempt to resolve the dispute. Each Party shall make available appropriate personnel to meet and confer with the other Party reasonably within the thirty-day period. Upon the expiration of the thirty-day period, or upon the termination of discussions between the senior executives, either Party may elect arbitration of any dispute by written notice to the other (the "Arbitration Notice"). The arbitration shall be held in San Francisco, California before one (1) arbitrator from JAMS having substantial experience as a jurist and mediator with significant disputes in the pharmaceutical industry selected by the mutual agreement of SpinCo and ParentCo; provided, however, that if such parties cannot agree on an arbitrator within thirty (30) days of the Arbitration Notice, either Party may request JAMS select the arbitrator, and JAMS shall select an arbitrator pursuant to the procedure set out by the Rules; provided, however, that the arbitrator selected by JAMS shall be a former judge with at least fifteen (15) years' experience addressing as a jurist and/or mediator significant disputes in the pharmaceutical industry. The arbitration shall be administered by JAMS pursuant to the Rules. Judgment on the

arbitration award may be entered in any court having jurisdiction. The arbitrator may, in the arbitration award, allocate for payment by the non-prevailing party all or part of the costs of the arbitration, including fees of the arbitrator and the reasonable attorneys' fees and costs incurred by the prevailing party. This Section shall not preclude the parties from seeking provisional remedies in aid of arbitration or equitable relief from a court of appropriate jurisdiction. In respect of any actions for such provisional remedies, injunctive or other equitable relief hereunder, any action or proceeding may be brought against any Party in the state and federal courts located in the county of San Mateo, California and each of the parties consents to the jurisdiction of such courts in any such action or proceeding and waives any objection to venue laid therein.

9.3 Confidentiality. The arbitration proceeding shall be confidential and the arbitrator(s) shall issue appropriate protective orders to safeguard each Party's confidential Information. Except as required by law, no Party shall make (or instruct the arbitrator(s) to make) any public announcement with respect to the proceedings or decision of the arbitrator(s) without prior written consent of each other Party. The existence of any dispute submitted to arbitration, and the award, shall be kept in confidence by the Parties and the arbitrator(s), except as may be required in connection with the enforcement of such award or as otherwise required by applicable law or regulatory authority.

9.4 Limitation of Liability. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR CONSEQUENTIAL, SPECIAL OR PUNITIVE DAMAGES, INCLUDING, WITHOUT LIMITATION, LOST PROFITS AND BUSINESS INTERRUPTION.

Article X

FURTHER ASSURANCES

10.1 Further Assurances.

(a) In addition to and without limiting the actions specifically provided in this Agreement, each of the Parties shall use its reasonable best efforts, prior to, on and after the Distribution Date, to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by this Agreement and the Ancillary Agreements.

(b) Without limiting the foregoing, prior to, on and after the Distribution Date, each Party shall cooperate with the other Party, and without any further consideration, but at the expense of the requesting Party, to execute and deliver, or use its reasonable best efforts to cause to be executed and delivered, all instruments, including instruments of conveyance, assignment and transfer, and to make all filings with, and to obtain all consents, approvals or authorizations of, any Governmental entity or any other Person under any permit, license, agreement, indenture or other instrument (including any Consents or Governmental Approvals), and to take all such other actions as such Party may reasonably be requested to take by the other Party from time to time, consistent with the terms of this Agreement and the Ancillary Agreements, in order to

effectuate the provisions and purposes of this Agreement and the Ancillary Agreements and the transfers of the SpinCo Assets and the assignment and assumption of the SpinCo Liabilities and the other transactions contemplated hereby and thereby.

Article XI

TERMINATION

11.1 Termination. Notwithstanding anything to the contrary herein, this Agreement (including Article V (Indemnification)) may be terminated and the Separation and Distribution may be amended, modified or abandoned at any time prior to the Distribution by and in the sole discretion of ParentCo without the approval of SpinCo or the stockholders of ParentCo. In the event of such termination, no Party shall have any Liability to the other Party or any other Person. After the Distribution, this Agreement may not be terminated except by an agreement in writing signed by each Party.

Article XII

MISCELLANEOUS

12.1 Governing Law; Jurisdiction. This Agreement shall be deemed to have been made in the State of Delaware and its form, execution, validity, construction and effect shall be determined in accordance with the laws of the State of Delaware, without giving effect to the principles of conflicts of law thereof. In respect of any actions for injunctive or other equitable relief hereunder, any action or proceeding may be brought against any Party in the state and federal courts located in the county of San Mateo, California and each of the parties consents to the jurisdiction of such courts in any such action or proceeding and waives any objection to venue laid therein.

12.2 Assignability. Except as otherwise provided in the TRC Operating Agreement, the provisions of this Agreement, each Ancillary Agreement and the obligations and rights hereunder shall be binding upon, inure to the benefit of and be enforceable by (and against) the Parties and their respective successors and permitted transferees and assigns. Notwithstanding the foregoing, this Agreement shall not be assignable, in whole or in part, by any Party without the prior written consent of the other Party, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be null and void; provided, however, that a Party may assign this Agreement to an Affiliate controlled by such Party or in connection with a merger transaction in which such Party is not the surviving entity or in connection with the sale or other transfer by such Party of all or substantially all of its assets, and upon the effectiveness of such assignment, the assigning Party shall be released from all of its obligations under this Agreement if the surviving entity of such merger or the transferee of such assets shall agree in writing, in form and substance reasonably satisfactory to the other Party, to be bound by all terms of this Agreement as if named as a "Party" hereto.

12.3 Third Party Beneficiaries. Except for the indemnification rights under this Agreement of any ParentCo Indemnitee or SpinCo Indemnitee in their respective capacities as such, (a) the provisions of this Agreement and each Ancillary Agreement (other than the TRC

Operating Agreement) are solely for the benefit of the Parties and are not intended to confer upon any Person except the Parties any rights or remedies hereunder, and (b) there are no Third Party beneficiaries of this Agreement or any Ancillary Agreement (other than the TRC Operating Agreement) and neither this Agreement nor any Ancillary Agreement (other than the TRC Operating Agreement) shall provide any Third Party with any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement or any Ancillary Agreement (other than the TRC Operating Agreement).

12.4 Notices. All notices and other communications given or made pursuant to this Agreement 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 facsimile, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the respective parties at the addresses set forth below (or at such other addresses as shall be specified by notice given in accordance with this Section):

If to ParentCo, to:

Theravance, Inc.
Attention: Legal Department
951 Gateway Boulevard
South San Francisco, CA 94080
Facsimile: 650-238-9601

If to SpinCo, to:

Theravance Biopharma, Inc.
c/o Theravance Biopharma US, Inc.
Attention: Legal Department
901 Gateway Boulevard
South San Francisco, CA 94080
Facsimile: 650-808-6095

12.5 Severability. If any provision of this Agreement or any Ancillary Agreement (other than the TRC Operating Agreement) or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or thereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby or thereby, as the case may be, is not affected in any manner adverse to any Party. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to affect the original intent of the Parties.

12.6 Expenses. Except as expressly set forth in this Agreement or in any Ancillary Agreement, whether or not the Separation or the Distribution is consummated, all Third Party fees, costs and expenses paid or incurred in connection with the Separation and Distribution shall be paid by ParentCo but only to the extent such fees arise or were paid or incurred prior to the Effective Time.

12.7 Survival of Covenants. Except as expressly set forth in any Ancillary Agreement, all covenants, representations and warranties contained in this Agreement and each Ancillary Agreement, and liability for the breach of any obligations contained herein, shall survive the Effective Time and remain in full force and effect in accordance with their applicable terms.

12.8 Waivers of Default. The failure of either Party to require strict performance by the other Party of any provision in this Agreement or any Ancillary Agreement will not waive or diminish such Party's right to demand strict performance thereafter of that or any other provision hereof.

12.9 Specific Performance. The Parties agree that irreparable damage would occur in the event that the provisions of this Agreement were not performed in accordance with their specific terms. Accordingly, it is hereby agreed that the Parties shall be entitled to (a) an injunction or injunctions to enforce specifically the terms and provisions hereof in any arbitration in accordance with Article IX, (b) provisional or temporary injunctive relief in accordance therewith in the courts located in San Mateo County, California, and (c) enforcement of any such award of an arbitral tribunal in any court of the United States, or any other any court or tribunal sitting in any state of the United States or in any foreign country that has jurisdiction, this being in addition to any other remedy or relief to which they may be entitled.

12.10 Waiver of Jury Trial. SUBJECT TO ARTICLE IX HEREIN, EACH OF THE PARTIES HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY WITH RESPECT TO ANY COURT PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF AND PERMITTED UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH OF THE PARTIES HEREBY (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 12.10.

12.11 Amendments. This Agreement may not be modified or amended except by an agreement in writing signed by each of the Parties.

12.12 Schedules. All schedules attached hereto are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Capitalized terms used in the schedules hereto but not otherwise defined therein will have the respective meanings assigned to such terms in this Agreement.

12.13 Construction.

(a) This Agreement has been prepared jointly and shall not be strictly construed against either Party.

(b) For purposes of this Agreement, whenever the context requires: the singular number shall include the plural, and vice versa; the masculine gender shall include the

feminine and neuter genders; the feminine gender shall include the masculine and neuter genders; and the neuter gender shall include the masculine and feminine genders.

(c) Except as otherwise indicated, all references in this Agreement to "Articles," "Sections," "Exhibits" and "Attachments" are intended to refer to Articles and Sections of , and Exhibits and Attachments, to this Agreement.

(d) The words "include" and "including," shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation."

(e) The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

12.14 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument. Any executed counterpart delivered by facsimile or other means of electronic transmission shall be deemed an original for all purposes.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the Parties have caused this Separation and Distribution Agreement to be executed by their duly authorized representatives as of the day and year first above written.

THERAVANCE, INC.

By: /s/ Michael W. Aguiar
Name: Michael W. Aguiar
Title: Chief Financial Officer

[Signature Page to Separation and Distribution Agreement]

IN WITNESS WHEREOF, the Parties have caused this Separation and Distribution Agreement to be executed by their duly authorized representatives as of the day and year first above written.

THERAVANCE BIOPHARMA, INC.

By: /s/ Rick E Winningham
Name: Rick E Winningham
Title: Chief Executive Officer

[Signature Page to Separation and Distribution Agreement]

Exhibit 10.2

TRANSITION SERVICES AGREEMENT

by and between

THERAVANCE, INC.

and

THERAVANCE BIOPHARMA, INC.

Dated as of June 2, 2014

TRANSITION SERVICES AGREEMENT

This TRANSITION SERVICES AGREEMENT (this "Agreement") is entered into as of June 2, 2014, by and between Theravance, Inc., a Delaware corporation ("ParentCo"), and Theravance Biopharma, Inc., a Cayman Island exempted company ("SpinCo"), each a "Party" and together, the "Parties". Capitalized terms not defined herein shall have the meaning set forth in that certain Separation and Distribution Agreement, dated June 1, 2014 (as amended or otherwise modified from time to time, the "Separation Agreement") by and between the Parties. This Agreement shall be effective on the Distribution Date, as defined in the Separation Agreement.

RECITALS

WHEREAS, the Board of Directors of ParentCo has determined that it is appropriate, desirable and in the best interests of ParentCo and its stockholders to separate ParentCo into two separate, independent and publicly traded companies;

WHEREAS, to effect this separation the Parties entered into the Separation Agreement;

WHEREAS, the Parties have agreed to enter into this Agreement in order for ParentCo to assist SpinCo, and for SpinCo to assist ParentCo, each for a period from and after the Distribution Date, by providing to SpinCo and ParentCo, respectively, certain services and support not otherwise specified in the Separation Agreement or any other Ancillary Agreement.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual promises and covenants hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

Article 1

DEFINITIONS

As used in this Agreement, the following capitalized terms shall have the following meanings:

1.1 "Additional Service" shall have the meaning set forth in Section 2.7(a).

1.2 "Agreement Dispute" shall have the meaning set forth in Section 11.

1.3 "Business" shall mean the ParentCo Business or the SpinCo Business, as applicable.

1.4 "Collaboration Agreement" shall have the meaning set forth in the Separation Agreement.

1.5 "Default Interest Rate" shall have the meaning set forth in Section 3.2(b).

1.6 "Due Date" shall have the meaning set forth in Section 3.2(a).

1.7 "Fee" or "Fees" shall have the meaning set forth in Section 3.1(a).

1.8 "Force Majeure" shall mean, with respect to a Party, an event beyond the reasonable control of such Party (or any Person acting on its behalf), which by its nature could not have been foreseen by such Party (or such Person), or, if it could have been foreseen, was unavoidable, and includes acts of God, storms, floods, earthquakes, hurricanes, riots, pandemics, fires, sabotage, strikes, lockouts, civil commotion or civil unrest, interference by civil or military authorities, acts of war (declared or undeclared) or armed hostilities or other national or international calamity or one or more acts of terrorism.

1.9 "ParentCo Project Manager" shall have the meaning set forth in Section 2.9.

1.10 "ParentCo Services" shall mean the enumerated services described on Schedule A attached hereto.

1.11 "Schedules" shall mean Schedule A and Schedule B attached hereto.

1.12 "Service" shall mean any of the SpinCo Services or the ParentCo Services, as applicable.

1.13 "Service Provider" shall mean ParentCo with respect to the ParentCo Services, and SpinCo with respect to the SpinCo Services.

1.14 "Service Recipient" shall mean SpinCo with respect to the ParentCo Services, and ParentCo with respect to the SpinCo Services.

1.15 "Services Group" shall mean any Services or group of Services identified on one of the Schedules for which a single, separate Fee is specified on such Schedule.

1.16 "Services Term" shall have the meaning set forth in Section 4.1.

1.17 "SpinCo Project Manager" shall have the meaning set forth in Section 2.9.

1.18 "SpinCo Services" shall mean the enumerated services described on Schedule B attached hereto.

1.19 "Strategic Alliance Agreement" shall have the meaning set forth in the Separation Agreement.

Article 2

SERVICES

2.1 Scope of Services.

(a) SpinCo hereby retains ParentCo to provide, and ParentCo hereby agrees to provide, the ParentCo Services to SpinCo or any of its Subsidiaries, as designated by SpinCo, during the relevant Services Term.

(b) ParentCo hereby retains SpinCo to provide, and SpinCo hereby agrees to provide, the SpinCo Services to ParentCo or any of its Subsidiaries, as designated by ParentCo, during the relevant Services Term.

(c) Notwithstanding anything to the contrary in this Agreement, (i) the ParentCo Services shall be available to SpinCo or any of its Subsidiaries only for the purposes of conducting the SpinCo Business substantially in the same manner as it was conducted immediately prior to the Distribution Date; and (ii) the SpinCo Services shall be available to ParentCo or any of its Subsidiaries only for the purposes of conducting the ParentCo Business substantially in the same manner as it was conducted immediately prior to the Distribution Date.

(d) any employee or consultant of ParentCo or SpinCo who will be performing any Service hereunder shall, as a condition to performing such Service, sign a confidentiality agreement in the form attached as Schedule C or Schedule D, as applicable.

2.2 Provision of Services. The ParentCo Services may be directly provided by ParentCo or may be provided through any of its Affiliates or subcontractors, and the SpinCo Services may be directly provided by SpinCo or may be provided through any of its Affiliates or subcontractors; provided, however, that the applicable Service Provider shall remain responsible, in accordance with this Agreement, for performance of any Service it causes to be so provided.

2.3 No Assumption or Modification of Obligations. Nothing herein shall be deemed to (a) constitute the assumption by Service Provider or any of its Affiliates, or the agreement to assume, any duties, obligations or liabilities of Service Recipient or its Affiliates whatsoever; or (b) alter, amend or otherwise modify any obligation of ParentCo or SpinCo, as the case may be, under the Separation Agreement.

2.4 Application of Resources. Unless otherwise expressly required under the terms of the Separation Agreement or any Schedules, or otherwise agreed to by the Parties in writing, in providing the Services, Service Provider or its Affiliates shall not be obligated to: (a) expend funds and other resources beyond levels that would be customary and reasonable for any other nationally recognized service provider to perform services that are similar to the relevant Services; (b) maintain the employment of any specific employee or subcontractor; provided, however that Service Provider shall use commercially reasonable efforts to provide a replacement with the necessary skill and expertise; (c) purchase, lease or license any additional (measured as of the date hereof) equipment or materials (but expressly excluding any renewal or extension of any leases or licenses required for Service Provider to perform the relevant Services during the relevant Services Term); (d) pay any of Service Recipient's costs related to its or any

of its Subsidiaries' receipt of the Services; (e) lend any funds to a Service Recipient or its Subsidiaries; or (f) make any payments or disbursements on behalf of Service Recipient, except to the extent Service Recipient has previously delivered to Service Provider sufficient funds to make any such payment or disbursement.

2.5 Performance of Services. Subject to the other terms (a) in this Agreement setting forth and circumscribing Service Provider's performance obligations hereunder (including in this Article 2 and in Article 6), and (b) in the relevant Schedules, each Service Provider shall perform the Services required to be provided by it hereunder in a manner specifically described in the relevant Schedules, or, to the extent not so described in such Schedules, in a manner that is substantially the same in nature, accuracy, quality, completeness, timeliness, responsiveness and efficiency with how such relevant Services have been rendered in support of the SpinCo Business and/or the ParentCo Business prior to the Distribution Date. To the extent that either ParentCo or SpinCo determines that any sharing of information or historical knowledge would be commercially detrimental in any material respect, violate any Law or agreement or waive any attorney-client privilege, the work product doctrine or other applicable privilege, the Parties shall take all reasonable measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence.

2.6 Transitional Nature of Services; Changes. The Parties acknowledge the transitional nature of the Services and agree that, notwithstanding anything to the contrary herein, each Service Provider may make changes from time to time in the manner of performing the Services if such Service Provider is making similar changes in performing similar services for itself and/or its Subsidiaries; provided that Service Provider must provide Service Recipient with at least thirty (30) days prior written notice of material changes and reasonably cooperate with Service Recipient in adjusting to such change.

2.7 Additional Services; Extension of Services Terms. In the event that the Parties identify and agree upon (a) an additional service to be provided under this Agreement, as well as the related fees and other specific terms and conditions applicable thereto (an "Additional Service"), or (b) an extension of any particular Service Term for any Services Group, as well as the related fees and other specific terms and conditions applicable thereto, the Parties shall execute an amendment to this Agreement that provides for the substitution of the relevant Schedule, or additions of supplements to the relevant Schedule, in order to describe such Additional Service or extension, and the agreed upon related fees and other specific terms and conditions applicable thereto. It is understood that the Service Provider has no obligation to provide Additional Services and may reject any request by any Service Recipient for Additional Services for any reason or for no reason.

2.8 Impracticability. Subject to the provisions of Section 2.10, Service Provider shall not be required to provide any Service to the extent: (a) that the performance of the Services would (i) require Service Provider or any of its Subsidiaries to violate any applicable Laws (including any applicable codes or standards of conduct established by any Governmental Entity with respect to their activities subject to the jurisdiction of such Governmental Entity) or any internal policy reasonably adopted in order to comply with any applicable Laws; (ii) result in the breach of any software license, lease, or other Contract; or (iii) require prior approval of a Governmental Entity (except to the extent such approval has already been obtained); or (b) that

Service Provider cannot provide such Service due to a Force Majeure event; *provided*, *however* that Service Provider shall resume such Service as soon as practicable after such Force Majeure event.

2.9 Project Managers. ParentCo shall designate from time to time at least one individual, and shall inform SpinCo of the identity of such individual, to whom all of SpinCo's communications may be addressed with respect to the ParentCo Services and who has authority to act for and bind ParentCo in all aspects with respect to the ParentCo Services (the "ParentCo Project Manager"). SpinCo shall designate from time to time at least one individual and shall inform ParentCo of the identity of such individual, to whom all of ParentCo's communications may be addressed with respect to the SpinCo Services and who has authority to act for and bind SpinCo in all aspects with respect to the SpinCo Services (the "SpinCo Project Manager"). The initial ParentCo Project Manager designated by ParentCo shall be Michael W. Aguiar and the initial SpinCo Project Manager designated by SpinCo shall be Renee D. Gala.

2.10 Cooperation. In the event that there is nonperformance of any Service as a result of impracticability pursuant to Section 2.8, the Parties agree to work together in good faith to arrange for an alternative means by which the applicable Service Recipient may obtain, at its sole cost and expense, the Service so affected. The Service Provider shall cooperate with the Service Recipient in connection with the performance of the Services, including producing on a timely basis all Contracts, documents and other information that is reasonably requested with respect to the performance of Services; *provided*, *however*, that such cooperation shall not unreasonably disrupt the normal operations of the Service Recipient or its respective Subsidiaries.

2.11 Independent Contractor Relationship. The relationship of the Parties hereunder is that of independent contractors, and nothing in this Agreement is intended to, or shall be construed to, create a partnership, agency, joint venture, employment or similar relationship.

Article 3
PRICING

3.1 Fees. In consideration of Services performed pursuant to this Agreement, the Parties shall pay the applicable fees set forth in the Schedules with respect to each Service (individually a "Fee" and collectively the "Fees").

3.2 Payment Procedures. If Fees are payable pursuant to Section 3.1:

(a) Service Provider shall invoice Service Recipient on a monthly basis for all Fees accrued with respect to the prior month. Fees shall be payable by Service Recipient within thirty (30) days after Service Recipient's receipt of an invoice (the "Due Date"). All amounts (i) payable pursuant to the terms of this Agreement shall be paid to Service Provider as directed by Service Provider, and (ii) due and payable hereunder shall be invoiced and paid in U.S. dollars, except as may be expressly provided in any relevant Schedule. A Service Recipient's obligation to make any required payments under this Agreement shall not be subject to any unilateral right of offset, set-off, deduction or counterclaim, however arising.

(b) Default Interest Rate. Subject to the provisions of Section 3.2(c), amounts not paid on or before the Due Date shall be payable with accrued interest thereon, from the date

originally due, at an interest rate per annum equal to the prime rate as published by *The Wall Street Journal* (or any successor) as its prime rate in effect on the date that such payment was first due plus two percent (2%).

(c) Disputes. In the event that Service Recipient disputes the accuracy of any invoice or portion thereof, Service Recipient shall provide Service Provider on or prior to the Due Date written notice of the disputed amounts, together with a statement of the particulars of the dispute. Should Service Recipient fail to provide notice of any disputed amounts on or before the Due Date, the amounts set forth on the invoice shall be owed with interest at the Default Interest Rate from the Due Date until payment is received. Should Service Recipient provide the required information on or before the Due Date, Service Provider shall have thirty (30) days following receipt of the required information to reject Service Recipient's modified invoice (or portion thereof) by providing Service Recipient notice of such rejection within such 30-day period. Should Service Provider fail to provide such notice within the time period allowed, Service Recipient's modified invoice (or portion thereof) shall be deemed to be the correct invoice. Should Service Provider provide the required notice within such 30-day period, resolution of the disputed invoice shall be in accordance with the provisions of Article 11 hereof. If Service Recipient has underpaid the amount actually due, Service Recipient shall remit to the Service Provider, within five (5) business days after receipt of the determination from Service Provider, any amount due plus interest at the Default Interest Rate from the Due Date until paid. Notwithstanding any disputed invoice or portion thereof, Service Recipient shall nevertheless pay when due any undisputed amount of such invoice to Service Provider.

3.3 Taxes. If any Governmental Entity shall impose a tax on the Services rendered to a Service Recipient or its Subsidiaries by Service Provider hereunder, Service Recipient agrees to pay, or remit to Service Provider so that Service Provider may pay, the amount of such tax imposed now or in the future on the Services rendered to Service Recipient or its Subsidiaries by Service Provider under this Agreement. Notwithstanding anything to the contrary contained in this Agreement, Service Recipient shall have no liability for, and shall not be obligated to pay for, any property taxes of any kind or type applicable to the property of Service Provider or any of its Subsidiaries or any income taxes of any kind or type applicable to the income of Service Provider or any of its Subsidiaries, except as may be expressly provided in any relevant Schedule.

3.4 Expenses. In addition to the payment of all Fees, at the end of each month during the Services Term, Service Recipient shall reimburse Service Provider for all reasonable out-of-pocket costs and expenses incurred by Service Provider or its Subsidiaries in connection with providing the Services (including pass-through costs for third party contractors and travel-related expenses); *provided*, *however*, that any such costs and expenses greater than $75,000 must be pre-approved in writing. Any travel-related expenses incurred in performing the Services shall be incurred and charged to Service Recipient in accordance with Service Provider's then applicable business travel policies.

Article 4
SERVICES TERM; TERMINATION

4.1 Services Term. The performance of the Services shall commence on the Distribution Date and shall, unless otherwise agreed to by the Parties, expire on the earlier of (i) the expiration date set forth on Schedule A or Schedule B, as applicable, with respect to each such Service, unless earlier terminated pursuant to Section 4.2 hereof, or (ii) the second anniversary of the date of this Agreement (the "Services Term").

4.2 Termination. The obligations under this Agreement may be terminated prior to the expiration of the relevant Services Term only as provided on Schedule A or Schedule B, as applicable, with respect to each such Service, or otherwise with the mutual written agreement of the Parties.

4.3 Rights and Obligations Upon Termination. Upon expiration of the Services Term or in the event of a termination pursuant to Section 4.2, no Party, nor any of its Affiliates, shall have any liability or further obligation to any other Party or any of its Affiliates pursuant to this Agreement, except: (a) that the provisions of Sections 3 (to the extent of amounts accrued thereunder through the date of such expiration or termination), 4.3, 5, 6, 7, 8, 9, 10, 11, 12, 13, and 14 (as well as in each case associated defined terms) shall survive any such expiration or termination and not be extinguished thereby; and (b) any Party nevertheless shall be entitled to seek any remedy to which it may be entitled at law or in equity for the violation or breach by the other Party of any agreement, covenant, representation, warranty, or indemnity contained in this Agreement that occurs prior to such expiration or termination.

Article 5
RETURN OF LEASED PROPERTY OR LICENSED SOFTWARE

Service Recipient shall be liable for all costs and expenses incurred by Service Provider or any of its Subsidiaries resulting from any delay or failure of Service Recipient to return to Service Provider or any licensor, as applicable, any leased property or licensed software that is included as part of the Services provided to such Service Recipient upon (a) the termination of the relevant Services as provided herein, or (b) the expiration of the term of the applicable lease or license, provided that Services Provider has provided Service Recipient with at least sixty (60) days prior written notice of such expiration.

Article 6
INTERNAL CONTROLS AND PROCEDURES

In addition to the record retention requirements of the Separation Agreement, with respect to the Services for which each Service Provider is responsible, such Service Provider shall maintain and comply with such internal controls and procedures as are necessary to comply with the Sarbanes-Oxley Act of 2002 or as otherwise agreed by the Parties to be implemented by the Parties to comply with internal controls and procedures or applicable Law. In the event a Service Recipient requires a change to the internal controls or procedures, or requires the implementation of additional internal controls or procedures, related to the Services required to be provided to such Service Recipient in order for such Service Recipient to comply with

changes to applicable Law, Service Provider shall change or add to such Service Provider's internal controls or procedures related to such Services as reasonably requested by such Service Recipient; *provided*, *however*, in connection with a Service Provider changing or adding to internal controls or procedures as required by the foregoing, Service Recipient shall pay for any and all additional costs and expenses associated with the implementation or maintenance of the applicable change or addition; provided further, however, that if such change or addition is required for the compliance by both Parties with a Law applicable to both Parties, the Parties shall negotiate in good faith an equitable sharing of the costs and expenses associated with such change or addition.

Article 7
BOOKS AND RECORDS

The Parties shall keep and maintain books, records, accounts and other documents sufficient to reflect accurately and completely the transactions conducted, and all associated costs incurred, pursuant to this Agreement. Such records shall include receipts, invoices, memoranda, vouchers, inventories, timesheets and accounts pertaining to the Services, as well as complete copies of all contracts, purchase orders, service agreements and other such arrangements entered into in connection therewith.

Article 8
COMPLIANCE WITH LAWS AND GOVERNMENTAL REQUIREMENTS

Each Party shall be responsible for compliance with all Laws affecting its Business. Each Service Recipient shall be responsible for any use such Service Recipient may make of the Services to assist it in complying with applicable Laws. Each Service Provider shall comply with (a) all Laws applicable to the provision by it of the Services hereunder, and (b) the accounting and reporting requirements of any Governmental Entity having jurisdiction over it or any Party with respect to their respective activities related to such Service Provider's performance of the Services.

Article 9
DISCLAIMER AND LIMITATION OF LIABILITY

9.1 EACH PARTY ACKNOWLEDGES AND AGREES (A) THAT ALL SERVICES ARE PROVIDED BY SERVICE PROVIDER ON AN "AS IS" BASIS, AND (B) THAT NEITHER SERVICE PROVIDER MAKES ANY REPRESENTATIONS OR WARRANTIES, WHETHER STATUTORY, EXPRESS, OR IMPLIED, TO SERVICE RECIPIENT OR ANY OF ITS AFFILIATES WITH RESPECT TO THE SERVICES, ANY EQUIPMENT OR MATERIALS PROVIDED UNDER THIS AGREEMENT, OR OTHERWISE HEREUNDER, INCLUDING ANY WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, OR ANY WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE.

9.2 NO PARTY SHALL UNDER ANY CIRCUMSTANCES BE LIABLE TO ANY OTHER PARTY FOR ANY SPECIAL, INDIRECT, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES (INCLUDING LOSS OF PROFITS OR

REVENUE, LOSS OF BUSINESS, LOSS OF USE OR OF DATA, INTERRUPTION OF BUSINESS OR OTHERWISE) RESULTING OR ARISING FROM THE SERVICES, ANY PERFORMANCE OR NONPERFORMANCE OF THE SERVICES OR TERMINATION OF THE SERVICES REGARDLESS OF WHETHER SUCH DAMAGES OR OTHER RELIEF ARE SOUGHT BASED ON BREACH OF WARRANTY, BREACH OF CONTRACT, NEGLIGENCE, STRICT LIABILITY IN TORT, OR ANY OTHER LEGAL OR EQUITABLE THEORY, EXCEPT TO THE EXTENT THAT ANY SUCH DAMAGES RELATE TO A CLAIM FOR INDEMNIFICATION PURSUANT TO ARTICLE 10, A BREACH OF ANY OF THE CONFIDENTIALITY PROVISIONS OF THIS AGREEMENT OR THE SEPARATION AGREEMENT, OR FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE SERVICE PROVIDER OR ITS AFFILIATES.

Article 10
INDEMNITY

10.1 Service Recipient Indemnity. Service Recipient hereby agrees to indemnify, defend and hold harmless Service Provider and each of its Affiliates from and against any and all claims, losses, demands, liabilities, costs and expenses (including reasonable attorneys' fees and costs and expenses related thereto) suffered or incurred by Service Provider or any of its Affiliates as a result of or in connection with any third party claims to the extent caused, in whole or in part, by the fraud, gross negligence or willful misconduct of Service Recipient or any of its Affiliates in its receipt of the Services or in its provision to Service Provider or any of its Affiliates of any information reasonably required for performance of the Services by Service Provider or any of its Affiliates. In no event shall the aggregate liability of Service Recipient and its Affiliates to Service Provider and its Affiliates, for any damages concerning Service Recipient's or its Subsidiaries' receipt of the Services or any other matter arising out of, or related to, this Agreement (regardless of whether any such claim for such damages is based in contract or in tort) exceed the amounts actually paid to Service Provider by Service Recipient pursuant to this Agreement.

10.2 Service Provider Indemnity. Service Provider hereby agrees to indemnify, defend and hold harmless Service Recipient and each of its Affiliates from and against any and all claims, losses, demands, liabilities, costs and expenses (including reasonable attorney's fees and costs and expenses related thereto) suffered or incurred by Service Recipient or any of its Affiliates as a result of, or in connection with, any third party claims to the extent caused, in whole or in part, by the fraud, gross negligence or willful misconduct of Service Provider or any of its Affiliates in performing the Services. In no event shall the aggregate liability of Service Provider and its Affiliates to Service Recipient and its Affiliates, for any damages concerning Service Provider's or its Subsidiaries' or subcontractors' performance or nonperformance of the Services or any other matter arising out of, or related to, this Agreement (regardless of whether any such claim for such damages is based in contract or in tort) exceed the amounts actually paid to Service Provider by Service Recipient pursuant to this Agreement.

10.3 Procedures. Any claim for indemnification under this Article 10 shall be governed by, and be subject to, the provisions of Article V of the Separation Agreement, which provisions are hereby incorporated by reference into this Agreement and any references to

"Agreement" in such Article V as incorporated herein shall be deemed to be references to this Agreement.

Article 11
DISPUTE RESOLUTION

Any controversy, dispute or claim arising out of, in connection with, or in relation to the interpretation, performance, nonperformance, validity, termination or breach of this Agreement or otherwise arising out of, or in any way related to this Agreement or the transactions contemplated hereby, including any claim based on contract, tort, statute or constitution (but excluding any controversy, dispute or claim arising out of any Contract relating to the use or lease of real property if any third party is a necessary party to such controversy, dispute or claim) (collectively, "Agreement Dispute"), shall be governed by, and be subject to, the provisions of Article IX of the Separation Agreement, which provisions (and related defined terms) are hereby incorporated by reference into this Agreement.

Article 12
PROPERTY RIGHTS

The Parties acknowledge and agree that nothing in this Agreement is intended to transfer any right, title, or interest in and to any tangible, intangible, real or personal property (including any and all intellectual property rights). Notwithstanding any materials, deliverables, or other products that may be created or developed by Service Provider or its Subsidiaries from the date hereof through the expiration or termination of the relevant Services Term, Service Provider does not hereby convey, nor does Service Recipient nor any of its Subsidiaries hereby obtain, any right, title, or interest in or to any of Service Provider's or any of its Subsidiaries' equipment, materials, deliverables, products, or any other rights or property used to provide the Services. All customer and personnel data, files and input and output materials and the media upon which they are located that are supplied by Service Recipient or any of its Subsidiaries in connection with this Agreement shall remain Service Recipient's or such Subsidiary's property, respectively, and Service Provider shall not have any rights or interests with respect thereto.

Article 13
CONFIDENTIAL INFORMATION

Any Confidential Information received by either Party or its Affiliates from the other Party or any of its Affiliates in connection with this Agreement shall be governed by, and be subject to, the provisions of Article VII of the Separation Agreement, which provisions are hereby incorporated by reference into this Agreement and any references to "Agreement" in such Article VII as incorporated herein shall be deemed to be references to this Agreement. However, for the avoidance of doubt, neither Party shall be obligated to disclose its own Confidential Information in the course of providing the Services hereunder.

Article 14
GSK AGREEMENTS

Notwithstanding any other provision contained herein, ParentCo shall not, and shall cause its Affiliates and its and its Affiliates' officers, directors, employees, agents and

representatives (collectively, "Representatives") not to, take (or omit to take) any action (including, without limitation, the disclosure of any information to SpinCo or any of its Representatives), that is or would be reasonably expected to result in a breach or violation of, or be in conflict with, any ParentCo confidentiality obligation to GSK under the Collaboration Agreement and/or the Strategic Alliance Agreement. To the extent that SpinCo or any of its Representatives becomes aware or believes that it has or may have received from ParentCo or any of its Representatives Confidential Information (as defined in the Collaboration Agreement or the Strategic Alliance Agreement) of GSK, it will promptly notify ParentCo in writing, will follow any reasonable instructions from ParentCo with respect to the return or destruction of such information, and will not use or disclose such information unless ParentCo confirms that it is not Confidential Information (as defined in the Collaboration Agreement or the Strategic Alliance Agreement) of GSK. Each party agrees and understands that monetary damages would not adequately compensate the non-breaching party for a breach of this Article 14, that this Article 14 shall, to the fullest extent permitted by law, be specifically enforceable, and that any breach or threatened breach of this Article 14 shall be the proper subject of a temporary or permanent injunction or restraining order. Further, ParentCo and SpinCo waive, to the fullest extent permitted by law, any claim or defense that there is an adequate remedy at law for such breach or threatened breach. Notwithstanding any other provision contained herein, SpinCo acknowledges and agrees that it has no rights to any non-public information under the Collaboration Agreement and/or the Strategic Alliance Agreement, the disclosure of which by ParentCo or any of its Representatives to SpinCo or any of its Representatives is or would be reasonably expected to result in a breach or violation of, or be in conflict with, any ParentCo confidentiality obligation to GSK under the Collaboration Agreement and/or the Strategic Alliance Agreement. Notwithstanding anything else to the contrary, in the event of any conflict between this Article 14, or any covenant, right, agreement, obligation or duty of ParentCo or SpinCo (or any of their respective Representatives) under this Article 14, on the one hand, and any other provision of this Agreement, or any attachment hereto or any covenant, right, agreement, obligation or duty of ParentCo or SpinCo (or any of their respective Representatives) thereunder, on the other hand, this Article 14 shall govern and supersede such other provision, attachment, covenant, agreement, obligation or duty. Each party will be liable for breach of this Article 14 by any of its Representatives.

Article 15
MISCELLANEOUS

15.1 Incorporation. The provisions of Article XII (Miscellaneous) (except for Section 12.8) of the Separation Agreement are incorporated herein, mutatis mutandis, by reference.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Parties caused this Transition Services Agreement to be duly executed as of the day and year first above written.

THERAVANCE, INC.

By: /s/ Michael W. Aguiar
Name: Michael W. Aguiar
Title: Chief Financial Officer

THERAVANCE BIOPHARMA, INC.

By: /s/ Rick E Winningham
Name: Rick E Winningham
Title: Chief Executive Officer

Exhibit 10.3

TAX MATTERS AGREEMENT

by and between

THERAVANCE, INC.

and

THERAVANCE BIOPHARMA, INC.

Dated as of June 2, 2014

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TAX MATTERS AGREEMENT

THIS TAX MATTERS AGREEMENT (as the same may be amended or supplemented from time to time, this "Agreement") is entered into as of June 2, 2014, by and between Theravance, Inc., a Delaware corporation ("Theravance"), and Theravance Biopharma, Inc., a Cayman corporation ("Biopharma"). Theravance and Biopharma are sometimes referred to herein individually as a "Party," and collectively as the "Parties." Capitalized terms used herein and not otherwise defined have the respective meanings set forth in Article I.

RECITALS

WHEREAS, Theravance and Biopharma have entered into a Separation and Distribution Agreement, dated as of June 1, 2014 (the "Separation Agreement"), pursuant to which Theravance will be separated into two independent publicly-traded companies: (a) Biopharma, which, following consummation of the transactions contemplated by the Separation Agreement, will own and conduct the Biopharma Business, and (b) Theravance, which, following the consummation of the transactions contemplated by the Separation Agreement, will own and conduct the Theravance Business;

WHEREAS, on July 29, 2013, Theravance formed Biopharma as a wholly-owned subsidiary;

WHEREAS, as set forth in the Separation Agreement, and subject to the terms and conditions thereof, the Parties currently intend to effect (i) the transfer by Theravance to Biopharma of certain assets and liabilities related to the Biopharma Business (the "Contribution"); and (ii) the distribution by Theravance to the holders of outstanding shares of common stock, par value $0.01 per share, of Theravance, on a *pro rata* basis, of all of the outstanding shares of common stock, par value $0.00001 per share, of Biopharma, owned by Theravance as of the Distribution Date (which shall represent 100% of the issued and outstanding shares of Biopharma common stock) (the "Distribution"); and

WHEREAS, the Parties desire to set forth their agreement on the rights and obligations, following the Distribution, of the members of the Theravance Group, on the one hand, and the members of the Biopharma Group, on the other hand, with respect to (a) handling and allocating United States federal, state and local and foreign Taxes in periods both before and after the Distribution Date, (b) Taxes resulting from transactions effectuated in connection with the Distribution, and (c) various other Tax matters.

NOW, THEREFORE, in consideration of the foregoing and the terms, conditions, covenants and provisions of this Agreement, the Parties mutually covenant and agree as follows:

ARTICLE I

DEFINITIONS

"Affiliate" has the meaning set forth in the Separation Agreement.

"After Tax Amount" means any additional amount necessary to reflect (through a gross-up mechanism) the hypothetical Tax consequences of the receipt or accrual of any payment required to be made under this Agreement (including payment of an additional amount or amounts hereunder and the effect of the deductions available for interest paid or accrued and for Taxes such as state and local Income

Taxes), determined by using the highest marginal corporate Tax rate (or rates, in the case of an item that affects more than one Tax) for the relevant Taxable Period (or portion thereof).

"Agreement" means this Tax Matters Agreement.

"Ancillary Agreements" has the meaning set forth in the Separation Agreement.

"Audit" means any audit, assessment of Taxes, or other examination by any Taxing Authority, proceeding, or appeal of such a proceeding relating to Taxes, whether administrative or judicial, including proceedings relating to competent authority determinations.

"Biopharma" has the meaning set forth in the first sentence of this Agreement.

"Biopharma Affiliate" means any previous, current or future Affiliate of Biopharma and/or one or more of its Affiliates.

"Biopharma Business" has the meaning given to the term "SpinCo Business" in the Separation Agreement.

"Biopharma Group" means Biopharma and each Biopharma Affiliate.

"Biopharma Group Member" means Biopharma, each Person that is or was an Biopharma Affiliate and each Person that becomes an Biopharma Affiliate after the Distribution.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor thereto.

"Collaboration Agreement" has the meaning set forth in the Separation Agreement.

"Contribution" has the meaning set forth in the recitals to this Agreement.

"Dispute Resolution Commencement Date" has the meaning set forth in Section 8.3.

"Dispute" has the meaning set forth in Section 8.3.

"Distribution" has the meaning set forth in the recitals to this Agreement.

"Distribution Date" means the date on which the Distribution occurs, such date to be determined by, or under the authority of, the Board of Directors of Theravance, in its sole and absolute discretion.

"Employee Matters Agreement" means the Employee Matters Agreement entered into between Theravance and Biopharma as of the date hereof.

"Final Determination" means the final resolution of liability for any Tax for any Taxable Period, by or as a result of: (i) a final and unappealable decision, judgment, decree or other order by any court of competent jurisdiction; (ii) a final settlement with the IRS, a closing agreement or accepted offer in compromise under Code section 7121 or 7122, or a comparable agreement under the laws of other jurisdictions, which resolves the entire liability for such Tax for any Taxable Period; (iii) any allowance of a refund or credit in respect of an overpayment of Tax, but only after the expiration of all periods during which such refund may be recovered by the jurisdiction imposing the Tax; or (iv) any other final disposition, including by reason of the expiration of the applicable statute of limitations.

"GSK" has the meaning set forth in the Collaboration Agreement.

"Income Tax" means any federal, state, local or foreign Tax based upon, measured by or calculated by reference to net income or profits, net receipts or gross receipts (regardless of whether denominated as an "income tax," a "franchise tax" or otherwise).

"Indemnifiable Loss Deduction" has the meaning set forth in Section 5.3.

"Indemnified Loss" has the meaning set forth in Section 5.3.

"Indemnifying Party" has the meaning set forth in Section 5.3.

"Indemnitee" has the meaning set forth in Section 5.3.

"IRS" means the United States Internal Revenue Service or any successor thereto, including, but not limited to its agents, representatives, and attorneys.

"LLC Agreement" means the Limited Liability Company Agreement of Theravance Respiratory Company, LLC, as the same may be amended and restated from time to time.

"Owed Party" has the meaning set forth in Section 6.1.

"Owing Party" has the meaning set forth in Section 6.1.

"Party" has the meaning set forth in the second sentence of this Agreement.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof.

"Post-Distribution Period" means a Taxable Period (or portion thereof) beginning after the Distribution Date.

"Refund" means any refund (or credit in lieu thereof) of Taxes (including any overpayment of Taxes that can be refunded or, alternatively, applied to other Taxes payable), including any interest paid on or with respect to such refund of Taxes; provided that for purposes of this Agreement, the amount of any Refund required to be paid to another Party shall be reduced by the net amount of any Income Taxes imposed on, related to, or attributable to, the receipt or accrual of such Refund.

"Restated Tax Saving Amount" has the meaning set forth in Section 5.4.

"Representatives" has the meaning set forth in Section 8.7.

"Separation Agreement" has the meaning set forth in the recitals to this Agreement.

"Straddle Period" means a Taxable Period that begins on or before and ends after the Distribution Date.

"Strategic Alliance Agreement" has the meaning set forth in the Separation Agreement.

"Tax" and "Taxes" include all taxes, charges, fees, duties, levies, imposts or other assessments imposed by any federal, state, local or foreign Taxing Authority, including, but not limited to, income, gross receipts, excise, property, sales, use, license, capital stock, transfer, franchise, payroll, withholding, social security, value added and other taxes, and any interest, penalties or additions attributable thereto.

"Tax Asset" means any Tax Item that has accrued for Tax purposes, but has not been used during a Taxable Period, and that could reduce a Tax in another Taxable Period, including, but not limited to, a net operating loss, net capital loss, investment tax credit, foreign tax credit, charitable deduction, credit related to alternative minimum tax and any other Tax credit.

"Tax Benefit" means a reduction in the Tax liability of a taxpayer for any Taxable Period. A Tax Benefit shall be deemed to have been realized or received from a Tax Item in a Taxable Period only if and to the extent that the Tax liability of the taxpayer for such period, after taking into account the effect of the Tax Item on the Tax liability of such taxpayer in the current period and all prior periods, is less than it would have been if such Tax liability were determined without regard to such Tax Item.

"Tax Item" means any item of income, gain, loss, deduction, credit, recapture of credit or any other attribute or item (including the adjusted basis of property) that may have the effect of increasing or decreasing any Tax.

"Tax Return" means any return, report, certificate, form or similar statement or document (including any related or supporting information or schedule attached thereto and any information return, amended tax return, claim for refund or declaration of estimated tax) supplied or required to be supplied to, or filed or required to be filed with, a Taxing Authority in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.

"Tax Saving Amount" has the meaning set forth in Section 5.3.

"Tax Services" has the meaning set forth in Section 2.5(a).

"Taxable Period" means any period for which a liability for Tax is determined.

"Taxing Authority" means any governmental authority or any subdivision, agency, commission or authority thereof or any quasi-governmental or private body having jurisdiction over the assessment, determination, collection or imposition of any Tax (including the IRS).

"Theravance" has the meaning set forth in the first sentence of this Agreement.

"Theravance Affiliate" means any previous, current or future Affiliate of Theravance and/or one or more of its Affiliates, but excluding Biopharma and any Biopharma Affiliate.

"Theravance Business" has the meaning given to the term "ParentCo Business" in the Separation Agreement.

"Theravance Group" means Theravance and each Theravance Affiliate, but excluding any Biopharma Group Member.

"Theravance Group Member" means Theravance, each Person that is or was a Theravance Affiliate, and each Person that becomes a Theravance Affiliate after the Distribution, but excluding any Biopharma Group Member.

"Transition Services Agreement" means the Transition Services Agreement by and between Theravance and Biopharma dated as of the date hereof.

"Treasury Regulations" means the final and temporary (but not proposed) income tax regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

ARTICLE II

PREPARATION AND FILING OF TAX RETURNS

Section 2.1 Theravance's Responsibility. Except as may be provided in the LLC Agreement, Theravance shall have sole and exclusive responsibility for the preparation and filing of:

(a) all Tax Returns that include only Theravance and/or any Theravance Affiliate; and

(b) any Tax Returns required to be filed for a Taxable Period ending on or before, or that includes, the Distribution Date that are not otherwise described in Section 2.1 or Section 2.2.

Section 2.2 Biopharma's Responsibility. Except as may be provided in the LLC Agreement, Biopharma shall have sole and exclusive responsibility for the preparation and filing of all Tax Returns that include only Biopharma and/or any Biopharma Affiliate.

Section 2.3 Agent. Subject to the other applicable provisions of this Agreement, Biopharma hereby irrevocably designates, and agrees to cause each Biopharma Affiliate to so designate, Theravance as its sole and exclusive agent and attorney-in-fact to take such actions (including execution of documents) as are appropriate in any and all matters (including Audits) relating to any Tax Return described in Section 2.1(b). Notwithstanding the foregoing, Biopharma may participate at its own expense in any such Audit, and Theravance shall keep Biopharma updated as to any developments with respect to any such Audit in a timely manner.

Section 2.4 Manner of Tax Return Preparation. Unless otherwise required by a Taxing Authority or by applicable law, the Parties shall prepare and file all Tax Returns, and take all other actions, in a manner consistent with this Agreement, the Separation Agreement and past practice. All Tax Returns shall be filed on a timely basis (taking into account applicable extensions) by the Party responsible for filing such Tax Returns under this Agreement. For the avoidance of doubt, the Parties shall prepare and file all Tax Returns in a manner consistent with the characterization of the Distribution as a taxable transaction for U.S. federal income tax purposes, and not as a transaction governed by Section 355 of the Code.

Section 2.5 Tax Services.

(a) In General. It is the intention of the Parties that except as specifically provided herein, the Transition Services Agreement shall govern the provision of tax services by Biopharma to Theravance and the other members of the Theravance Group (the "Tax Services").

(b) Right to Review. Theravance shall provide or cause to be provided any Tax Return (or portion or excerpt thereof relating exclusively to Biopharma or Biopharma Affiliates) to be filed by Theravance on behalf of Biopharma pursuant to this Agreement at least ten (10) business days prior to the due date of such Tax Return, including extensions. Biopharma shall have the right to comment on any such Tax Return (or portion or excerpt thereof, as applicable), and Theravance shall reasonably consider Biopharma's comments.

(c) Information. Theravance shall provide or cause to be provided to Biopharma copies of all Tax Returns (or portions or excerpts thereof relating exclusively to Biopharma or Biopharma Affiliates) filed on behalf of Biopharma, in each case within fifteen (15) days of filing pursuant to this Agreement, and shall promptly provide any notices or communications from any Taxing Authority relating to any Tax or Tax Return of Biopharma or an Biopharma Affiliate covered by the Tax Services.

(d) List of Tax Returns. As soon as practicable after the Distribution Date, but in any event within sixty (60) days, Theravance shall provide to Biopharma a list of all Tax Returns, if any, to be filed by Theravance on behalf of Biopharma or Biopharma Affiliates pursuant to Section 2.1(b).

ARTICLE III

LIABILITY FOR TAXES

Section 3.1 Theravance's Liability.

(a) Theravance shall be liable for all Taxes due with respect to all Tax Returns described in Section 2.1(a) or Section 2.1(b). Theravance shall be entitled to receive and retain all Refunds of Taxes previously paid by Theravance or any Theravance Affiliates with respect to Taxes described in this Section 3.1. For the avoidance of doubt, (i) Theravance shall be liable for all Taxes imposed on Theravance as result of the characterization of the Contribution and/or the Distribution as taxable transactions, in whole or in part, and (ii) Theravance shall not be obligated to make any payment to Biopharma with respect to the utilization of any Tax Asset created by the Biopharma Business.

Section 3.2 Biopharma's Liability. Biopharma shall be liable for all Taxes due with respect to Tax Returns described in Section 2.2. Biopharma shall be entitled to receive and retain all Refunds of Taxes previously paid by Biopharma or any Biopharma Affiliates with respect to Taxes described in this Section 3.2.

ARTICLE IV

ALLOCATION

Section 4.1 Allocation of Tax Assets.

(a) Theravance and Biopharma shall cooperate, each at its own expense, in determining the allocation of any Tax Assets or Tax liabilities among the Parties in accordance with the Code and Treasury Regulations (and any applicable state, local and foreign laws). In the absence of

controlling legal authority or unless otherwise provided under this Agreement, Tax Assets or Tax liabilities shall be allocated to the legal entity that incurred the cost or burden associated with the creation of such Tax Assets or Tax liabilities. Theravance and Biopharma hereby agree to compute all Taxes for Post-Distribution Periods and Straddle Periods consistently with the determinations made pursuant to this Section 4.1 unless otherwise required by a Final Determination.

(b) To the extent that the amount of any Tax Asset is later reduced or increased by a Taxing Authority, or as a result of an Audit or carrybacks of Tax Assets from Post-Distribution Periods of either the Theravance Group or the Biopharma Group, such reduction or increase shall be allocated to the Party to which such Tax Attribute was allocated pursuant to Section 4.1(a).

ARTICLE V

INDEMNIFICATION

Section 5.1 Generally. The Theravance Group shall jointly and severally indemnify Biopharma, each Biopharma Affiliate, and their respective directors, officers and employees, and hold them harmless from and against any and all Taxes or Tax deficiencies for which Theravance or any Theravance Affiliate is liable under this Agreement and any loss, cost, damage or expense, including reasonable attorneys' fees and costs, that are attributable to, or result from the failure of Theravance or any director, officer or employee to make any payment required to be made under this Agreement. The Biopharma Group shall jointly and severally indemnify Theravance, each Theravance Affiliate, and their respective directors, officers and employees, and hold them harmless from and against any and all Taxes or Tax deficiencies for which Biopharma or any Biopharma Affiliate is liable under this Agreement and any loss, cost, damage or expense, including reasonable attorneys' fees and costs, that is attributable to, or results from, the failure of Biopharma, any Biopharma Affiliate or any director, officer or employee to make any payment required to be made under this Agreement.

Section 5.2 Inaccurate, Incomplete or Untimely Information. The Theravance Group shall jointly and severally indemnify Biopharma, each Biopharma Affiliate, and their respective directors, officers and employees, and hold them harmless from and against any loss, cost, damage, fine, penalty, or other expense of any kind attributable to the negligence of Theravance or any Theravance Affiliate in supplying Biopharma or any Biopharma Affiliate with inaccurate, incomplete or untimely information, in connection with the preparation of any Tax Return. The Biopharma Group shall jointly and severally indemnify Theravance, each Theravance Affiliate, and their respective directors, officers and employees, and hold them harmless from and against any loss, cost, damage, fine, penalty, or other expense of any kind attributable to the negligence of Biopharma or any Biopharma Affiliate in supplying Theravance or any Theravance Affiliate with inaccurate, incomplete or untimely information, in connection with the preparation of any Tax Return.

Section 5.3 Adjustments to Payments. Any Party that is entitled to receive a payment (the "Indemnitee") under this Agreement from another Party (the "Indemnifying Party") with respect to any Taxes, losses, costs, damages or expenses suffered or incurred by the Indemnitee (an "Indemnified Loss") shall pay to such Indemnifying Party, or the Indemnifying Party shall pay to the Indemnitee, as applicable, an amount equal to the difference between any "Tax Saving Amount" actually realized by the Indemnitee in the year of the payment and the amount of the Indemnified Loss. For purposes of this Section 5.3, the "Tax Saving Amount" shall equal the amount by which the Income Taxes of the Indemnitee or any of its affiliates are reduced (including, without limitation, through the receipt of a refund, credit or otherwise), plus any related interest received by the Indemnitee (net of Tax) from a Taxing Authority, as a result of claiming as a deduction or offset on any relevant Tax Return amounts attributable to an Indemnified Loss (the "Indemnifiable Loss Deduction").

Section 5.4 Reporting of Indemnifiable Loss. In the event that an Indemnitee incurs an Indemnified Loss, such Indemnitee shall claim as a deduction or offset on any relevant Tax Return (including, without limitation, any claim for refund) such Indemnified Loss to the extent such position is more likely than not to be sustained with respect to United States federal, state and local Tax Returns or has similar appropriate authoritative support with respect to any Tax Return other than a United States federal, state or local Tax Return. Except as otherwise provided in this Agreement, the Indemnitee shall have primary responsibility for the preparation of its Tax Returns and reporting thereon such Indemnifiable Loss Deduction; provided that the Indemnitee shall consult with, and provide the Indemnifying Party with a reasonable opportunity to review and comment on the portion of the Indemnitee's Tax Return relating to the Indemnified Loss. If a Dispute arises between the Indemnitee and the Indemnifying Party as to whether a deduction or tax position with respect to an Indemnified Loss is "more likely than not" (with respect to United States federal, state and local Tax Returns) to be sustained or similar appropriate authoritative support (with respect to any Tax Return other than a United States federal, state or local Tax Return) for the claiming of an Indemnifiable Loss Deduction, such Dispute shall be resolved in accordance with the principles and procedures set forth in Section 8.3. Theravance and Biopharma shall act in good faith to coordinate their Tax Return filing positions with respect to the Taxable Periods that include an Indemnifiable Loss Deduction. Any Tax Saving Amount calculated under Section 5.3 hereof shall be adjusted in the event of an Audit which results in a Final Determination that increases or decreases the amount of the Indemnifiable Loss Deduction reported on any relevant Tax Return of the Indemnitee. The Indemnitee shall promptly inform the Indemnifying Party of any such Audit and shall attempt in good faith to sustain the Indemnifiable Loss Deduction at issue in the Audit. Upon receiving a written notice of a Final Determination in respect of an Indemnifiable Loss Deduction, the Indemnitee shall redetermine the Tax Saving Amount attributable to the Indemnifiable Loss Deduction under Section 5.3 hereof, taking into account the Final Determination (the "Restated Tax Saving Amount"). If the Restated Tax Saving Amount is greater than the Tax Saving Amount, the Indemnitee shall promptly pay the Indemnifying Party an amount equal to the difference between such amounts. If the Restated Tax Saving Amount is less than the Tax Saving Amount, then the Indemnifying Party shall pay to the Indemnitee an amount equal to the difference between such amounts promptly after receipt of written notice setting forth the amount due and the computation thereof.

Section 5.5 No Indemnification for Tax Items. Nothing in this Agreement or any other ancillary document shall be construed as a guarantee of the existence or amount of any loss, credit, carryforward, basis or other Tax Item, whether past, present or future, of any Party.

Section 5.6 Double Recovery. Notwithstanding anything herein to the contrary, no Party shall be entitled to indemnification hereunder for any amount to the extent such Party has otherwise been reimbursed for such amount.

ARTICLE VI

PAYMENTS

Section 6.1 In General. In the event that one party (the "Owing Party") is required to make a payment to another party (the "Owed Party") pursuant to this Agreement, then such payments shall be made according to this Article VI. All payments shall be made to the Owed Party or to the appropriate Taxing Authority as specified by the Owed Party within the time prescribed for payment in this Agreement, or if no period is prescribed, within twenty (20) days after delivery of written notice of payment owing together with a computation of the amounts due.

Section 6.2 Treatment of Payments. Unless otherwise required by any Final Determination, the Parties agree that any payments made by one Party to the other Party (other than

payments of interest pursuant to Section 6.5 and payments of After Tax Amounts pursuant to Section 6.4) pursuant to this Agreement shall be treated for all Tax as payments made immediately prior to the Distribution.

Section 6.3 Prompt Performance. All actions required to be taken by any Party under this Agreement shall be performed within the time prescribed for performance in this Agreement, or if no period is prescribed, such actions shall be performed promptly.

Section 6.4 After Tax Amounts. If pursuant to a Final Determination it is determined that the receipt or accrual of any payment made under this Agreement (other than payments of interest pursuant to Section 6.5) is subject to any Tax, the Party making such payment shall be liable for (a) the After Tax Amount with respect to such payment and (b) interest at the rate described in Section 6.5 on the amount of such Tax from the date such Tax accrues through the date of payment of such After Tax Amount. A Party making a demand for a payment pursuant to this Agreement and for a payment of an After Tax Amount with respect to such payment shall separately specify and compute such After Tax Amount. However, a Party may choose not to specify an After Tax Amount in a demand for payment pursuant to this Agreement without thereby being deemed to have waived its right subsequently to demand an After Tax Amount with respect to such payment.

Section 6.5 Interest. If an Owing Party fails to make any payment pursuant to this Agreement within the period prescribed for such payment in this Agreement, such Owing Party shall be obligated to pay, in addition to the amount otherwise due, interest on such amount at a rate per annum equal to five percent (5%). Such interest shall be payable at the same time as the payment to which it relates.

ARTICLE VII

TAX PROCEEDINGS

Section 7.1 Audits. Except as otherwise provided in Section 7.3, the Party responsible for preparing and filing a Tax Return pursuant to Article II shall have the right to control, contest, and represent the interests of itself and any of its Affiliates in any Audit relating to such Tax Return and shall bear all costs related thereto.

Section 7.2 Notice. Within twenty (20) business days after a Party receives a written notice or other information from a Taxing Authority of the existence of a Tax issue that may give rise to an indemnification obligation under this Agreement, such Party shall notify the other Party of such issue, and thereafter shall promptly forward to the other Party copies of notices and material communications with any Taxing Authority relating to such issue. The failure of one Party to notify the other Party of any matter relating to a particular Tax for a Taxable Period or to take any action specified in this Agreement shall not relieve such other Party of any liability and/or obligation which it may have under this Agreement with respect to such Tax for such Taxable Period, except to the extent that such other Party's rights under this Agreement are materially prejudiced by such failure.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1 Effectiveness. This Agreement shall become effective on June 2, 2014.

Section 8.2 Cooperation and Exchange of Information.

(a) Cooperation. Theravance and Biopharma shall each cooperate fully (and each shall cause its respective Affiliates to cooperate fully) with all reasonable requests from another Party hereto, or from an agent, representative or advisor to such Party, in connection with the preparation and filing of Tax Returns, claims for refund, and Audits concerning issues or other matters covered by this Agreement. Such cooperation shall include, without limitation:

(i) the retention until the expiration of the applicable statute of limitations, and the provision upon request, of Tax Returns, books, records (including information regarding earnings and profits and the ownership and Tax basis of property), documentation and other information relating to the Tax Returns, including accompanying schedules, related work papers, and documents relating to rulings, closing agreements or other determinations by Taxing Authorities;

(ii) providing Biopharma access to Theravance's tax software in order to input relevant data and otherwise prepare and file all Tax Returns for which Biopharma is responsible pursuant to Section 2.2;

(iii) the execution of any document that may be necessary or reasonably helpful in connection with any Audit, or the filing of a Tax Return or refund claim by a member of the Biopharma Group or the Theravance Group, including certification, to the best of a Party's knowledge, of the accuracy and completeness of the information it has supplied or any power of attorney required by the applicable Taxing Authority to be provided by one Party to another Party for the performance by such other Party of acts required or permitted under this Agreement; and

(iv) the use of the Party's reasonable best efforts to obtain any documentation that may be necessary or reasonably helpful in connection with any of the foregoing.

Each Party shall use reasonable best efforts to comply in connection with the foregoing matters within ten (10) business days or such shorter period as may be required by the applicable Taxing Authority or otherwise in connection with any Audit. Each Party shall make its employees and facilities available on a reasonable and mutually convenient basis in connection with the foregoing matters, at the expense of the requesting Party.

(b) Failure to Perform. If a Party materially fails to comply with any of its obligations set forth in Section 8.2(a) upon reasonable request and notice by the other Party, and such failure results in the imposition of additional Taxes, the non-performing Party shall be liable in full for such additional Taxes notwithstanding anything to the contrary in this Agreement.

Section 8.3 Dispute Resolution. Unless otherwise agreed by the Parties, any dispute, controversy or claim arising out of or relating to this Agreement or the breach, termination or validity hereof ("Dispute") which arises between Theravance and Biopharma shall be resolved pursuant to this Section 8.3. The Dispute shall first be negotiated between the appropriate senior executives of Theravance and Biopharma who shall have the authority to resolve the matter. Such executives shall meet to attempt in good faith to negotiate a resolution of the Dispute prior to pursuing other available remedies, within ten (10) days of receipt by Theravance or Biopharma, as applicable, of notice of a Dispute, which date of receipt shall be referred to herein as the "Dispute Resolution Commencement Date." If the senior executives are unable to resolve the Dispute within thirty (30) days from the Dispute

Resolution Commencement Date, then Theravance and Biopharma shall jointly retain a nationally recognized accounting firm reasonably acceptable to both Parties to resolve the Dispute. The accounting firm selected by the Parties shall act as an arbitrator to resolve all points of disagreement, and its decision shall be final and binding upon all parties involved. Following the decision of such accounting firm, Theravance and Biopharma shall each take or cause to be taken any action necessary to implement the decision of such accounting firm. Theravance and Biopharma shall share equally the administrative costs of the arbitration and such accounting firm's fees, disbursements and expenses, and shall each bear their respective other costs and expenses related to the arbitration.

Section 8.4 Changes in Law.

(a) Any reference to a provision of the Code, Treasury Regulations, or a law of another jurisdiction shall include a reference to any applicable successor provision or law.

(b) If, due to any change in applicable law or regulations or their interpretation by any court of law or other governing body having jurisdiction subsequent to the date of this Agreement, performance of any provision of this Agreement or any transaction contemplated hereby shall become impracticable or impossible, the Parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such provision.

Section 8.5 Confidentiality. Each of the Parties hereto shall hold and cause its directors, officers, employees, advisors and consultants to hold in strict confidence, unless compelled to disclose by judicial or administrative process or, in the opinion of its counsel, by other requirements of law, all information (other than any such information relating solely to the business or affairs of such party) concerning the other Party hereto furnished it by such other Party or its representatives pursuant to this Agreement (except to the extent that such information can be shown to have been (1) in the public domain through no fault of such Party or (2) later lawfully acquired from other sources not under a duty of confidentiality by the party to which it was furnished), and no Party shall release or disclose such information to any other Person, except its directors, officers, employees, auditors, attorneys, financial advisors, bankers or other consultants who shall be advised of and agree to be bound by the provisions of this Section 8.5. Each of the Parties hereto shall be deemed to have satisfied its obligation to hold confidential information concerning or supplied by the other Party if it exercises the same care as it takes to preserve confidentiality for its own similar information.

Section 8.6 Affiliates.

(a) Theravance shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any other Theravance Group Member; provided that if it is contemplated that a Theravance Group Member may cease to be controlled, directly or indirectly, by Theravance as a result of a transfer of its stock or other ownership interests to a third party in exchange for consideration in an amount approximately equal to the fair market value of the stock or other ownership interests transferred and such consideration is not distributed outside of the Theravance Group to the shareholders of Theravance, then Theravance may request in writing no later than thirty (30) days prior to such cessation that Biopharma execute a release of such Theravance Group Member from its obligations under this Agreement effective as of such transfer, provided that Theravance shall succeed to the rights of such Theravance Group Member under this Agreement and shall have confirmed in writing the obligations of Theravance and the remaining Theravance Group Members with respect to their own obligations and the obligations of the departing Theravance Group Member, and that such departing Theravance Group Member shall have executed a release of any rights it may have against Biopharma by reason of this Agreement.

(b) Biopharma shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth herein to be performed by any other member of the Biopharma Group; provided that if it is contemplated that member of the Biopharma Group may cease to be controlled, directly or indirectly, by Biopharma as a result of a transfer of its stock or other ownership interests to a third party in exchange for consideration in an amount approximately equal to the fair market value of the stock or other ownership interests transferred and such consideration is not distributed outside of the Biopharma Group to the shareholders of Biopharma, then Biopharma may request in writing no later than thirty (30) days prior to such cessation that Theravance execute a release of such member of the Biopharma Group from its obligations under this Agreement effective as of such transfer, provided that Biopharma shall succeed to the rights of such member of the Biopharma Group under this Agreement and shall have confirmed in writing the obligations of Biopharma and the remaining members of the Biopharma Group with respect to their own obligations and the obligations of the departing member of the Biopharma Group, and that such departing member of the Biopharma Group shall have executed a release of any rights it may have against Theravance by reason of this Agreement.

Section 8.7 GSK Agreements. Notwithstanding any other provision contained herein, Theravance shall not, and shall cause its Affiliates and its and its Affiliates' officers, directors, employees, agents and representatives (collectively, "Representatives") not to, take (or omit to take) any action (including, without limitation, the disclosure of any information to Biopharma or any of its Representatives), that is or would be reasonably expected to result in a breach or violation of, or be in conflict with, any Theravance confidentiality obligation to GSK under the Collaboration Agreement and/or the Strategic Alliance Agreement. To the extent that Biopharma or any of its Representatives becomes aware or believes that it has or may have received from Theravance or any of its Representatives Confidential Information (as defined in the Collaboration Agreement or the Strategic Alliance Agreement) of GSK, it will promptly notify Theravance in writing, will follow any reasonable instructions from Theravance with respect to the return or destruction of such information, and will not use or disclose such information unless Theravance confirms that it is not Confidential Information (as defined in the Collaboration Agreement or the Strategic Alliance Agreement) of GSK. Each party agrees and understands that monetary damages would not adequately compensate the non-breaching party for a breach of this Section 8.7, that this Section 8.7 shall, to the fullest extent permitted by law, be specifically enforceable, and that any breach or threatened breach of this Section 8.7 shall be the proper subject of a temporary or permanent injunction or restraining order. Further, Theravance and Biopharma waive, to the fullest extent permitted by law, any claim or defense that there is an adequate remedy at law for such breach or threatened breach. Notwithstanding any other provision contained herein, Biopharma acknowledges and agrees that it has no rights to any non-public information under the Collaboration Agreement and/or the Strategic Alliance Agreement, the disclosure of which by Theravance or any of its Representatives to Biopharma or any of its Representatives is or would be reasonably expected to result in a breach or violation of, or be in conflict with, any Theravance confidentiality obligation to GSK under the Collaboration Agreement and/or the Strategic Alliance Agreement. Notwithstanding anything else to the contrary, in the event of any conflict between this Section 8.7, or any covenant, right, agreement, obligation or duty of Theravance or Biopharma (or any of their respective Representatives)under this Section 8.7, on the one hand, and any other provision of this Agreement, or any attachment hereto or any covenant, right, agreement, obligation or duty of Theravance or Biopharma (or any of their respective Representatives)thereunder, on the other hand, this Section 8.7 shall govern and supersede such other provision, attachment, covenant, agreement, obligation or duty. Each party will be liable for breach of this Section 8.7 by any of its Representatives.

Section 8.8 Authority. Each of the Parties hereto represents, on behalf of itself and its affiliates, to the other that (a) it has the corporate power and authority to execute, deliver and perform this Agreement, (b) the execution, delivery and performance of this Agreement by it have been duly authorized by all necessary corporate or other action, (c) it has duly and validly executed and delivered

this Agreement and (d) this Agreement is a legal, valid and binding obligation, enforceable against it in accordance with its terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

Section 8.9 Setoff. All payments to be made by any Party under this Agreement may be netted against payments due to such Party under this Agreement, but otherwise shall be made without setoff, counterclaim or withholding, all of which are hereby expressly waived.

Section 8.10 Amendments and Waivers.

(a) This Agreement may not be amended except by an agreement in writing signed by both Parties.

(b) Any term or provision of this Agreement may be waived, or the time for its performance may be extended, by the Party entitled to the benefit thereof and any such waiver shall be validly and sufficiently given for the purposes of this Agreement if it is in writing signed by an authorized representative of such Party. No delay or failure in exercising any right, power or remedy hereunder shall affect or operate as a waiver thereof; nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power or remedy preclude any further exercise thereof or of any other right, power or remedy. The rights and remedies hereunder are cumulative and not exclusive of any rights or remedies that either Party would otherwise have.

Section 8.11 Entire Agreement. This Agreement, the Separation Agreement, the other Ancillary Agreements and the Exhibits and Schedules attached thereto, constitute the entire agreement between the Parties with respect to the subject matter hereof and shall supersede all prior written and oral and all contemporaneous oral agreements and understandings with respect to the subject matter hereof.

Section 8.12 Third-Party Beneficiaries. Except as provided in Article V relating to Indemnitees, this Agreement is solely for the benefit of Theravance, the Theravance Affiliates, Biopharma and the Biopharma Affiliates, and shall not be deemed to confer upon any other third parties any remedy, claim, liability, reimbursement, cause of action or other right in excess of those existing without reference to this Agreement.

Section 8.13 Notices. All notices, requests, permissions, waivers and other communications hereunder shall be provided in accordance with the provisions of Section 12.4 of the Separation Agreement.

Section 8.14 Counterparts; Electronic Delivery. This Agreement may be executed in multiple counterparts, each of which when executed shall be deemed to be an original, but all of which together shall constitute one and the same agreement. Execution and delivery of this Agreement or any other documents pursuant to this Agreement by facsimile or other electronic means shall be deemed to be, and shall have the same legal effect as, execution by an original signature and delivery in person.

Section 8.15 Severability. If any term or other provision of this Agreement is determined by a nonappealable decision by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the court, administrative agency or arbitrator shall interpret this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that

transactions contemplated hereby are fulfilled to the fullest extent possible. If any provision in this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only as broad as is enforceable.

Section 8.16 Assignability; Binding Effect. Except as otherwise expressly provided in this Agreement, neither Party may assign this Agreement or any rights or obligations hereunder without the prior written consent of the other Party, and any attempt to assign this Agreement without such consent shall be void and of no effect. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. This Agreement may be enforced separately by each member of the Theravance Group and each member of the Biopharma Group.

Section 8.17 Governing Law This Agreement shall be governed by, and construed and enforced in accordance with, the substantive laws of the State of Delaware, without regard to any conflicts of law provisions thereof that would result in the application of the laws of any other jurisdiction.

Section 8.18 Construction. This Agreement shall be construed as if jointly drafted by the Parties, and no rule of construction or strict interpretation shall be applied against either Party. The Parties represent that this Agreement is entered into with full consideration of any and all rights which the Parties may have. The Parties have relied upon their own knowledge and judgment and upon the advice of the attorneys of their choosing. The Parties have had access to independent legal advice, have conducted such investigations they and their counsel thought appropriate, and have consulted with such other independent advisors as they and their counsel deemed appropriate regarding this Agreement and their rights and asserted rights in connection therewith. The Parties are not relying upon any representations or statements made by the other Party, or such other Party's employees, agents, representatives or attorneys, regarding this Agreement, except to the extent such representations are expressly set forth or incorporated in this Agreement. The Parties are not relying upon a legal duty, if one exists, on the part of the other Party (or such other Party's employees, agents, representatives or attorneys) to disclose any information in connection with the execution of this Agreement or its preparation, it being expressly understood that neither Party shall ever assert any failure to disclose information on the part of the other Party as a ground for challenging this Agreement.

Section 8.19 Titles and Headings. Titles and headings to Sections and Articles herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

Section 8.20 Coordination with Employee Matters Agreement. To the extent any covenants or agreements between the Parties with respect to employment Taxes are set forth in the Employee Matters Agreement, such matters shall be governed exclusively by the Employee Matters Agreement and not by this Agreement.

Section 8.21 Conflict or Inconsistency Between Agreements. Except as provided in Section 8.20, in the event of any conflict or inconsistency between any provision of this Agreement and any provision of either the Separation Agreement or any of the other Ancillary Agreements, the applicable provisions of this Agreement shall prevail.

[*Signature Page Follows*]

WHEREFORE, the Parties have signed this Tax Matters Agreement effective as of the date first set forth above.

THERAVANCE, INC., on behalf of itself and the Theravance Affiliates

By: /s/ Michael W. Aguiar
Name: Michael W. Aguiar
Title: Chief Financial Officer

THERAVANCE BIOPHARMA, INC., on behalf of itself and the Biopharma Affiliates

By: /s/ Rick E Winningham
Name: Rick E Winningham
Title: Chief Executive Officer

[*Signature Page to Tax Matters Agreement*]

Exhibit 10.4

EMPLOYEE MATTERS AGREEMENT

by and between

THERAVANCE, INC.

and

THERAVANCE BIOPHARMA, INC.

Dated as of June 1, 2014

EMPLOYEE MATTERS AGREEMENT

This EMPLOYEE MATTERS AGREEMENT (this "Agreement"), dated as of June 1, 2014, is entered into by and between Theravance, Inc., a Delaware corporation ("ParentCo"), and Theravance Biopharma, Inc., a Cayman Islands corporation ("SpinCo") (each a "Party" and collectively, the "Parties").

RECITALS:

WHEREAS, ParentCo currently conducts a number of businesses, including (i) the ParentCo Business and (ii) the SpinCo Business;

WHEREAS, the Board of Directors of ParentCo has determined that it is appropriate, desirable and in the best interests of ParentCo and its stockholders to separate its two businesses, the ParentCo Business and the SpinCo Business, into ParentCo and SpinCo respectively, two publicly traded companies, by means of the transfer/assumption of certain assets and liabilities from ParentCo to SpinCo (the "Separation");

WHEREAS, to effect the Separation, the Parties entered into that certain Separation and Distribution Agreement, dated as of the date hereof (as amended or otherwise modified from time to time, the "Separation Agreement"); and

WHEREAS, in connection with the Separation, ParentCo and SpinCo desire to enter into this Agreement for the purpose of allocating assets, liabilities and responsibilities with respect to certain employee compensation and benefit plans and programs between them.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual promises and covenants hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1 Definitions. The following terms shall have the following meanings:

"401(k) Plan" shall mean the 401(k) Plan described in Section 2.1(a) of this Agreement.

"Affiliate" shall mean the definition as set forth in the Separation Agreement.

"Benefit Plan" shall mean, with respect to an entity, each plan, program, arrangement, agreement or commitment that is an employment, change in control/severance, consulting, non-competition or deferred compensation agreement, or an executive compensation, incentive bonus or other bonus, employee pension, profit-sharing, savings, retirement, supplemental retirement, stock option, stock purchase, stock appreciation rights, restricted stock, other equity-based compensation, severance pay, salary continuation, life, health, hospitalization, sick leave, vacation pay, disability or accident insurance plan, corporate-owned or key-man life insurance or

other employee benefit plan, program, arrangement, agreement or commitment, including any "employee benefit plan" (as defined in Section 3(3) of ERISA), sponsored or maintained by such entity (or to which such entity contributes or is required to contribute).

"COBRA" shall mean the continuation coverage requirements for "group health plans" under (i) Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, and as codified in Section 4980B of the Code and Sections 601 through 608 of ERISA, together with all regulations and proposed regulations promulgated thereunder and (ii) any analogous provision of state law (including, without limitation, Cal-COBRA).

"Code" shall mean the Internal Revenue Code of 1986, as amended, including any successor statute, regulation and guidance thereto.

"Collaboration Agreement" shall mean the definition as set forth in the Separation Agreement.

"Distribution" shall mean the definition as set forth in the Separation Agreement.

"Distribution Date" shall mean the definition as set forth in the Separation Agreement.

"Dual Employee" shall mean a person listed on Attachment 1 hereto. For purposes of Sections 2.1(a), 2.1(b) and 7.2 hereof, a Dual Employee shall be considered both a ParentCo Employee and a SpinCo Employee. In the event a Dual Employee terminates employment with either SpinCo (or a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate) or ParentCo (or a ParentCo Subsidiary or a ParentCo Affiliate) after the Distribution Date but remains employed by the other, such Dual Employee shall thereafter be considered either a ParentCo Employee or a SpinCo Employee, as applicable.

"Effective Time" shall mean the definition as set forth in the Separation Agreement.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" shall mean with respect to any Person, each business or entity which is a member of a "controlled group of corporations," under "common control" or a member of an "affiliated service group" with such Person within the meaning of Sections 414(b), (c) or (m) of the Code, or required to be aggregated with such Person under Section 414(o) of the Code, or under "common control" with such Person within the meaning of Section 4001(a)(14) of ERISA.

"Exchange Act" shall mean the definition as set forth in the Separation Agreement.

"Excluded Liabilities" shall mean the definition as set forth in the Separation Agreement.

"Former ParentCo Employee" shall mean, as of the Effective Time, any individual who, on or before the Distribution Date, ceased being employed, directly or indirectly, with ParentCo or its predecessors or any member of the ParentCo Group and whose principal services to the ParentCo Group related to the ParentCo Business.

"Former SpinCo Employee" shall mean, as of the Effective Time, any individual who, on or before the Distribution Date, ceased being employed, directly or indirectly, with ParentCo or its predecessors or any member of the ParentCo Group and is not listed on Attachment 1.62 to the Separation Agreement, other than any Former ParentCo Employee.

"Governmental Entity" shall mean the definition as set forth in the Separation Agreement.

"HIPAA" shall mean the Health Insurance Portability and Accountability Act of 1996, as amended.

"Law" shall mean the definition as set forth in the Separation Agreement.

"Liabilities" shall mean the definition as set forth in the Separation Agreement.

"Participating Company" shall mean ParentCo or any Person (other than an individual) participating in a ParentCo Benefit Plan.

"ParentCo Benefit Plan" shall mean any Benefit Plan sponsored, maintained or contributed to by any member of the ParentCo Group or any ERISA Affiliate thereof other than SpinCo or any member of the SpinCo Group.

"ParentCo Business" shall mean the definition as set forth in the Separation Agreement.

"ParentCo Common Stock" shall mean the definition as set forth in the Separation Agreement.

"ParentCo Employee" shall mean the definition as set forth in the Separation Agreement.

"ParentCo Equity Plans" shall mean, collectively, (i) the Theravance, Inc. 1997 Stock Plan, (ii) the Theravance, Inc. Long-Term Stock Option Plan, (iii) the Theravance, Inc. 2004 Equity Incentive Plan, (iv) the Theravance, Inc. 2008 New Employee Equity Incentive Plan, and (v) the Theravance, Inc. 2012 Equity Incentive Plan.

"ParentCo Group" shall mean ParentCo and each Person, other than any member of the SpinCo Group, that is an Affiliate of ParentCo immediately after the Distribution Date or that becomes an Affiliate of ParentCo after the Distribution Date.

"ParentCo Option" shall mean an option to purchase shares of ParentCo Common Stock granted pursuant to one of the ParentCo Equity Plans.

"ParentCo Participant" shall mean any individual who, immediately following the Effective Time, is a ParentCo Employee, a Former ParentCo Employee or a beneficiary, dependent or alternate payee of any of the foregoing. If a Dual Employee is (or later becomes) employed for at least 30 hours per week by ParentCo, a ParentCo Subsidiary or a ParentCo Affiliate, such Dual Employee shall be considered a ParentCo Participant for purposes of this Agreement. If a Dual Employee is (or later becomes) employed for less than 30 hours per week by ParentCo, a ParentCo Subsidiary or a ParentCo Affiliate, such Dual Employee shall not be

considered a ParentCo Participant for purposes of this Agreement, but shall instead be considered a SpinCo Participant.

"ParentCo Ratio" shall mean (a) the sum of (i) the SpinCo Stock Price divided by three and one-half (3.5) and (ii) the ParentCo Stock Price, then divided by (b) the ParentCo Stock Price.

"ParentCo RSA" shall mean a share of ParentCo Common Stock granted pursuant to one of the ParentCo Equity Plans that is subject to a vesting requirement that has not been satisfied as of the Distribution Date.

"ParentCo RSU Award" shall mean an award of restricted stock units granted pursuant to one of the ParentCo Equity Plans, with each unit representing an unfunded and unsecured promise by ParentCo to issue a share of ParentCo Common Stock after the Distribution Date.

"ParentCo Stock Price" shall mean the Volume-Weighted Average Price of one share of ParentCo Common Stock for the first three (3) trading days following the Distribution Date.

"ParentCo TFIO RSA" shall mean a ParentCo RSA granted on February 11, 2011 that is subject to both performance-based vesting conditions and service-based vesting conditions.

"ParentCo Welfare Plans" shall mean, collectively, the health and welfare benefit plans maintained by a member of the ParentCo Group.

"Person" shall mean any natural person, firm, individual, corporation, business trust, joint venture, association, company, limited liability company, partnership, or other organization or entity, whether incorporated or unincorporated, or any governmental entity.

"Post-Distribution ParentCo Option" shall mean the definition set forth in Section 5.1(a) of this Agreement.

"Post-Distribution ParentCo RSAs" shall mean the definition set forth in Section 5.3(a) of this Agreement.

"Post-Distribution ParentCo RSU Award" shall mean the definition set forth in Section 5.2(a) of this Agreement.

"SpinCo Affiliate" shall mean any entity other than a SpinCo Subsidiary, if SpinCo and/or one or more SpinCo Subsidiaries own not less than 50% of such entity.

"SpinCo Benefit Plan" shall mean any Benefit Plan sponsored, maintained or contributed to by any member of the SpinCo Group or any ERISA Affiliate thereof immediately following the Effective Time, including the 401(k) Plan and the SpinCo Welfare Plans.

"SpinCo Business" shall mean the definition as set forth in the Separation Agreement.

"SpinCo Common Share" shall mean the definition as set forth in the Separation Agreement.

"SpinCo Employee" shall mean a person listed on Attachment 1.62 to the Separation Agreement.

"SpinCo Group" shall mean SpinCo and each Person that is an Affiliate of SpinCo immediately after the Distribution Date or that becomes an Affiliate of SpinCo after the Distribution Date.

"SpinCo Liabilities" shall mean the definition as set forth in the Separation Agreement.

"SpinCo Non-Employee Director" shall mean all individuals listed on Attachment 2.

"SpinCo Parent" shall mean any corporation (other than SpinCo) in an unbroken chain of corporations ending with SpinCo, if each of the corporations other than SpinCo owns shares possessing 50% or more of the total combined voting power of all classes of shares in one of the other corporations in such chain. A corporation that attains the status of a SpinCo Parent on a date after this Agreement is entered into shall be considered a SpinCo Parent commencing as of such date. For sake of clarity, ParentCo shall not be considered a SpinCo Parent.

"SpinCo Participant" shall mean any individual who, immediately following the Effective Time, is a SpinCo Employee, a Former SpinCo Employee or a beneficiary, dependent or alternate payee of any of the foregoing. If a Dual Employee is (or later becomes) employed for at least 30 hours per week by SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate, such Dual Employee shall be considered a SpinCo Participant for purposes of this Agreement. If a Dual Employee is (or later becomes) employed for less than 30 hours per week by SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate, such Dual Employee shall not be considered a SpinCo Participant for purposes of this Agreement, but shall instead be considered a ParentCo Participant.

"SpinCo RSA" shall mean a SpinCo Common Share issued to the holder of a ParentCo RSA in the Distribution that is subject to a vesting requirement that has not been satisfied as of the Distribution Date.

"SpinCo Stock Price" shall mean the Volume-Weighted Average Price of one SpinCo Common Share for the first three (3) trading days following the Distribution Date.

"SpinCo Subsidiary" shall mean any corporation (other than SpinCo) in an unbroken chain of corporations beginning with SpinCo, if each of the corporations other than the last corporation in the unbroken chain owns shares possessing 50% or more of the total combined voting power of all classes of shares in one of the other corporations in such chain. A corporation that attains the status of a SpinCo Subsidiary on a date after this Agreement is entered into shall be considered a SpinCo Subsidiary commencing as of such date.

"SpinCo Welfare Plans" shall mean health and welfare plans maintained by a member of the SpinCo Group.

"Strategic Alliance Agreement" shall mean the definition as set forth in the Separation Agreement.

"Subsidiary" shall mean the definition as set forth in the Separation Agreement.

"TFIO Cash Award" shall mean a cash award granted by ParentCo pursuant to the Theravance, Inc. 2004 Equity Incentive Plan on March 31, 2011 that is subject to both performance-based vesting conditions and service-based vesting conditions, and which have not been fully satisfied as of the Distribution Date.

"TFIO Recipient" shall mean the holder of a ParentCo TFIO RSA.

"Third Party" shall mean the definition as set forth in the Separation Agreement.

1.2 References; Interpretation. References in this Agreement to any gender include references to all genders, and references to the singular include references to the plural and vice versa. Unless the context otherwise requires, the words "include", "includes" and "including" when used in this Agreement shall be deemed to be followed by the phrase "without limitation". Unless the context otherwise requires, references in this Agreement to Articles, Sections, Exhibits and Schedules shall be deemed references to Articles and Sections of, and Exhibits and Schedules to, this Agreement. Unless the context otherwise requires, the words "hereof", "hereby", "herein" and "herewith" and words of similar import when used in this Agreement refer to this Agreement in its entirety and not to any particular Article, Section or provision of this Agreement. The word "or" shall not be exclusive.

ARTICLE II

GENERAL PRINCIPLES

2.1 Assumption and Retention of Liabilities; Related Assets.

(a) As of the date hereof and with effect at the Effective Time, except as otherwise expressly provided in this Agreement, ParentCo shall, or shall cause one or more members of the ParentCo Group to, assume or retain, as applicable, and pay, perform, fulfill and discharge, in due course in full (i) all Liabilities under all ParentCo Benefit Plans (except with regard to the Theravance, Inc. 401(k) Plan (the "401(k) Plan"), as discussed below), (ii) all Liabilities (excluding Liabilities incurred under a Benefit Plan except as otherwise provided in this Agreement) with respect to the employment, service, termination of employment or termination of service of all ParentCo Employees, Former ParentCo Employees and their dependents and beneficiaries (and any alternate payees in respect thereof) and other service providers (including any individual who is, or was, an independent contractor, temporary employee, temporary service worker, consultant, freelancer, agency employee, leased employee, on-call worker, incidental worker, or non-payroll worker or in any other employment, non-employment, or retainer arrangement, or relationship with any member of the ParentCo Group), in each case to the extent arising in connection with or as a result of employment with or the performance of services for any member of the ParentCo Group, and (iii) any other Liabilities or obligations expressly assigned to ParentCo or any of its Affiliates (other than any member of the SpinCo Group) under this Agreement. For purposes of clarification, the Liabilities assumed or retained by the ParentCo Group as provided for in this Section (a) or elsewhere in this Agreement are intended to be Excluded Liabilities. Notwithstanding the foregoing, sponsorship

and associated Liabilities of the 401(k) Plan shall transfer to SpinCo; however, ParentCo will remain a participating employer of the 401(k) Plan for the benefit of its employees, and as such will retain any Liabilities associated with such status.

(b) As of the date hereof and with effect at the Effective Time, except as otherwise expressly provided in this Agreement, SpinCo shall, or shall cause one or more members of the SpinCo Group to, assume or retain, as applicable, and pay, perform, fulfill and discharge, in due course in full (i) all Liabilities under all SpinCo Benefit Plans, (ii) all Liabilities (excluding Liabilities incurred under a Benefit Plan except as otherwise provided in this Agreement) with respect to the employment, service, termination of employment or termination of service of all SpinCo Employees, Former SpinCo Employees and their dependents and beneficiaries (and any alternate payees in respect thereof) and other service providers (including any individual who is, or was, an independent contractor, temporary employee, temporary service worker, consultant, freelancer, agency employee, leased employee, on-call worker, incidental worker, or non-payroll worker or in any other employment, non-employment, or retainer arrangement, or relationship with any member of the ParentCo Group or SpinCo Group), in each case to the extent arising in connection with or as a result of employment with or the performance of services for any member of the SpinCo Group, or in the case of Former SpinCo Employees, the ParentCo Group, and (iii) any other Liabilities or obligations expressly assigned to SpinCo or any of its Affiliates (other than any member of the ParentCo Group), under this Agreement. For purposes of clarification, the Liabilities assumed or retained by the SpinCo Group as provided for in this Section 2.1(b) or elsewhere in this Agreement are intended to be SpinCo Liabilities as such term is defined in the Separation Agreement.

(c) From time to time after the Distribution Date, the Parties shall promptly reimburse one another, upon written request of the Party requesting reimbursement and the presentation by such Party of such substantiating documentation as the other Party shall reasonably request, for the reasonable cost of any obligations or Liabilities satisfied or assumed by the Party requesting reimbursement or its Affiliates that are, or that have been made pursuant to this Agreement, the responsibility of the other Party or any of its Affiliates. Any such request for reimbursement must be made not later than the first anniversary of the Distribution Date.

(d) ParentCo shall retain responsibility for all employee-related regulatory filings for reporting periods through the Distribution Date except for Equal Employment Opportunity Commission EEO-1 reports and affirmative action program (AAP) reports and responses to Office of Federal Contract Compliance Programs (OFCCP) submissions or other Governmental Entity inquiries, for which ParentCo will provide data and information (to the extent permitted by applicable Laws and consistent with Section 9.1) to SpinCo, who will be responsible for making such filings in respect of SpinCo Employees and Dual Employees (as relates to such Dual Employee's employment with SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate).

2.2 Service Recognition. SpinCo shall give each SpinCo Participant full credit for purposes of eligibility, vesting, determination of level of benefits, and, to the extent applicable, benefit accruals under any SpinCo Benefit Plan, respectively, for such SpinCo Participant's service with any member of the ParentCo Group through the Distribution Date to the same extent such service was recognized by the applicable ParentCo Benefit Plans as of the Distribution

Date; provided, that, such service shall not be recognized to the extent that such recognition would result in the duplication of benefits.

ARTICLE III

QUALIFIED DEFINED CONTRIBUTION PLAN

3.1 401(k) Plan.

(a) Sponsorship of the 401(k) Plan. Effective as of the date of Separation, SpinCo shall become the sponsor of the 401(k) Plan. As a part of the transfer of sponsorship from ParentCo to SpinCo, SpinCo shall permit ParentCo to be an adopting employer of the 401(k) Plan. SpinCo shall be responsible for taking all necessary, reasonable and appropriate action to maintain and administer the 401(k) Plan so that it is qualified under Section 401(a) of the Code and that the related trust thereunder is exempt from Federal income tax under Section 501(a) of the Code. SpinCo (acting directly or through its Affiliates) shall be responsible for any and all Liabilities and other obligations with respect to the 401(k) Plan other than Liabilities and other obligations attributable to ParentCo as an adopting employer of the 401(k) Plan, for which ParentCo will retain responsibility.

(b) Continuation of Elections. As of the day after the Distribution Date, the ParentCo Participants and SpinCo Participants shall continue to participate in the 401(k) Plan, and SpinCo (acting directly or through its Affiliates) shall cause the 401(k) Plan to recognize and maintain all 401(k) Plan elections made by ParentCo Participants and SpinCo Participants, including, but not limited to, deferral, investment, and payment form elections, dividend elections, beneficiary designations, and the rights of alternate payees under qualified domestic relations orders with respect to ParentCo Participants and SpinCo Participants, to the extent such election or designation is available under the 401(k) Plan.

(c) Contributions. All contributions payable to the 401(k) Plan with respect to employee deferrals and contributions, matching contributions and other contributions for ParentCo and SpinCo, determined in accordance with the terms and provisions of the 401(k) Plan, ERISA and the Code, shall be paid by ParentCo or SpinCo respectively to the 401(k) Plan on behalf of each company's participating employees commencing following the date of transfer of the sponsorship of the 401(k) Plan described in subsection (a), above.

ARTICLE IV

HEALTH AND WELFARE PLANS

4.1 Health and Welfare Plans Maintained By ParentCo through the Distribution Date.

(a) Establishment of Welfare Plans. ParentCo or one or more of its Affiliates shall maintain the ParentCo Welfare Plans for the benefit of eligible ParentCo Participants and SpinCo Participants. Effective as of the Distribution Date, all of the ParentCo Welfare Plans (other than those ParentCo Welfare Plans listed on Attachment 3) shall be transferred to SpinCo (or a SpinCo Affiliate) solely for the benefit of SpinCo Participants and become SpinCo Welfare Plans; provided, however, that for a period of time mutually agreed upon by SpinCo and

ParentCo, certain ParentCo Employees will be eligible for the following fully insured SpinCo Welfare Plans: (i) vision (VSP), (ii) life and accidental death and dismemberment insurance (Lincoln), (iii) dental (Delta Dental) and (iv) employee assistance plan (EAP). Other than the four plans listed in the immediately preceding sentence, ParentCo shall maintain its own ParentCo Welfare Benefit Plans solely for the benefit of ParentCo Participants. Notwithstanding the foregoing, ParentCo Employees who were covered under the major medical plan as of the Distribution Date will continue such coverage until the first day of the month after the Distribution Date.

(b) Terms of Participation in SpinCo Welfare Plans. SpinCo (acting directly or through its Affiliates) shall use reasonable best efforts to cause all SpinCo Welfare Plans, respectively, to continue to operate in a similar manner as when such plans were maintained by ParentCo, such as (i) waiving all limitations as to preexisting conditions, exclusions, and service conditions with respect to participation and coverage requirements applicable to SpinCo Participants, respectively, other than limitations that were in effect with respect to SpinCo Participants as of the Distribution Date, (ii) waiving any waiting period limitation or evidence of insurability requirement that would otherwise be applicable to a SpinCo Participant, respectively, following the Distribution Date to the extent such SpinCo Participant had satisfied any similar limitation when such plans were maintained by ParentCo and (iii) credit SpinCo Participants (and their dependents) for any deductibles and out-of-pocket expenses paid under such plans when such plans were maintained by ParentCo.

(c) Employees on Leave. Notwithstanding any other provision of this Agreement to the contrary, SpinCo shall assume Liability for payment of any salary continuation, short term disability or health and welfare coverage with respect to SpinCo Employees and ParentCo shall have no further responsibility for such disabled SpinCo Employees or SpinCo Employees on approved leave after the Distribution Date.

(d) COBRA and HIPAA. Effective as of the Effective Time, ParentCo shall retain responsibility for compliance with the health care continuation coverage requirements of COBRA with respect to SpinCo Participants who, as of the Distribution Date, were covered under a ParentCo Welfare Plan and had a qualifying event within the meaning of Code §4980B(f)(3) before the Effective Time. The Parties hereto agree that neither the Distribution nor any transfers of employment that occur as of the Distribution Date shall constitute a COBRA qualifying event for purposes of COBRA; *provided*, that, in all events, SpinCo (acting directly or through its Affiliates) shall assume, or shall have caused the SpinCo Welfare Plans to assume, responsibility for compliance with the health care continuation coverage requirements of COBRA with respect to those individuals whose employment is transferred directly from the ParentCo Group to the SpinCo Group, as of the Effective Time, to the extent such individual was, as of such transfer of employment, covered under a ParentCo Welfare Plan or becomes covered under a SpinCo Welfare Plan.

(e) Liabilities.

(i) Insured Benefits. With respect to employee welfare and fringe benefits that are provided through the purchase of insurance (including, without limitation, health, disability and workers' compensation benefits), ParentCo shall timely pay all premiums

in respect of coverage of SpinCo Participants in respect of the period through the Distribution Date and shall retain all claims incurred by the SpinCo Participants through the Distribution Date, and SpinCo shall cause ParentCo not to have any liability in respect of any and all claims of SpinCo Participants that are incurred under the SpinCo Welfare Plans.

(ii) Incurred Claim Definition. For purposes of this Section 4.1(e), a claim or Liability is deemed to be incurred (A) with respect to medical, dental, vision and/or prescription drug benefits, upon the rendering of health services giving rise to such claim or Liability; (B) with respect to life insurance, accidental death and dismemberment and business travel accident insurance, upon the occurrence of the event giving rise to such claim or Liability; and (C) with respect to disability benefits, upon the date of an individual's disability, as determined by the disability benefit insurance carrier or claim administrator, giving rise to such claim or Liability.

4.2 Time-Off Benefits. SpinCo shall credit each SpinCo Participant with the amount of accrued but unused paid time-off benefits as such SpinCo Participant had with the ParentCo Group as of the Distribution Date. Notwithstanding the above, SpinCo shall not be required to credit any SpinCo Participant with any accrual to the extent that a benefit attributable to such accrual is provided or continues to be provided by the ParentCo Group.

ARTICLE V

EQUITY AWARDS

5.1 Treatment of Outstanding ParentCo Options.

(a) Each ParentCo Option that is outstanding on the Distribution Date shall, as of the Distribution Date, be adjusted in the following manner (as adjusted, a "Post-Distribution ParentCo Option"):

(i) The number of shares subject to the Post-Distribution ParentCo Option shall be equal to the product of (1) the number of shares subject to the ParentCo Option immediately prior to the Distribution multiplied by (2) the ParentCo Ratio, rounded down to the nearest whole share. The per share exercise price of the Post-Distribution ParentCo Option shall be equal to the product of (1) the per share exercise price of the ParentCo Option immediately prior to the Distribution divided by (2) the ParentCo Ratio, rounded up to the nearest whole cent.

(ii) Prior to the Distribution Date, ParentCo shall take all actions necessary to provide that, effective as of the Distribution Date, for purposes of Post-Distribution ParentCo Options held by a SpinCo Non-Employee Director that are vested as of the Distribution Date, continuous service as a non-employee director of SpinCo following the Distribution Date shall be deemed continuous service with ParentCo.

(iii) Prior to the Distribution Date, ParentCo shall take all actions necessary to provide that, effective as of the Distribution Date, for purposes of Post-Distribution ParentCo Options (including vesting, exercisability and expiration of such options), *other* than any ParentCo Options that were incentive stock options immediately prior to the Distribution Date, a SpinCo Employee's continuous service with SpinCo, a SpinCo Parent, a SpinCo

Subsidiary or a SpinCo Affiliate (including (A) any ParentCo Employee who becomes an employee or consultant of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate after the Distribution Date and (B) any Dual Employee who becomes solely an employee or consultant of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate after the Distribution Date) following the Distribution Date shall be deemed continuous service with ParentCo.

(iv) ParentCo shall honor the terms of any written agreement entered into on or before the Distribution Date with any SpinCo Employee insofar as such written agreement provides for accelerated vesting of any ParentCo Option.

(v) Except as otherwise provided herein, the Post-Distribution ParentCo Options shall remain subject to the terms and conditions of the underlying ParentCo Options as in effect immediately prior to the Distribution Date (taking into account changes in the identity of the employer).

(b) Upon the exercise of a Post-Distribution ParentCo Option, regardless of the holder thereof, the exercise price shall be paid to (or otherwise satisfied to the satisfaction of) ParentCo in accordance with the terms of the Post-Distribution ParentCo Option, and ParentCo shall be solely responsible for the issuance of ParentCo Common Stock, for ensuring the collection of the employee portion of all applicable withholding tax on behalf of the employing entity of such holder and for ensuring the remittance of such withholding taxes to the employing entity of such holder, provided, however, that ParentCo is solely responsible for ensuring the collection of the employee portion of all applicable withholding tax related to Post-Distribution ParentCo Options that vested prior to the Distribution Date and for remitting such amounts directly to the applicable taxing authority.

(c) The adjustments made pursuant to this Section 5.1 are intended to be consistent with the provisions of Section 409A of the Code and, to the extent applicable, Section 424 of the Code, and shall be construed accordingly.

5.2 Treatment of Outstanding ParentCo RSU Awards.

(a) Each ParentCo RSU Award that is outstanding on the Distribution Date shall, as of the Distribution Date, be adjusted in the following manner (as adjusted, a "Post-Distribution ParentCo RSU Award"):

(i) The number of restricted stock units subject to the Post-Distribution ParentCo RSU Award shall be equal to the product of (1) the number of restricted stock units subject to the ParentCo RSU Award immediately prior to the Distribution multiplied by (2) the ParentCo Ratio, rounded down to the nearest whole unit.

(ii) Prior to the Distribution Date, ParentCo shall take all actions necessary to provide that, effective as of the Distribution Date, for purposes of Post-Distribution ParentCo RSU Awards (including vesting and forfeiture of such awards), a SpinCo Employee's continuous service with SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate (including (A) any ParentCo Employee who becomes an employee or consultant of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate after the Distribution Date and (B) any

Dual Employee who becomes solely an employee or consultant of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate after the Distribution Date) following the Distribution Date shall be deemed continuous service with ParentCo.

(iii) ParentCo shall honor the terms of any written agreement entered into on or before the Distribution Date with any SpinCo Employee insofar as such written agreement provides for accelerated vesting of any ParentCo RSU Award.

(iv) Except as otherwise provided herein, the Post-Distribution ParentCo RSU Awards shall remain subject to the terms and conditions of the underlying ParentCo RSU Awards as in effect immediately prior to the Distribution Date (taking into account changes in the identity of the employer).

(b) ParentCo shall be solely responsible for the settlement of Post-Distribution ParentCo RSU Awards in shares of ParentCo Common Stock, regardless of the holder thereof, and for ensuring the collection of the employee portion of all applicable withholding tax on behalf of the employing entity of such holder and for ensuring the remittance of such withholding taxes to the employing entity of such holder.

5.3 Treatment of Outstanding ParentCo RSAs.

(a) ParentCo RSAs that are outstanding on the Distribution Date shall, as of the Distribution Date, be adjusted in the following manner (as adjusted, "Post-Distribution ParentCo RSAs"):

(i) Each holder of an award of ParentCo RSAs that is outstanding on the Record Date shall receive as part of the Distribution SpinCo RSAs in respect of such ParentCo RSAs, in such number as such holder would have received in respect of such shares had such ParentCo RSAs been vested ParentCo shares on the Record Date, rounded down to the nearest whole share. Except with respect to SpinCo RSAs that are held by a Dual Employee following the Distribution Date and relate to ParentCo TFIO RSAs, such SpinCo RSAs shall be subject to the same terms and conditions (including vesting and forfeiture) as apply to the applicable ParentCo RSAs in respect of which such SpinCo RSAs were distributed. In all cases, the number of underlying ParentCo RSAs shall remain the same and will not be increased or decreased in connection with the Distribution.

(ii) Prior to the Distribution Date, ParentCo shall take all actions necessary to provide that, effective as of the Distribution Date, for purposes of Post-Distribution ParentCo RSAs and the related SpinCo RSAs (including vesting and forfeiture of such awards), a SpinCo Employee's continuous service as an employee (or if the applicable award agreement so provides, as a consultant) with SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate (including (A) any ParentCo Employee who becomes an employee or consultant of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate after the Distribution Date and (B) any Dual Employee who becomes solely an employee or consultant of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate after the Distribution Date) following the Distribution Date shall be deemed continuous service with ParentCo.

(iii) Each of the parties shall honor the terms of any written agreement entered into on or before the Distribution Date with any employee of another Party insofar as such written agreement provides for accelerated vesting of any ParentCo RSA or SpinCo RSA.

(iv) Except as otherwise provided herein, the Post-Distribution ParentCo RSAs and the related SpinCo RSAs shall remain subject to the terms and conditions of the underlying ParentCo RSAs as in effect immediately prior to the Distribution Date (taking into account changes in the identity of the employer).

(b) In addition to the adjustments described in Section 5.3(a) above, ParentCo and SpinCo shall honor the terms of any written agreement entered into on or before the Distribution Date between ParentCo and/or SpinCo and a TFIO Recipient with respect to the vesting of such TFIO Recipient's ParentCo TFIO RSAs and the related SpinCo RSAs. ParentCo hereby agrees that SpinCo may establish new vesting conditions applicable to any ParentCo TFIO RSAs held by SpinCo Employees (including (A) any ParentCo Employee who becomes an employee of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate after the Distribution Date and (B) any Dual Employee who becomes solely an employee of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate after the Distribution Date) that are not vested or subject to solely service-based vesting conditions as of the Distribution Date (or such date as the TFIO Recipient becomes an employee (and with respect to a Dual Employee, becomes solely an employee) of SpinCo, a SpinCo Parent, a SpinCo Subsidiary or a SpinCo Affiliate), and SpinCo hereby agrees that ParentCo may establish new vesting conditions applicable to any SpinCo RSAs held by ParentCo Employees (including (A) any SpinCo Employee who becomes an employee of ParentCo, a ParentCo Parent, a ParentCo Subsidiary or a ParentCo Affiliate after the Distribution Date and (B) any Dual Employee who becomes solely an employee of ParentCo, a ParentCo Parent, a ParentCo Subsidiary or a ParentCo Affiliate after the Distribution Date) that are not vested or subject to solely service-based vesting conditions as of the Distribution Date (or such date as the TFIO Recipient becomes an employee (and with respect to a Dual Employee, becomes solely an employee) of ParentCo, a ParentCo Parent, a ParentCo Subsidiary or a ParentCo Affiliate).

(c) Regardless of the holder of a ParentCo RSA, ParentCo shall be solely responsible for ensuring the collection of the employee portion of all applicable withholding tax on behalf of the employing entity of such holder and for ensuring the remittance of such withholding taxes to the employing entity of such holder. Regardless of the holder of a SpinCo RSA, SpinCo shall be solely responsible for ensuring the collection of the employee portion of all applicable withholding tax on behalf of the employing entity of such holder and for ensuring the remittance of such withholding taxes to the employing entity of such holder.

(d) Following the Distribution Date, if any ParentCo RSAs shall fail to vest, regardless of the holder thereof, such ParentCo RSAs shall be forfeited to ParentCo. Additionally, any ParentCo RSAs that are withheld by ParentCo to satisfy the employee portion of applicable withholding taxes following the Distribution Date shall be retained by ParentCo. Following the Distribution Date, if any SpinCo RSAs shall fail to vest, regardless of the holder thereof, such SpinCo RSAs shall be forfeited to SpinCo. Additionally, any SpinCo RSAs that are withheld by SpinCo to satisfy the employee portion of applicable withholding taxes following the Distribution Date shall be retained by SpinCo.

5.4 Cooperation. Each of the Parties shall establish an appropriate administration system in order to handle, in an orderly manner, the exercise, vesting, settlement, expiration and forfeiture of Post-Distribution ParentCo Options, Post-Distribution ParentCo RSU Awards and Post-Distribution ParentCo RSAs and the related SpinCo RSAs and the reporting and withholding requirements applicable to such awards. Each of the Parties will work together to unify and consolidate all indicative data and payroll and employment information on regular timetables and make certain that each applicable entity's data and records in respect of such awards are correct and updated on a timely basis. The foregoing shall include employment status and information required for tax withholding/remittance, compliance with trading windows and compliance with the requirements of the Exchange Act and other applicable Laws.

5.5 SEC Registration. The Parties mutually agree to use commercially reasonable efforts to maintain effective registration statements with the SEC with respect to the equity awards described in this Article V, to the extent any such registration statement is required by applicable Law.

ARTICLE VI

PERFORMANCE CASH AWARDS

6.1 Treatment of Outstanding ParentCo Performance Cash Awards.

(a) ParentCo and SpinCo shall honor the terms of any written agreement entered into on or before the Distribution Date between ParentCo and/or SpinCo and the holder of a TFIO Cash Award with respect to vesting of such individual's TFIO Cash Award.

(b) Each TFIO Cash Award held by a SpinCo Employee that is subject to unsatisfied performance-based vesting conditions on the Distribution Date shall automatically terminate as of the Distribution Date.

(c) ParentCo shall be solely responsible for payment of any TFIO Cash Award that vests prior to the Distribution Date, and for ensuring the collection of the employee portion of all applicable withholding tax on behalf of the employing entity of such holder and for ensuring the remittance of such withholding taxes to the employing entity of such holder. SpinCo shall be solely responsible for payment of any TFIO Cash Award held by a SpinCo Employee that vests after the Distribution Date (including any SpinCo Employee who becomes an employee or consultant of ParentCo, a ParentCo Parent, a ParentCo Subsidiary or a ParentCo Affiliate after the Distribution Date), and for ensuring the collection of the employee portion of all applicable withholding tax on behalf of the employing entity of such holder and for ensuring the remittance of such withholding taxes to the employing entity of such holder.

ARTICLE VII

ADDITIONAL COMPENSATION MATTERS

7.1 ParentCo Severance Plans. Effective as of the Distribution Date, SpinCo Employees, other than any SpinCo Employees that are Dual Employees, shall no longer be eligible to participate in the Theravance, Inc. Change in Control Severance Plan and the

Theravance, Inc. 2009 Change in Control Severance Plan. The Parties acknowledge and agree that the transactions contemplated by this Agreement or the Separation Agreement do not constitute a "change in control" under either such plan. Neither the transfer of a SpinCo Employee's employment to SpinCo nor the transactions contemplated by this Agreement or the Separation Agreement shall constitute an "involuntary termination" under either such plan.

7.2 Workers' Compensation Liabilities. Except as provided in Section 4.1(e)(i), all workers' compensation Liabilities relating to, arising out of, or resulting from any claim that results from an accident, incident or event occurring, or from an occupational disease which becomes manifest, at, before or after the Distribution Date by (i) any ParentCo Employee or Former ParentCo Employee shall be retained by ParentCo, and (ii) by any SpinCo Employee or Former SpinCo Employee shall be assumed by SpinCo.

7.3 Director Programs; Director Fees. ParentCo shall retain responsibility for the payment of any fees payable in respect of service on the ParentCo Board of Directors that are payable but not yet paid as of the Distribution Date, and SpinCo shall not have any responsibility for any such payments. After the Distribution Date, ParentCo and SpinCo will each be responsible for the fees and expenses of their respective Boards of Directors.

7.4 Certain Payroll Matters. In the case of an individual who transfers employment on the Distribution Date from ParentCo to SpinCo, SpinCo shall be responsible for paying the entire payroll amount due to such individual for the first payroll cycle ending after the Distribution Date and for satisfying all applicable tax reporting and withholding requirements in respect of such payment; provided, that, ParentCo shall reimburse SpinCo for the gross amount of the payroll payment (i.e., including any applicable deductions) and for all tax withholdings remitted in respect of such portion of the payroll period ending on the Distribution Date. ParentCo shall be entitled to the benefit of any tax deduction in respect of its payment (by reimbursement to SpinCo) for the portion of the payroll period ending on the Distribution Date.

ARTICLE VIII

INDEMNIFICATION

8.1 Indemnification by SpinCo. SpinCo hereby agrees to indemnify, defend and hold harmless ParentCo from and against any and all claims, losses, demands, liabilities, costs and expenses (including reasonable attorneys' fees and costs and expenses related thereto) suffered or incurred by ParentCo as a result of, or in connection with, a breach of this Agreement by SpinCo.

8.2 Indemnification by ParentCo. ParentCo hereby agrees to indemnify, defend and hold harmless SpinCo from and against any and all claims, losses, demands, liabilities, costs and expenses (including reasonable attorney's fees and costs and expenses related thereto) suffered or incurred by SpinCo as a result of, or in connection with, a breach of this Agreement by ParentCo.

8.3 Procedures. Any claim for indemnification under this ARTICLE VIII shall be governed by, and be subject to, the provisions of Article V of the Separation Agreement, which

provisions are hereby incorporated by reference into this Agreement and any references to "Agreement" in such Article V as incorporated herein shall be deemed to be references to this Agreement.

ARTICLE IX

GENERAL AND ADMINISTRATIVE

9.1 Sharing of Information. ParentCo and SpinCo (acting directly or through their respective Affiliates) shall provide to each other and their respective agents and vendors all information as the other may reasonably request to enable the requesting Party to administer efficiently and accurately each of its Benefit Plans, to timely and accurately comply with and report under Section 14 of the Exchange Act and to determine the scope of, as well as fulfill, its obligations under this Agreement. Such information shall, to the extent reasonably practicable, be provided in the format and at the times and places requested, but in no event shall the Party providing such information be obligated to incur any out-of-pocket expenses not reimbursed by the Party making such request or make such information available outside of its normal business hours and premises. Any information shared or exchanged pursuant to this Agreement shall be subject to the confidentiality requirements set forth in the Separation Agreement. The Parties also hereby agree to enter into any business associate agreements that may be required for the sharing of any information pursuant to this Agreement to comply with the requirements of HIPAA.

9.2 Reasonable Efforts/Cooperation. Each of the Parties hereto will use its reasonable best efforts to promptly take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws and regulations to consummate the transactions contemplated by this Agreement, including adopting plans or plan amendments. Each of the Parties hereto shall cooperate fully on any issue relating to the transactions contemplated by this Agreement for which the other Party seeks a determination letter or private letter ruling from the Internal Revenue Service, an advisory opinion from the Department of Labor or any other filing, consent or governmental approval.

9.3 Employer Rights. Nothing in this Agreement shall prohibit any Party or any of their respective Affiliates from amending, modifying or terminating any of their respective Benefit Plans at any time within their sole discretion.

9.4 Effect on Employment. Except as expressly provided in this Agreement, the occurrence of the Distribution alone shall not cause any employee to be deemed to have incurred a termination of employment, which entitles such individual to the commencement of benefits under any of the ParentCo Benefit Plans. Furthermore, nothing in this Agreement is intended to confer upon any employee or former employee of ParentCo, SpinCo or any of their respective Affiliates any right to continued employment, or any recall or similar rights to an individual on layoff or any type of approved leave.

9.5 Consent of Third Parties. If any provision of this Agreement is dependent on the consent of any Third Party and such consent is withheld, the Parties hereto shall use their reasonable best efforts to implement the applicable provisions of this Agreement to the fullest

extent practicable. If any provision of this Agreement cannot be implemented due to the failure of such Third Party to consent, the Parties hereto shall negotiate in good faith to implement the provision (as applicable) in a mutually satisfactory manner.

9.6 Access to Employees. Following the Distribution Date, ParentCo and SpinCo shall, or shall cause each of their respective Affiliates to, make available to each other those of their employees who may reasonably be needed in order to defend or prosecute any legal or administrative action (other than a legal action between or among any of the Parties) to which any employee, director or Benefit Plan of the ParentCo Group or SpinCo Group is a party and which relates to their respective Benefit Plans prior to the Distribution. The Party to whom an employee is made available in accordance with this Section 9.6 shall pay or reimburse the other Party for all reasonable expenses which may be incurred by such employee in connection therewith, including all reasonable travel, lodging, and meal expenses, but excluding any amount for such employee's time spent in connection herewith. Any such reimbursement by one Party to the other shall be made within 90 days of the date on which the Party seeking reimbursement provides the reimbursing Party with documentation of such expenses that is reasonably acceptable to the reimbursing Party.

9.7 Beneficiary Designation/Release of Information/Right to Reimbursement. To the extent permitted by applicable Law, including, without limitation, the privacy and security requirements of HIPAA, and except as otherwise provided for in this Agreement, all beneficiary designations, authorizations for the release of information and rights to reimbursement made by or relating to SpinCo Participants under ParentCo Benefit Plans shall be transferred to and be in full force and effect under the corresponding SpinCo Benefit Plans and ParentCo Benefit Plans until such beneficiary designations, authorizations or rights are replaced or revoked by, or no longer apply, to the relevant SpinCo Participant.

9.8 GSK Agreements. Notwithstanding any other provision contained herein, ParentCo shall not take, and shall cause its Affiliates and its and its Affiliates' officers, directors, employees, agents and representatives (collectively, "Representatives") not to, (or omit to take) any action (including, without limitation, the disclosure of any information to SpinCo or any of its Representatives), that is or would be reasonably expected to result in a breach or violation of, or be in conflict with, any ParentCo confidentiality obligation to GSK under the Collaboration Agreement and/or the Strategic Alliance Agreement. To the extent that SpinCo or any of its Representatives becomes aware or believes that it has or may have received from ParentCo or any of its Representatives Confidential Information (as defined in the Collaboration Agreement or the Strategic Alliance Agreement) of GSK, it will promptly notify ParentCo in writing, will follow any reasonable instructions from ParentCo with respect to the return or destruction of such information, and will not use or disclose such information unless ParentCo confirms that it is not Confidential Information (as defined in the Collaboration Agreement or the Strategic Alliance Agreement) of GSK. Each party agrees and understands that monetary damages would not adequately compensate the non-breaching party for a breach of this Section 9.8, that this Section 9.8 shall, to the fullest extent permitted by law, be specifically enforceable, and that any breach or threatened breach of this Section 9.8 shall be the proper subject of a temporary or permanent injunction or restraining order. Further, ParentCo and SpinCo waive, to the fullest extent permitted by law, any claim or defense that there is an adequate remedy at law for such breach or threatened breach. Notwithstanding any other provision contained herein, SpinCo

acknowledges and agrees that it has no rights to any non-public information under the Collaboration Agreement and/or the Strategic Alliance Agreement, the disclosure of which by ParentCo or any of its Representatives to SpinCo or any of its Representatives is or would be reasonably expected to result in a breach or violation of, or be in conflict with, any ParentCo confidentiality obligation to GSK under the Collaboration Agreement and/or the Strategic Alliance Agreement. Notwithstanding anything else to the contrary, in the event of any conflict between this Section 9.8, or any covenant, right, agreement, obligation or duty of ParentCo or SpinCo (or any of their respective Representatives) under this Section 9.8, on the one hand, and any other provision of this Agreement, or any attachment hereto or any covenant, right, agreement, obligation or duty of ParentCo or SpinCo (or any of their respective Representatives) thereunder, on the other hand, this Section 9.8 shall govern and supersede such other provision, attachment, covenant, agreement, obligation or duty. Each party will be liable for breach of this Section 9.8 by any of its Representatives.

ARTICLE X

MISCELLANEOUS

10.1 Effect If Certain Events Do Not Occur. Notwithstanding anything in this Agreement to the contrary, if the Separation Agreement is terminated prior to the Effective Time, then all actions and events that are, under this Agreement, to be taken or occur effective prior to, as of or following the Distribution Date, or otherwise in connection with the Separation, shall not be taken or occur except to the extent specifically agreed to in writing by ParentCo on the one hand and SpinCo on the other hand and no Party shall have any Liability or further obligation to any other Party under this Agreement.

10.2 Relationship of Parties. Nothing in this Agreement shall be deemed or construed by the Parties or any Third Party as creating the relationship of principal and agent, partnership or joint venture between or among the Parties, it being understood and agreed that no provision contained herein, and no act of the Parties, shall be deemed to create any relationship between or among the Parties other than the relationship set forth herein.

10.3 Subsidiaries. Each of the Parties shall cause to be performed all actions, agreements and obligations set forth herein to be performed by any Subsidiary or Affiliate of such Party or by any entity that becomes a Subsidiary or Affiliate of such Party on and after the Distribution Date. The Parties acknowledge that certain actions, agreements and obligations that certain of their Affiliates and Subsidiaries may be required to perform in connection with the performance of the Parties obligations under this Agreement may require governmental approval under applicable Law, and therefore agree that performance of such actions, agreements and obligations is subject to the receipt of all such necessary governmental approvals, which governmental approvals each Party shall, and shall cause the members of its respective ParentCo Group or SpinCo Group, as applicable, to use its reasonable best efforts to obtain.

10.4 Notices. All notices, requests, claims, demands and other communications under this Agreement shall be in writing and shall be deemed to be duly given when (a) delivered in person or (b) deposited in the United States mail or private express mail, postage prepaid, addressed as follows:

To ParentCo:

Theravance, Inc.
Attention: General Counsel
951 Gateway Boulevard
South San Francisco, CA 94080
Facsimile: 650-238-9601

To SpinCo:

Theravance Biopharma, Inc.
c/o Theravance Biopharma US, Inc.
Attention: General Counsel
901 Gateway Boulevard
South San Francisco, CA 94080
Facsimile: 650-808-6095

with a copy to: (not to constitute notice)

Gunderson Dettmer Stough Villeneuve
Franklin & Hachigian, LLP
Attention: David T. Young and Brooks Stough
1200 Seaport Boulevard
Redwood City, CA 94063
Facsimile: 650-321-2800

Either Party may, by notice to the other Party, change the address to which such notices are to be given.

10.5 Entire Agreement. This Agreement, the Separation Agreement, and all other agreements, instruments, understandings, assignments or other arrangements entered into between the Parties in connection with the Separation, including the exhibits and schedules thereto, contain the entire agreement between the Parties with respect to the subject matter hereof and shall supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter and there are no agreements or understandings between the Parties other than those set forth or referred to herein or therein. In the event of any conflict between the terms and conditions of this Agreement and the terms and conditions of the Separation Agreement, the terms and conditions of this Agreement (including amendments thereto) shall control.

10.6 Waivers. The failure of any Party to require strict performance by the other Party of any provision in this Agreement will not waive or diminish that Party's right to demand strict performance thereafter of that or any other provision hereof.

10.7 Governing Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Delaware, irrespective of the choice of

laws principles of the State of Delaware as to all matters, including matters of validity, construction, effect, enforceability, performance and remedies.

10.8 Counterparts. This Agreement may be executed in more than one counterparts, each of which shall be considered one and the same agreement, and shall become effective when each counterpart has been signed by each of the Parties and delivered to the other Parties. Execution of this Agreement or any other documents pursuant to this Agreement by facsimile or other electronic copy of a signature shall be deemed to be, and shall have the same effect as, executed by an original signature.

10.9 Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby or thereby, as the case may be, is not affected in any manner adverse to any Party. Upon such determination, the Parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to affect the original intent of the Parties.

10.10 Force Majeure. No Party (or any Person acting on its behalf) shall have any liability or responsibility for failure to fulfill any obligation (other than a payment obligation) under this Agreement so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of force majeure. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event: (a) notify the other Party of the nature and extent of any such force majeure condition and (b) use due diligence to remove any such causes and resume performance under this Agreement as soon as reasonably practicable.

10.11 Authorization. Each of the Parties hereby represents and warrants that it has the power and authority to execute, deliver and perform this Agreement, that this Agreement has been duly authorized by all necessary corporate action on the part of such Party, that this Agreement constitutes a legal, valid and binding obligation of each such Party and that the execution, delivery and performance of this Agreement by such Party does not contravene or conflict with any provision of law or of its charter or bylaws or any material agreement, instrument or order binding on such Party.

10.12 No Third Party Beneficiaries. The provisions of this Agreement are solely for the benefit of the Parties and are not intended to confer upon any Person except the Parties any rights or remedies hereunder. There are no Third Party beneficiaries of this Agreement and this Agreement shall not provide any Third Party, including, without limitation, any current or former employee or director of either Party, with any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

10.13 Construction. The Parties have participated jointly in the negotiation and drafting of this Agreement. This Agreement shall be construed without regard to any presumption or rule

requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

10.14 Separation Agreement. To the extent not inconsistent with any specific term of this Agreement, the provisions of the Separation Agreement shall apply in relevant part to this Agreement, including Section 7.1 (Confidentiality), Article IX (Dispute Resolution), Article XI (Termination), Section 12.2 (Assignability), Section 12.10 (Specific Performance), Section 12.11 (Waiver of Jury Trial), Section 12.12 (Amendments) and Section 12.14 (Construction).

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the Parties have caused this Employee Matters Agreement to be duly executed as of the day and year first above written.

THERAVANCE, INC.

By: /s/ Michael W. Aguiar
Name: Michael W. Aguiar
Title: Chief Financial Officer

THERAVANCE BIOPHARMA, INC.

By: /s/ Rick E Winningham
Name: Rick E Winningham
Title: Chief Executive Officer

[SIGNATURE PAGE TO EMPLOYEE MATTERS AGREEMENT]

Exhibit 10.5

THERAVANCE RESPIRATORY COMPANY, LLC

LIMITED LIABILITY COMPANY AGREEMENT

May 31, 2014

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THERAVANCE RESPIRATORY COMPANY, LLC

LIMITED LIABILITY COMPANY AGREEMENT

This Limited Liability Company Agreement (the "**Agreement**") of Theravance Respiratory Company, LLC (the "**LLC**") is entered into pursuant to the Delaware Limited Liability Company Act, Delaware Code Ann. Title 6, §§18-101, et seq., as amended from time to time (the "**Act**"), effective as of May 31, 2014, by and among (i) each Member (as hereinafter defined) set forth on Exhibit A hereto, each having duly executed this Agreement or a counterpart to this Agreement intending to be legally bound by the following terms and conditions, (ii) Theravance, Inc., a Delaware corporation, as Manager, having duly executed this Agreement or a counterpart to this Agreement intending to be legally bound by the following terms and conditions, and (iii) such other Persons who may hereafter be admitted from time to time as Members (as hereinafter defined) in accordance with the provisions hereof.

RECITALS

WHEREAS, Theravance has announced its plan to spin off its drug discovery and development business into Theravance Biopharma, which will be a separate publicly traded company;

WHEREAS, at the Contribution Time, Theravance will assign to the LLC its Strategic Alliance Agreement with GSK and all of its rights and obligations under its Collaboration Agreement with GSK, other than with respect to the Retained Products, and certain other related assets and liabilities;

WHEREAS, immediately after the Contribution Time, Theravance's Class A Units, Class B Units and Class C Units of the LLC will entitle it to 100% of the economic interest in all future payments made by GSK to the LLC under the GSK Agreements relating to the Assigned Products;

WHEREAS, at the Effective Time, Theravance shall transfer all of its Class B Units in the LLC and six thousand three hundred seventy-five (6,375) of its Class C Units in the LLC to Theravance Biopharma and Theravance Biopharma shall be admitted as a Member; and

WHEREAS, the LLC shall be controlled by Theravance who shall, among other things, appoint the Manager which shall manage the business and affairs of the LLC:

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Members hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 **Definitions**. The following terms shall have the meanings set forth for purposes of this Agreement:

"**Accounting Period**" shall mean for each Fiscal Year the period beginning on the 1st of January and ending on the 31st of December; *provided, however*, that the first Accounting Period commenced on the date of formation of the LLC and shall end on December 31 of the year of formation of the LLC; and *provided*, *further*, that, at the election of the Manager, a new Accounting Period shall commence on any date on which an additional Member is admitted to the LLC or a Member ceases to be a Member for any reason.

"**Act**" shall have the meaning ascribed to it in the Preamble.

"**Action**" shall mean any demand, action, cause of action, suit, countersuit, arbitration, inquiry, proceeding or investigation by or before any federal, state, local, foreign or international Governmental Entity or any arbitration or mediation tribunal.

"**Affiliates**" shall mean, with respect to any specified Person, a Person that directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with, the Person specified. For the avoidance of doubt, as of the Effective Time, GSK is not an Affiliate of Theravance or Theravance Biopharma.

"**Agreement**" shall mean this Limited Liability Company Agreement of the LLC as the same shall be amended from time to time.

"**Alliance Product**" shall mean that term as defined in the Strategic Alliance Agreement.

"**ANORO™**" shall mean the Collaboration Product consisting of (a) the combination medicine comprising UMEC with VI, with no other therapeutically active component, and explicitly excluding either component as a monotherapy, and which is proposed, as of the date hereof, to be sold under the brand name "ANORO™ ELLIPTA™", and (b) any and all product improvements, additional claims, line extensions, dosage changes and alternate delivery systems and formulations, in each case, with respect to only such combination medicine set forth in subsection (a) comprising UMEC with VI, with no other therapeutically active component (and explicitly excluding either component as a monotherapy).

"**Assigned Assets**" shall mean:

(a) All of Theravance's rights, title and interest in and to the patents and patent applications listed in Attachment A, and any patents of addition, re-examinations, reissues, extensions, granted supplementary protection certifications, substitutions, confirmations, registrations, revalidations, revisions, additions and the like, of or to said patents and any and all divisionals, continuations and continuations-in-part, and any patents issuing

therefrom, as well as any patent applications related thereto and all Actions against past, present, and future infringement, misappropriation, or other violation of the foregoing.

(b) All of Theravance's rights, title and interest in and to the Trademarks listed on Attachment B, together with (i) all common law rights to such Trademarks, (ii) the goodwill of the LLC Business symbolized by such Trademarks, (iii) all Actions for, or arising from any infringement, dilution, unfair competition, or other violation, including past infringement, dilution, unfair competition, or other violation, of such Trademarks, and (iv) all rights corresponding thereto throughout the world.

(c) All of Theravance's rights, title and interest in and to the domain names listed in Attachment C and all Actions against past, present, and future infringement, misappropriation, or other violation of the foregoing.

(d) All U.S. and foreign copyrights and copyrightable subject matter related to the LLC Business (and not to the Theravance Business), whether registered or unregistered, published or unpublished, statutory or common law, including all related registrations, applications and common law rights, in any labels, product marketing materials or other copyrighted works related to the LLC Business and all Actions against past, present, and future infringement, misappropriation, or other violation of the foregoing ("**LLC Copyrights**").

(e) All of Theravance's rights, title and interest in and to any Intellectual Property, including trade secrets, not heretofore described in the definition of Assigned Assets that is reasonably likely to be used in the LLC Business (and not in the Theravance Business) and that Theravance in its sole discretion determines to assign to the LLC.

(f) With respect to the Assigned Products, all (i) regulatory filings and approvals, registrations and governmental authorizations, (ii) each NDA, (iii) each IND or equivalent, (iv) all compliance notices, licenses and permits, (v) all applications to the FDA or the comparable foreign law or bodies in effect or pending at the Effective Time, and (vi) all materials and information relating to the FDA and other Governmental Approvals for the LLC Business, all as set forth on Attachment D, and all information contained therein (collectively, the "**Registrations**").

(g) All Books and Records.

(h) All pre-clinical and clinical data related to the LLC Business (and not to the Theravance Business) and which is contained in Theravance's databases or otherwise in Theravance's possession or control.

(i) All of Theravance's rights, title and interest in and to the Clinical Trial Materials to the extent not related to the Theravance Business.

(j) All of Theravance's rights, title and interest in and to the Clinical Trial Study Reports to the extent not related to the Theravance Business.

(k) All of Theravance's rights, title and interest in and to any and all other assets that primarily relate to the Assigned Drug Programs or Assigned Products (and not to the

Theravance Business) or that otherwise are expressly contemplated by this Agreement (or the Attachments and Schedules hereto) to be transferred by Theravance to the LLC.

"**Assigned Collaboration Product**" shall mean each Collaboration Product and any other compound that has been, is currently or may in the future be developed or commercialized under the Collaboration Agreement other than Retained Products.

"**Assigned Drug Programs**" shall mean (i) the rights and obligations of Theravance under the GSK Agreements relating to the Assigned Products, (ii) the Liabilities of Theravance under the GSK Agreements relating to the Assigned Products and (iii) the Assigned Assets and Assumed Liabilities.

"**Assigned Products**" shall mean, individually and collectively, each Assigned Collaboration Product and each Assigned Strategic Alliance Product.

"**Assigned Strategic Alliance Product**" shall mean each Alliance Product and any other compound that has been, is currently or may in the future be developed or commercialized under the Strategic Alliance Agreement.

"**Assignment**" shall mean that term as defined in Section 4.1(a).

"**Assumed Liabilities**" shall mean:

(a) All Liabilities under the Registrations arising after the Effective Time.

(b) All other Liabilities primarily arising out of the Assigned Drug Programs or Assigned Products or otherwise arising out of the conduct of Theravance's business solely to the extent relating to of the conduct of the LLC Business or the Assigned Assets.

(c) Any and all Liabilities expressly set forth on Attachment E.

(d) Any and all other Liabilities that are expressly contemplated by this Agreement or any Ancillary Agreement (or the Attachments and Schedules hereto or thereto) to be transferred to and assumed by the LLC.

"**Assumption**" shall mean that term as defined in Section 4.1(c).

"**Books and Records**" shall mean books and records of the business, operations and accounts of an Assigned Product or the LLC to the extent not related to the Theravance Business.

"**BREO®/RELVAR®**" means (a) the combination medicine comprising FF and VI, with no other therapeutically active component, and explicitly excluding either component as a monotherapy, and which is proposed, as of the date hereof, to be sold under the brand name "BREO® ELLIPTA®" in the United States and "RELVAR® ELLIPTA®" in the European Union and Japan, and (b) any and all product improvements, additional claims, line extensions, dosage changes and alternate delivery systems and formulations, in each case, with respect only to such

combination medicine set forth in subsection (a) comprising FF and VI, with no other therapeutically active component (and explicitly excluding either component as a monotherapy).

"**Business Day**" shall mean any day on which banks located in New York, New York are not required or authorized by law to remain closed.

"**Capital Account**" shall mean, with respect to any Member, the account maintained for such Member in accordance with the provisions of Section 9.1(a) hereof.

"**Capital Contribution**" shall mean, with respect to any Member, any contribution to the LLC by such Member of cash or other property. Any reference in this Agreement to the Capital Contribution of a Member shall include the Capital Contribution made by any predecessor holder of the Interest of that Member.

"**Carrying Value**" shall mean:

(a) with respect to any LLC asset, the asset's adjusted basis for U.S. federal income tax purposes, except as follows:

(i) the Carrying Value of any asset contributed or deemed contributed by a Member to the LLC shall be the fair market value of such asset at the time of contribution as determined by agreement of the Members;

(ii) the Carrying Value of any asset distributed or deemed distributed by the LLC to any Member shall be adjusted immediately prior to such distribution to equal its fair market value at such time;

(iii) the Carrying Values of all LLC assets shall be adjusted to equal their respective fair market values as of the following times:

(1) immediately prior to the date of the acquisition of any additional Interest by any new or existing Member, other than in exchange for a de minimis Capital Contribution;

(2) immediately prior to the date of the distribution of more than a de minimis amount of LLC property to a Member;

(3) the liquidation of the LLC within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g); and

(4) in connection with the grant of an Interest (other than a de minimis interest) as consideration for the provision of services to or for the benefit of the LLC or a subsidiary of the LLC by an existing Member acting in a partner capacity, or by a new Member acting in a partner capacity in anticipation of becoming a Member; *provided* that an adjustment described in subclauses (1), (2) and (4) of this clause (iii) shall be made only if the Manager reasonably determines that such adjustment is necessary to reflect the collective economic interests of the Members in the LLC.

In the case of any asset that has a Carrying Value determined pursuant to subclause (1), (2) or (4) above, depreciation or deductions shall be computed based on the asset's Carrying Value as so determined, and not on the asset's adjusted tax basis, as more fully described under the definition of Net Income and Net Loss below.

(b) with respect to any liability, at a given time, the amount of such liability to the extent:

(i) reflected in the basis of any asset;

(ii) previously or currently deductible in computing Net Income or Net Loss or otherwise for Capital Account maintenance purposes; or

(iii) otherwise previously taken into account for Capital Account maintenance purposes.

"**Certificate**" shall have the meaning ascribed to it in Section 2.1.

"**Class**" shall mean the group of Members owning all of the outstanding Units of a particular class of Units as set forth in Section 3.2(a) hereof.

"**Class A Members**" shall mean Members holding Class A Units, their permitted successors and assigns who may be admitted to the LLC as Class A Members, in accordance with the terms hereof and any other Person who may be admitted to the LLC as a Class A Member in accordance with the terms of this Agreement.

"**Class A Units**" shall have the meaning ascribed to it in Section 3.2(a).

"**Class B Members**" shall mean Members holding Class B Units, their permitted successors and assigns who may be admitted to the LLC as Class B Members, in accordance with the terms hereof and any other Person who may be admitted to the LLC as a Class B Member in accordance with the terms of this Agreement.

"**Class B Units**" shall have the meaning ascribed to it in Section 3.2(a).

"**Class C Members**" shall mean Members holding Class C Units, their permitted successors and assigns who may be admitted to the LLC as Class C Members, in accordance with the terms hereof and any other Person who may be admitted to the LLC as a Class C Member in accordance with the terms of this Agreement.

"**Class C Units**" shall have the meaning ascribed to it in Section 3.2(a).

"**Clinical Trial**" shall mean a pre-clinical or clinical trial related to the Assigned Products.

"**Clinical Trial Materials**" shall mean the Assigned Products and the placebo for each of these products for use in Clinical Trials, whether in bulk, formulated or finished form and whether in existence at the Effective Time.

"**Clinical Trial Study Reports**" shall mean all reports or summaries of all data, records and documents resulting from the Clinical Trials.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended.

"**Collaboration Agreement**" means that certain Collaboration Agreement, dated as of November 14, 2002, by and between Theravance and GSK, including all amendments and supplements thereto (including the Theravance Collaboration Agreement Amendment dated March 3, 2014 (the "**Collaboration Amendment Agreement**")).

"**Collaboration Product**" shall mean that term as defined in the Collaboration Agreement.

"**Consents**" shall mean any and all consents, waivers or approvals from, or notification requirements to, any Third Parties.

"**Contingent Distribution**" shall have the meaning ascribed to it in Section 14.5.

"**Contribution Time**" shall mean 11:59 p.m. Pacific Daylight Time on May 31, 2014.

"**Costs**" shall mean LLC Costs and Management Costs.

"**Defined Covenants**" shall mean any covenant:

(a) requiring Theravance Biopharma and its permitted transferees, successors and permitted assigns (as applicable) to fully perform and comply with the Master Agreement and this Agreement and prohibiting any of them from taking any action, or failing to take any action, that breaches, violates or could reasonably be expected to breach or violate the Master Agreement or this Agreement;

(b) (A) requiring Theravance Biopharma and its permitted transferees, successors and permitted assigns (as applicable) to enforce the Master Agreement and this Agreement and their rights thereunder and hereunder, in each case to the extent that the failure to do so under this clause (A) would be reasonably expected to have a direct or indirect material and adverse effect on Theravance Biopharma's or its permitted transferees', successors' and permitted assigns' (as applicable) rights or obligations under the Master Agreement or this Agreement, and (B) prohibiting Theravance Biopharma and its permitted transferees, successors and permitted assigns (as applicable) from amending, modifying, supplementing, waiving, canceling, terminating or granting any consent thereunder or hereunder, or taking any other action or failing to take any action having the effect of the foregoing, or agreeing to do any of the foregoing directly or indirectly, in whole or in part, to the Master Agreement or this Agreement or any rights thereunder or hereunder, in each case to the extent that such action or inaction referred to in clause (B) would be reasonably expected to have a direct or indirect material and adverse effect on Theravance Biopharma's or its permitted transferees', successors' and permitted assigns' (as applicable) rights or obligations under the Master Agreement or this Agreement;

(c) prohibiting Theravance Biopharma and its permitted transferees, successors and permitted assigns (as applicable) from taking any action to, directly or indirectly, adversely impact, delay, forgive, release or compromise any amount owed to or becoming owing to them under this Agreement; and

(d) requiring a holder to maintain its separate existence from any other entity and to operate in a manner so as to establish or maintain a bankruptcy remote status, including by restricting incurrence of debt, grant of liens, employment of employees and consultants, ownership or lease of real or personal property, guarantees, incurrence of liabilities, issuance of securities, lines of business, and initiation of bankruptcy or insolvency proceedings and other similar customary covenants regarding bankruptcy remote status.

"**DGCL**" shall mean the General Corporation Law of the State of Delaware, 8 Del. Code § 101 et seq., as amended from time to time.

"**Designated Jurisdiction**" shall mean California.

"**Distribution Date**" shall mean that term as defined in the Separation and Distribution Agreement.

"**Effective Time**" shall mean 12:01 a.m. Pacific Daylight Time on June 1, 2014.

"**Electronic Signature**" shall have the meaning ascribed to it in Section 15.12.

"**Estimated Tax Period**" shall mean, for each Fiscal Year, the periods of January 1 through March 31, April 1 through May 31, June 1 through August 31, and September 1 through December 31 (each a "**Fiscal Quarter**").

"**FF**" shall mean the inhaled corticosteroid known as Fluticasone Furorate (with the chemical structure as set forth in Attachment F) or an ester, salt or other noncovalent derivative thereof.

"**Financial Plan**" shall have the meaning ascribed to it in Section 5.3(e).

"**Fiscal Year**" shall mean the taxable year of the LLC, which shall be the period from January 1 to December 31 of each year, except as otherwise required by the Code.

"**GAAP**" shall mean United States generally accepted accounting principles.

"**Governmental Approvals**" shall mean any notices, reports or other filings to be made, or any consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Entity.

"**Governmental Entity**" shall mean any federal, state, local, foreign or international court government department, commission, board, bureau, agency, official or other regulatory, administrative or governmental entity.

"**GSK**" shall mean Glaxo Group Limited, a private company limited by shares registered under the laws of England and Wales.

"**GSK Agreements**" shall mean the Collaboration Agreement and the Strategic Alliance Agreement, individually or collectively.

"**IND**" shall mean an investigational new drug application, including any amendments and supplements thereto, and all reports, correspondence and other submissions related thereto.

"**Indebtedness**" shall mean as to any Person: (a) all obligations, whether or not contingent, of such Person for borrowed money (including, without limitation, reimbursement and all other obligations with respect to surety bonds, letters of credit and bankers' acceptances, whether or not matured); (b) all obligations of such Person evidenced by notes, bonds, debentures or similar instruments; (c) all obligations of such Person under leases which have been or should be, in accordance with GAAP, recorded as capital leases; (d) all liabilities and obligations secured by any Lien on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is non-recourse to the credit of that Person; and (e) all Indebtedness of any other Person referred to in clauses (a) through (e) above, guaranteed, directly or indirectly, by that Person; but excluding all obligations of such Person for deferred rent.

"**Intellectual Property**" shall mean all intellectual property and industrial property rights of any kind or nature, including all United States and foreign (a) patents, patent applications, patent disclosures, and all related continuations, continuations-in-part, divisionals, reissues, re-examinations, substitutions and extensions thereof, (b) Trademarks and all goodwill associated therewith, (c) copyrights and copyrightable subject matter, whether statutory or common law, registered or unregistered and published or unpublished, (d) rights of publicity, (e) moral rights and rights of attribution and integrity, (f) rights in Software, (g) trade secrets and all other confidential and proprietary information, know-how, inventions, improvements, processes, formulae, models and methodologies, (h) rights to domain names, (i) rights to personal information, (j) telephone numbers and internet protocol addresses, (k) applications and registrations for the foregoing, and (l) Actions against past, present, and future infringement, misappropriation, or other violation of the foregoing (and rights to bring such Actions).

"**Interest**" shall mean the interest of a Member (or a permitted assignee of a Member) in the LLC, which is represented by the Units held by such Member (or permitted assignee), and includes all of the respective rights and responsibilities appurtenant thereto hereunder, including (i) with respect to a Member (but not an assignee), the right, if any, to vote, (ii) the right to have a Capital Account maintained for such Member (or assignee), (iii) the right to receive allocations of Net Income and Net Losses pursuant to Article IX, (iv) the right to receive distributions of cash or property of the LLC, (v) the right to appoint the Manager, if applicable and (vi) the right to approve the actions prohibited by Section 5.4, if applicable.

"**Interim Period**" shall mean, upon the Transfer of a Member's Interest (other than the Theravance Biopharma Transfer or the R&D Transfer), a change in the LLC Percentage of any Member, the resignation of a Member from the LLC or the admission of a new Member

to the LLC (other than the admission of Theravance Biopharma as a Member pursuant to Section 12.10 or the R&D Transfer), in each case, other than on the first day of any Fiscal Year, or, upon the election of the Manager, the period beginning on the date of such event or election and ending on the last day of the Fiscal Year in which such Interim Period began or on the day immediately preceding the beginning of a new Interim Period, whichever is earlier.

"**Law**" shall mean any constitutional provision, law, statute, rule, regulation (including any stock exchange rule or regulation), ordinance, treaty, order, decree, license, permit, policy, guideline, consent, approval, certificate, judgment or decision of any governmental authority or any judgment, decree, injunction, writ, order or like action of any court or other judicial or quasi-judicial tribunal.

"**Liabilities**" shall mean any and all debts, liabilities, and obligations, whether accrued or fixed, known or unknown, absolute or contingent, matured or unmatured, reserved or unreserved, or determined or determinable of any kind or nature whatsoever, including those arising under any Law or Action, whether asserted or unasserted, or order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any governmental entity, and those arising under any Contract or any fines, damages or equitable relief which may be imposed in connection with any of the foregoing and including all costs and expenses related thereto.

"**Lien**" shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, encumbrance, lien (statutory or other) or other security interest of any kind or nature whatsoever, including, without limitation, those created by, arising under or evidenced by any conditional sale or other title retention contract, the interest of a lessor under a lease which in accordance with GAAP should be recorded as a capital lease, or any financing lease having substantially the same economic effect as any of the foregoing.

"**LLC**" shall have the meaning ascribed to it in the Preamble.

"**LLC Business**" shall mean exercising all of the rights and benefits and performing and discharging all of the liabilities and obligations under (i) the Strategic Alliance Agreement and (ii) the Collaboration Agreement relating to the Assigned Collaboration Products.

"**LLC Costs**" shall mean all costs and expenses incurred by or on behalf of the LLC relating to the operation of the LLC, whether recurring or non-recurring, including, without limitation, (i) occupancy costs, (ii) personnel costs of the LLC, (iii) general administrative costs of the LLC, including service costs (if any) from Theravance for services provided to the LLC, and (iv) costs of indemnifying the Manager.

"**LLC Percentage**" shall mean, as of any date, the LLC Percentage for each Member (or assignee of such Member), which shall be determined by dividing the number of Units of such Member (or assignee) in the LLC as of such date by the sum of total issued and outstanding Units in the LLC as of such date (including, for the avoidance of doubt, all Class A Units, all Class B Units and all Class C Units). The sum of the Members' (and assignees of Members') LLC Percentages shall be one hundred percent (100%).

"**Majority in Interest of the Class A Members**" shall mean, as of any date, unless otherwise expressly set forth herein, the Member(s) holding at least a majority of the outstanding Class A Units as of such date.

"**Majority in Interest of the Class B Members**" shall mean, as of any date, unless otherwise expressly set forth herein, the Member(s) holding at least a majority of the outstanding Class B Units as of such date.

"**Majority in Interest of the Class C Members**" shall mean, as of any date, unless otherwise expressly set forth herein, the Member(s) holding at least a majority of the outstanding Class C Units as of such date.

"**Management Fee**" shall mean the management fee payable to the Manager on a quarterly basis pursuant to Section 5.5.

"**Manager**" means the Person appointed pursuant to Section 5.1 to manage the business and affairs of the LLC or, if no Person is appointed as Manager pursuant to Section 5.1, a Majority in Interest of the Class A Members.

"**Master Agreement**" means that certain Master Agreement, dated March 3, 2014, by and among GSK, Theravance and Theravance Biopharma, as amended from time to time.

"**Members**" and "**Member**" means the Persons listed as members on Exhibit A (as may be amended from time to time) and any other Person that both acquires an Interest and is admitted to the LLC as a Member in accordance with the terms of this Agreement, in such Person's capacity as a member of the LLC.

"**NDA**" shall mean a new drug application, including any amendments or supplements thereto, and all reports, correspondence and other submissions related thereto.

"**Net Cash**" shall mean an amount of cash at the end of each Fiscal Quarter (and Interim Period, if applicable) equal to (i) the amount of cash and cash equivalents held by the LLC as of the end of such Fiscal Quarter (or Interim Period, if applicable) minus (ii) the cash, if any, expected to be used in the LLC over the next four Fiscal Quarters.

"**Net Income**" and "**Net Loss**" shall mean, for each Accounting Period, an amount equal to the LLC's net taxable income or loss, as applicable, for such Accounting Period, determined in accordance with Code Section 703(a) (it being understood that for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in such taxable income or loss) and determined in accordance with the accounting method used by the LLC for U.S. Federal income tax purposes with the following adjustments (without duplication):

(a) all items of income, gain, loss or deduction specifically allocated pursuant to Section 9.3 shall not be taken into account in computing such taxable income or loss;

(b) any income of the LLC that is exempt from U.S. Federal income taxation and not otherwise taken into account in computing Net Income and Net Loss shall be added to such taxable income or loss;

(c) if the Carrying Value of any asset differs from its adjusted tax basis for U.S. Federal income tax purposes, any gain or loss resulting from a disposition of such asset shall be calculated with reference to such Carrying Value;

(d) upon an adjustment to the Carrying Value of any asset pursuant to clauses (ii) or (iii) of subsection (a) of the definition of Carrying Value (other than an adjustment in respect of depreciation), the amount of the adjustment shall be included as gain or loss in computing such taxable income or loss;

(e) if the Carrying Value of any asset differs from its adjusted tax basis for U.S. Federal income tax purposes the amount of depreciation, amortization or cost recovery deductions with respect to such asset for purposes of determining Net Income and Net Loss shall be an amount which bears the same ratio to such Carrying Value as the U.S. Federal income tax depreciation, amortization or other cost recovery deductions bears to such adjusted tax basis (*provided* that if the U.S. Federal income tax depreciation, amortization or other cost recovery deduction is zero, the Manager may use any reasonable method for purposes of determining depreciation, amortization or other cost recovery deductions in calculating Net Income and Net Loss; and

(f) except for items set forth in clauses (a) through (e) above, any expenditures of the LLC not deductible in computing taxable income or loss, not properly capitalizable and not otherwise taken into account in computing Net Income and Net Loss pursuant to this definition shall be treated as deductible items.

For the avoidance of doubt, costs and expenses of the LLC shall not include Management Costs that are borne by the Manager.

"**Non-Contributing Member**" shall have the meaning ascribed to it in Section 4.2.

"**Nonrecourse Deductions**" shall be as defined in Treasury Regulations Section 1.704-2(b). The amount of Partner Nonrecourse Deductions for a Fiscal Year equals the net increase, if any, in the amount of Partnership Minimum Gain during that Fiscal Year, determined according to the provisions of Treasury Regulations Section 1.704-2(c).

"**Officer**" shall have the meaning ascribed to it in Section 7.1.

"**Partner Nonrecourse Debt Minimum Gain**" shall mean an amount with respect to each partner nonrecourse debt (as defined in Treasury Regulations Section 1.704-2(b)(4)) equal to the Partnership Minimum Gain that would result if such partner nonrecourse debt were treated as a nonrecourse liability (as defined in Treasury Regulations Section 1.752-1(a)(2)) determined in accordance with Treasury Regulations Section 1.704-2(i)(3).

"**Partner Nonrecourse Deductions**" shall be as defined in U.S. Treasury Regulations Section 1.704-2(i)(2).

"**Partnership Minimum Gain**" shall be as defined in Treasury Regulations Section 1.704-2(b)(2) and 1.704-2(d).

"**Permitted Consultants**" shall have the meaning ascribed to it in the Master Agreement.

"**Person**" shall mean a natural person, partnership (whether general or limited and whether domestic or foreign), limited liability company, foreign limited liability company, trust, estate, association, corporation, government entity, custodian, nominee or any other individual or entity in its own or representative capacity.

"**Projected Capital Contribution**" for the LLC shall mean an amount calculated each Fiscal Quarter equal to the forecast negative net cash flow of the LLC for that Fiscal Quarter, as set forth in the Operating Plan then in effect for such Fiscal Quarter.

"**Proprietary Information**" shall have the meaning ascribed to it in Section 8.6.

"**R&D Transfer**" shall mean the contemplated Transfer on or about June 1, 2014 of Theravance Biopharma's Interests to Theravance Biopharma R&D, Inc., a wholly-owned subsidiary of Theravance Biopharma.

"**Restricted Party**" means any of Almirall, AstraZeneca, Boehringer Ingelheim, Chiesi, Forest Laboratories, Merck, Mylan, Novartis, Sandoz, Teva, Theravance Biopharma and any other pharmaceutical or biotechnology company with a product either being developed or commercialized for the treatment of respiratory disease, and their respective Restricted Party Affiliates.

"**Restricted Party Affiliate**" with respect to any person means any other person, whether de jure or de facto, which directly or indirectly controls, is controlled by, or is under common control with such person for so long as such control exists, where "control" means the decision-making authority as to such other person and, further, where such control shall be presumed to exist where such other person owns more than fifty percent (50%) of the equity (or such lesser percentage which is the maximum allowed to be owned by a foreign corporation in a particular jurisdiction) having the power to vote on or direct the affairs of the entity.

"**Retained Product**" means each of ANORO™, BREO®/RELVAR® and VI Monotherapy.

"**SEC**" shall mean the U.S. Securities and Exchange Commission.

"**Securities Act**" shall mean the Securities Act of 1933, as amended from time to time, and the rules and regulations thereunder.

"**Securities Exchange Act**" shall mean the United States Securities Exchange Act of 1934, as then in effect and as thereafter amended from time to time, or any successor statute, including the rules and regulations promulgated thereunder.

"**Separation and Distribution Agreement**" shall mean the Separation and Distribution Agreement between Theravance and Theravance Biopharma dated as of June 1, 2014.

"**Strategic Alliance Agreement**" shall mean that certain Strategic Alliance Agreement, dated as of March 30, 2004, by and between Theravance and GSK, including all amendments and supplements thereto (including the Theravance Strategic Alliance Agreement Amendment dated March 3, 2014 (the "**Strategic Alliance Amendment Agreement**").

"**Tax Matters Partner**" shall have the meaning ascribed to it in Section 8.5.

"**Theravance**" shall mean Theravance, Inc., a Delaware corporation, its successors and/or permitted assigns.

"**Theravance Affiliate**" shall mean an "Affiliate" (as such term is defined in the GSK Agreements) of Theravance.

"**Theravance Biopharma**" shall mean Theravance Biopharma, Inc., a Cayman Islands exempted company, its successors and/or permitted assigns.

"**Theravance Biopharma Transfer**" shall mean the Transfer of all Class B Units and six thousand three hundred seventy-five (6,375) Class C Units to Theravance Biopharma pursuant to Section 12.10.

"**Theravance Biopharma Triggering Event**" shall mean the Transfer to GSK and/or its Affiliates, in one or more transactions, of a Majority in Interest of the Class B Units, which, for the avoidance of doubt, shall include (a) any transaction or series of related transactions (including mergers, consolidations and other forms of business consolidations) following which GSK and/or its Affiliates own at least 50% of the outstanding equity securities of Theravance Biopharma, the entity surviving such transaction or any direct or indirect parent entity of such continuing or surviving entity at a time when Theravance Biopharma or such entity surviving such transaction or any such direct or indirect parent entity of such continuing or surviving entity or any of its subsidiaries holds a Majority in Interest of the Class B Units; or (b) the sale, lease, license, transfer or disposal of all or substantially all of the business or assets of Theravance Biopharma to GSK and/or its Affiliates provided that following such transaction GSK and/or its Affiliates hold a Majority in Interest of the Class B Units.

"**Theravance Business**" shall mean any business within (i) the "ParentCo Business" as defined in the Separation and Distribution Agreement (other than the portion thereof that is specific to the Assigned Products) or (ii) the "SpinCo Business" as defined in the Separation and Distribution Agreement.

"**Theravance Triggering Event**" shall mean: (a) any transaction or series of related transactions (including mergers, consolidations and other forms of business

consolidations) following which GSK and/or its Affiliates own at least 50% of the outstanding equity securities of Theravance, the entity surviving such transaction or any direct or indirect parent entity of such continuing or surviving entity; (b) the sale, lease, license, transfer or other disposal of all or substantially all of the business or assets of Theravance to GSK and/or its Affiliates; (c) the assignment by Theravance or its Affiliate to GSK or its Affiliate of all or substantially all of its rights and obligations under the Collaboration Agreement or the Strategic Alliance Agreement; (d) the Transfer to GSK and/or its Affiliates of a Majority in Interest of the Class A Units; or (e) the occurrence of (1) the breach or violation by Theravance of the GSK Agreements or the taking of other action by Theravance, in each case, that gives GSK the right to terminate or invalidate the GSK Agreements or the terms thereof relating to the Assigned Drug Programs and (2) the termination or invalidation of the GSK Agreements or the terms thereof relating to the Assigned Drug Programs by GSK.

"**Theravance Triggering Event Date Agreements**" shall have the meaning ascribed to it in Section 3.14.

"**Third Party**" shall mean any Person other than Theravance, any Theravance Affiliate, the LLC and any LLC Affiliate.

"**Transfer**" shall mean transfer, sell, mortgage, pledge, assign or otherwise dispose of, either directly or indirectly, by operation of law or otherwise. For the avoidance of doubt, (i) the grant of Defined Covenants by Theravance Biopharma and its permitted transferees, successors and permitted assigns (as applicable) with respect to the Master Agreement, this Agreement or the Class B Units or Class C Units in connection with any monetization of any Interest in its Class B Units or Class C Units, and the grant of "Pre-Agreed Covenants" (as defined in the Master Agreement) in compliance with the Master Agreement shall not constitute a Transfer under this Agreement; and (ii) the parties expressly agree that no inference shall be drawn as to whether any other grant of any covenants constitutes an assignment under any GSK Agreement or a Transfer under this Agreement from the fact of the agreements with respect to Defined Covenants and Pre-Agreed Covenants. Notwithstanding the foregoing, Theravance Biopharma (on behalf of itself and its permitted transferees, successors and permitted assigns) agrees that, as a condition to the granting of any Defined Covenants: (i) Theravance Biopharma and/or its permitted transferees, successors or permitted assigns (as applicable) shall obtain a certification from the original third party recipient of such Defined Covenants, as applicable, that it is not a Restricted Party (as defined above); and (ii) any notes, securities or other instruments subject to such covenants shall provide that (a) they may not be held by a Restricted Party and if, notwithstanding such prohibition, such notes, securities or other instruments come to be held by a Restricted Party, such Restricted Party shall not be entitled to enforce or vote to enforce such Defined Covenants, (b) any holder of such notes, securities or other instruments seeking to enforce or to vote to enforce such Defined Covenants must provide a certificate for the benefit of the issuer that such holder is not a Restricted Party, and (c) the restriction set forth in the preceding sections (a) and (b) and this section (c) may not be waived or amended. Any notes, securities or other instruments subject to such Defined Covenants issued in physical form shall bear a legend referencing the provisions set forth in (a), (b) and (c) of the foregoing sentence.

"**Treasury Regulations**" shall mean regulations issued pursuant to the Code.

"**UMEC**" shall mean the long-acting muscarinic antagonist umeclidinium bromide (with the chemical structure as set forth in Attachment G) or an ester, salt or other non-covalent derivative thereof.

"**Units**" shall mean the Class A Units, the Class B Units and the Class C Units.

"**VI**" shall mean the long-acting beta$_2$ agonist vilanterol (with the chemical structure as set forth in Attachment H) or an ester, salt or other noncovalent derivative thereof.

"**VI Monotherapy**" shall mean (a) VI, solely as a monotherapy (i.e., excluding VI in combination with any one or more other therapeutically active component(s)), and (b) any and all product improvements, additional claims, line extensions, dosage changes and alternate delivery systems, in each case, with respect to only VI solely as a monotherapy (i.e., excluding VI in combination with any one or more other therapeutically active component(s)).

ARTICLE II

FORMATION OF LIMITED LIABILITY COMPANY

2.1 **Formation**. The LLC has been formed as a Delaware limited liability company by the execution and filing with the Secretary of State of the State of Delaware of a Certificate of Formation (as the same may be amended from time to time, the "**Certificate**"). Upon such filing, the powers of such authorized person ceased. The rights, powers, duties, obligations and liabilities of the Members (in their respective capacities as such) shall be determined pursuant to the Act and this Agreement. To the extent that the rights, powers, duties, obligations and liabilities of any Member (in its capacity as such) are different by reason of any provision of this Agreement than they would be in the absence of such provision, this Agreement shall, to the extent permitted by the Act, control. The Members hereby ratify the actions of the authorized person of the LLC in executing and filing the Certificate with the Secretary of State of the State of Delaware. Other than actions relative to its formation, the LLC has not engaged in any business or conducted any other activities prior to the date of this Agreement.

2.2 **Name and Principal Place of Business**. Unless and until amended in accordance with this Agreement and the Act, the name of the LLC will be "Theravance Respiratory Company, LLC." The principal place of business of the LLC shall initially be located at 901 Gateway Blvd., South San Francisco, CA 94080, or such other location as the Manager may, from time to time, designate. The address of the LLC's registered office in the State of Delaware, and the name of the registered agent for service of process, shall be The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, or such other place or person in the State of Delaware as the Manager shall designate.

2.3 **Agreement**. For and in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Members executing this Agreement hereby agree to the terms and conditions of this Agreement, as it may from time to time be amended in accordance with this Agreement. It is the express intention of the parties hereto that this Agreement shall be the sole statement of agreement among them, and, except to the extent a provision of this Agreement expressly

incorporates federal income tax rules by reference to sections of the Code or Treasury Regulations or is expressly prohibited or ineffective under the Act, this Agreement shall govern even when inconsistent with or different from the provisions of the Act or any other law or rule. To the extent any provision of this Agreement is prohibited or ineffective under the Act or other applicable law, this Agreement shall be considered amended to the smallest degree possible in order to make this Agreement effective under the Act or such other applicable law. In the event the Act is subsequently amended or interpreted in such a way to make valid any provision of this Agreement that was formerly invalid, such provision shall be considered to be a part of this Agreement from and after the date of such interpretation or amendment.

2.4 **Business**. The purpose of the LLC is to (i) engage in the LLC Business, (ii) enter into, make, and perform all contracts and other undertakings relating thereto or arising therefrom, (iii) carry on any other business or activity relating thereto or arising therefrom and (iv) carry on anything incidental, convenient or necessary to the foregoing. Notwithstanding the foregoing, the LLC may engage in any lawful business permitted under the Act or the laws of any jurisdiction in which the LLC may do business.

2.5 **Definitions**. Terms not otherwise defined in this Agreement shall have the meanings set forth in Article I.

2.6 **Term**. The term of the LLC commenced on the date the Certificate was filed with the Secretary of State of the State of Delaware in accordance with the Act and shall continue until the LLC is dissolved pursuant to Article XIV of this Agreement.

ARTICLE III

MEMBERS AND INTERESTS

3.1 **Units Generally**.

(a) Generally. The Interest of each of the Members in the LLC shall consist of a number of "**Units**." Except as otherwise provided in this Agreement or the Act, the holders of each class of Units shall be entitled to the rights, subject to the obligations set forth herein, ascribed to such class of Units. The Units shall be uncertificated unless the Manager determines that the Units shall be represented by certificates in such form as shall be determined by the Manager from time to time. If applicable, the LLC may issue a new certificate in place of any certificate therefore issued by it, alleged to have been lost, stolen or destroyed, and the LLC may require the owner of the lost, stolen or destroyed certificate, or his or her legal representative to give the LLC a bond sufficient to indemnify it against any claim that may be made against it on account of that alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

3.2 **Classes of Units**. There are three classes of Units designated "Class A Units" (the "**Class A Units**"), "Class B Units" (the "**Class B Units**") and "Class C Units" (the "**Class C Units**"). Subject to the terms and conditions of Articles III and IV hereof, the LLC is authorized to issue up to ten thousand (10,000) Units in the aggregate, divided as follows: (i) seven hundred fifty (750) Units shall be Class A Units, of which seven hundred fifty (750) Class A Units shall

be issued and outstanding and owned by the Class A Members as of the Contribution Time, (ii) two thousand one hundred twenty-five (2,125) Units shall be Class B Units, of which two thousand one hundred twenty-five (2,125) Class B Units shall be issued and outstanding and owned by the Class B Members as of the Contribution Time, and (iii) seven thousand one hundred twenty-five (7,125) Units shall be Class C Units, of which seven thousand one hundred twenty-five (7,125) Class C Units shall be issued and outstanding and owned by the Class C Members as of the Contribution Time. The parties hereto agree that, notwithstanding anything to the contrary in this Agreement, the LLC is not and shall not be authorized to issue additional classes of Units or additional Class A, Class B or Class C Units, other than those authorized and issued pursuant to the preceding sentence. Each Class A Member shall hold an Interest in the LLC represented by the Class A Units set forth opposite the Member's name on Exhibit A, as amended from time to time pursuant to Section 15.1(c), each Class B Member shall hold an Interest in the LLC represented by the Class B Units set forth opposite the Member's name on Exhibit A (after giving effect to the Theravance Biopharma Transfer pursuant to Section 12.10), as amended from time to time pursuant to Section 15.1(c), and each Class C Member shall hold an Interest in the LLC represented by the Class C Units set forth opposite the Member's name on Exhibit A (after giving effect to the Theravance Biopharma Transfer pursuant to Section 12.10), as amended from time to time pursuant to Section 15.1(c). For the avoidance of doubt each Member may hold more than one class of Units. Each Member holding Units shall have (a) the right to share in the Net Income and Net Loss of the LLC as provided in this Agreement, (b) a right to the Capital Account maintained for such Member according to Article IX hereof, (c) the right to receive distributions from the LLC as provided in this Agreement, and (d) such other relative rights, powers and duties as are set forth in this Agreement.

3.3 **Members**. The Members of the LLC are set forth on Exhibit A attached hereto, each of whom is (or, in the case of Theravance Biopharma, will be as of the Effective Time) admitted to the LLC as a Member as of the Contribution Time, in the case of Theravance, and as of the Effective Time, in the case of Theravance Biopharma. The name and place of residence of each Member is as set forth on Exhibit A attached hereto (after giving effect to the Theravance Biopharma Transfer pursuant to Section 12.10), as amended from time to time pursuant to Section 15.1(c). Each Member shall be entitled to review Exhibit A.

3.4 **Representations and Warranties**. Each Member hereby represents and warrants to the LLC and each other Member as follows:

(a) Good Standing; Due Organization. If such Member is a Person who is not an individual, such Member is duly organized, validly existing, and in good standing under the law of its state of organization and has full organizational power to execute and deliver this Agreement and to perform its obligations hereunder.

(b) Accredited Investor. (i) Such Member is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D of the Securities Act, or (ii) such Member is acquiring the respective Interest in compliance with Federal, state, local or foreign laws.

(c) Purchase Entirely for Own Account. Except, with respect to Theravance Biopharma, for the R&D Transfer, the Member is acquiring its Interest for the Member's own account for investment purposes only and not with a view to or for the resale, distribution,

subdivision or fractionalization thereof, and has no contract, understanding, undertaking, agreement or arrangement of any kind with any Person to Transfer to any Person its Interest or any part thereof, nor does such Member have any plans to enter into any such agreement.

(d) Investment Experience. By reason of the Member's business or financial experience, the Member has the knowledge, experience and capacity to evaluate and protect its own interests in connection with the transactions contemplated hereunder, is able to bear the economic and financial risks of an investment in the LLC for an indefinite period of time, and at the present time could afford a complete loss of such investment.

(e) Disclosure of Information. The Member is aware of the LLC's business affairs and financial condition and has acquired sufficient information about the LLC to reach an informed and knowledgeable decision to acquire an Interest.

(f) Federal and State Securities Laws. Assuming federal and state securities laws apply to the interests described herein, the Member acknowledges that the Units have not been registered under the Securities Act or any state securities laws, inasmuch as they are being acquired in a transaction not involving a public offering, and, under such laws, may not be resold or transferred by the Member without appropriate registration or the availability of an exemption from such requirements. In this connection, the Member represents that it is familiar with SEC Rule 144, as presently in effect, and understands the resale limitations imposed thereby and by the Securities Act.

(g) DISCLAIMER. THE ASSIGNED ASSETS AND ANY LICENSES ARE PROVIDED "AS IS" WITH NO WARRANTY EXPRESS OR IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, WARRANTIES OF MERCHANTABILITY, FITNESS FOR ANY PARTICULAR PURPOSE, NONINFRINGEMENT, TITLE, VALIDITY OR OTHERWISE.

3.5 Resignation or Withdrawal of a Member. Except as specifically provided herein, and subject to the provisions for Transfers contained in Article XII, no Member shall have the right to resign or withdraw from membership in the LLC or withdraw its Interest.

3.6 Limited Liability of Members.

(a) General. Except as expressly provided in the Act, (i) no Member or any of its Affiliates shall have any liability for the debts, obligations or liabilities of the LLC, any other Member or their respective Affiliates solely by reason of being a Member or an Affiliate of a Member, (ii) the debts, obligations and liabilities of the LLC, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the LLC, and (iii) no Member or former Member shall be obligated personally for any such debt, obligation or liability of the LLC solely by reason of being a Member or former Member.

(b) Deficit Capital Accounts. Notwithstanding anything to the contrary contained in this Agreement, and notwithstanding any custom or rule of law to the contrary, to the extent that there exists a deficit in the Capital Account of any Member, upon dissolution of the LLC such deficit shall not be an asset of the LLC and such Members shall not be obligated to

contribute such amount to the LLC to bring the balance of such Member's Capital Account to zero.

3.7 **General Voting Rights**. The Class A Members shall, and the Class B Members and the Class C Members shall not, be entitled to vote, approve, consent or authorize on all matters for which the vote, approval, consent or authorization of the Members is required or permitted under this Agreement or the Act. Each Class A Member shall have one (1) vote for each Class A Unit held by it. For the avoidance of doubt, Class B Members and Class C Members shall not be entitled to vote, approve, consent or authorize any matter whatsoever (including with respect to the merger, consolidation or conversion of the LLC and any other matters that may otherwise require consent of members or any class of members under the Act) except as set forth in the next sentence. Notwithstanding the forgoing, the affirmative consent of (i) the Class B Members shall be required to the extent specifically set forth in Sections 3.11, 5.4, 14.1 and 15.1, (ii) the Class C Members shall be required to the extent specifically set forth in Sections 3.11, 14.1 and 15.1(d) and (iii) the Non-Contributing Member shall be required to the extent required pursuant to Section 4.2. A Member who has assigned some, but not all, of its Units shall be treated as a Member and entitled to a vote on all matters such Member would otherwise be entitled to vote on pursuant to the terms of this Agreement to the extent of its retained Units. For the avoidance of doubt, the assignee of Units shall not be entitled to vote on any matters with respect to the assigned Units unless and until admitted as a substitute Member pursuant to Section 12.9.

3.8 **Fiduciary Duties of Theravance Biopharma**. To the fullest extent permitted by law (including Section 18-1101 of the Act) and notwithstanding any duty otherwise existing at law or in equity, none of Theravance Biopharma, its Affiliates or any of its or their respective directors, officers, employees or shareholders shall have any fiduciary or similar duty, at law or in equity, or any liability relating thereto, to the LLC, or any other Member or Affiliate of a Member bound by this Agreement, with respect to or in connection with the LLC or its business or affairs; and, without limitation, Theravance Biopharma, its Affiliates and its or their respective directors, officers, employees or shareholders, when approving or disapproving any action, shall be entitled to consider only such interests and factors as such Person desires and may consider its own interests and shall have no other duty or obligation, fiduciary or otherwise, to give any consideration to any interest of or factors affecting the LLC, or any other Member or Affiliate of any other Member. For the avoidance of doubt, Theravance Biopharma, its Affiliates and its and their respective directors, officers, employees and shareholders may engage in or possess an interest in other profit-seeking or business ventures of any kind, nature or description, independently or with others, whether or not such ventures are competitive or in conflict with the LLC, any other Member, any Affiliate of any other Member or any other Person bound by this Agreement, and notwithstanding any duty otherwise existing at law or in equity, the doctrine of corporate opportunity, or any analogous doctrine, shall not apply to Theravance Biopharma, its Affiliates or their respective directors, officers, employees or shareholders.

To the extent that Theravance Biopharma, its Affiliates or its or their respective directors, officers, employees or shareholders acquires knowledge of a potential transaction, agreement, arrangement or other matter that may be an opportunity for the LLC, Theravance Biopharma, its Affiliates and its or their respective directors, officers, employees and shareholders shall have no duty to communicate or offer such opportunity to any such Person.

Theravance Biopharma, its Affiliates and its or their respective directors, officers, employees and shareholders shall not be liable to the LLC, any Member, any Affiliate of any other Member or any other Person bound by this Agreement for breach of any fiduciary or other duty by reason of the fact that Theravance Biopharma, its Affiliates or their respective directors, officers, employees or shareholders pursues or acquires for, or directs such opportunity to, another Person or does not communicate such opportunity or information to the LLC, any Member, any Affiliate of any other Member or any other person bound by this Agreement. Neither the LLC, any Member, any Affiliate of any other Member nor any other Person bound by this Agreement shall have any rights or obligations by virtue of this Agreement or the relationship created hereby in or to such independent ventures of Theravance Biopharma, its Affiliates, or their respective directors, officers, employees or shareholders or the income or profits or losses derived therefrom, and the pursuit of such ventures, even if competitive or in conflict with the activities of the LLC, shall not be deemed wrongful or improper. Notwithstanding the foregoing, this paragraph shall not apply to any such opportunity that Theravance Biopharma, its Affiliates or its or their respective directors, officers, employees or shareholders acquires knowledge of solely by virtue of Theravance Biopharma being a member of the LLC, *provided* that any Person asserting that Theravance Biopharma, its Affiliates or its or their respective directors, officers, employees or shareholders acquired knowledge of such an opportunity solely by virtue of Theravance Biopharma being a member of the LLC shall bear the burden of proving such assertion.

Nothing in this Section 3.8 shall modify, restrict or eliminate (i) any duty or obligation of the Manager or Theravance expressly provided in Section 5.2 or in any other section of this Agreement, (ii) any express obligation or restriction contained in any other written contract or (iii) the implied contractual covenant of good faith and fair dealing.

3.9 **Related Party Transactions**. Except as specifically provided in this Agreement (but without limiting the application of Section 5.2), the LLC may not enter into any transaction or contract with Theravance, the Manager or any of their respective Affiliates, and the LLC may not pay Theravance, the Manager or any of their Affiliates fees, compensation or remuneration in connection with such transactions and contracts, unless the terms, conditions, fees, compensation and other remuneration shall be no less favorable to the LLC than those generally being provided to or available from unaffiliated third parties. Theravance, the Manager or any of their Affiliates entering into any such transaction or contract or receiving such fees, compensation or remuneration shall bear the burden of proving compliance with this Section 3.9, but shall not be required to prove that any transaction or contract is "entirely fair" or that the transaction or contract was the result of a "fair process," as such terms are interpreted and defined by decisions of Delaware state and federal courts.

3.10 **Relationship of Members**. The Members and the Manager intend and agree that the LLC is and shall be an "Affiliate" of Theravance within the meaning of the GSK Agreements, and this Agreement shall be interpreted accordingly.

3.11 **Cancellation of Units**. The Class A Units may not be cancelled without the consent of a Majority in Interest of the Class A Members. The Class B Units may not be cancelled without the affirmative vote of a Majority in Interest of the Class B Members. The Class C Units may not be cancelled without the affirmative vote of a Majority in Interest of the Class C Members.

3.12 **Compliance with GSK Agreements by Theravance and the LLC**. Notwithstanding any other provision contained herein, Theravance, with respect to the rights and obligations under the GSK Agreements not assigned to the LLC pursuant to this Agreement, shall not, and, with respect to the rights and obligations assigned to the LLC pursuant to this Agreement, shall cause the Manager not to, and the Manager shall not, take (or omit to take) any action (including, without limitation, the disclosure of any information to any Member), that is or would be reasonably expected to result in a breach or violation of, or be in conflict with, any term or condition of the GSK Agreements or otherwise is or would be reasonably expected to give GSK the right to terminate or invalidate any GSK Agreement or any term and condition thereof. Theravance agrees and understands that monetary damages would not adequately compensate the holders of Class B Units and Class C Units for the breach of this Section 3.12 by Theravance, that this Section 3.12 shall, to the fullest extent permitted by law, be specifically enforceable, and that any breach or threatened breach of this Section 3.12 shall be the proper subject of a temporary or permanent injunction or restraining order. Further, Theravance waives, to the fullest extent permitted by law, any claim or defense that there is an adequate remedy at law for such breach or threatened breach. Notwithstanding anything else to the contrary, in the event of any conflict between Section 3.12, or any covenant, agreement, obligation or duty of Theravance or its Affiliates under this Section 3.12, on the one hand, and any other provision of this Agreement or any Exhibit or Attachment hereto, or any covenant, agreement, obligation or duty of Theravance or its Affiliates thereunder, on the other hand, Section 3.12 shall govern and supersede such other provision, Exhibit, Attachment, covenant, agreement, obligation or duty.

3.13 **Performance of Obligations by Manager**. Theravance (i) shall cause the Manager to at all times and in good faith perform fully it duties and obligations set forth in this Agreement and (ii) shall be liable to the Members to the extent the Manager fails to do so.

3.14 **Theravance Triggering Event**. Without limiting the rights, including, without limitation, rights to pursue remedies for breaches, of any Member under this Agreement, including, without limitation, Section 5.4(c) hereof, upon the occurrence of a Theravance Triggering Event, Theravance shall pay or cause to be paid to the LLC when due all payments that Theravance would otherwise be entitled to receive from GSK pursuant to Sections 6.1, 6.2 and 6.3 of the Collaboration Agreement and of the Strategic Alliance Agreement relating directly or indirectly to the Assigned Products, as such agreements are in effect as of immediately prior to the Theravance Trigger Event (the "**Theravance Triggering Event Date GSK Agreements**"), had such Theravance Triggering Event not occurred and regardless of whether Theravance actually receives any such payments from GSK. For the avoidance of doubt, the obligation of Theravance to pay or cause to be paid payments under the Theravance Triggering Event Date GSK Agreements pursuant to the immediately preceding sentence shall not accelerate or change if or when such payments would otherwise be due under such agreements.

ARTICLE IV

CONTRIBUTIONS TO CAPITAL; WITHDRAWALS; ADVANCES

4.1 Initial Capital Contribution by Theravance.

(a) At the Contribution Time, Theravance shall (and, effective automatically upon the Contribution Time, hereby does) transfer, contribute, assign, distribute and convey, or cause to be transferred, contributed, assigned, distributed and conveyed, to the LLC all of Theravance's right, title and interest in and to (i) all of the rights and benefits of Theravance under the Strategic Alliance Agreement, (ii) all of the rights and benefits of Theravance under the Collaboration Agreement relating to the Assigned Collaboration Products, including the rights and benefits specified on Exhibit C, and (iii) the Assigned Assets (collectively, the "**Assignment**").

(b) At the Contribution Time, the LLC shall, and, effective automatically upon the Contribution Time, hereby does, accept the Assignment from Theravance.

(c) Except as otherwise specifically set forth in this Agreement, (i) at the Contribution Time, Theravance shall (and, effective automatically upon the Contribution Time, hereby does) assign and delegate to the LLC, and the LLC shall (and, effective automatically upon the Contribution Time, hereby does) accept, assume or, as applicable, retain (A) all Liabilities under the Strategic Alliance Agreement, (B) all of the Liabilities under the Collaboration Agreement relating to the Assigned Collaboration Products, including the Liabilities specified on Exhibit C attached hereto, and (C) the Assumed Liabilities and (ii) after the Contribution Time, the LLC shall perform, discharge and fulfill, in accordance with their respective terms, all such Liabilities, in each case, unless specified otherwise in the definition of the Assumed Liabilities, regardless of (A) when or where such Liabilities arose or arise, (B) where or against whom such Liabilities are asserted or determined, (C) which entity is named in any action associated with any Liability, and (D) whether the facts on which they are based occurred prior to, on or after the Contribution Time (the "**Assumption**"). Notwithstanding the foregoing, the LLC shall not assume any Liability attributable to (i) the failure of Theravance and/or the Manager or their respective officers, directors, employees, agents or Affiliates to perform Theravance's obligations to the LLC pursuant to this Agreement or the Ancillary Agreements or (ii) any breach of this Agreement, the Ancillary Agreements or any other agreement with any Person, including the GSK Agreements, occurring on or after the Contribution Time, nor any matter to the extent that Theravance and/or the Manager or their respective officers, directors, employees, agents or Affiliates has engaged in any violation of Law, any gross negligence, willful misconduct or fraud.

(d) If at any time after the Contribution Time, the parties hereto agree that Theravance possesses any assets and/or liabilities related to the LLC Business (and not to the Theravance Business) that constitute Assigned Assets, Theravance shall as promptly as practicable transfer or cause to be transferred to the LLC, at the expense of the LLC, and the LLC shall accept such transfer and/or assume, for no consideration, such asset and/or liability, including any and all economic benefits generated from such asset and/or liability after the Contribution Time, to the LLC. Each such transferred asset and/or liability shall be deemed a

LLC Asset or a LLC Liability, respectively, and shall be subject to the terms and conditions of this Agreement applicable thereto.

(e) If at any time, after the Contribution Time, the parties hereto agree that the LLC possesses any assets or liabilities solely related to the Theravance Business (and not to the LLC Business) the rights to which were obtained from Theravance in connection with this Agreement, the LLC shall as promptly as practicable transfer or cause to be transferred, at Theravance's expense, and Theravance shall accept such transfer and/or assume, for no consideration, such asset and/or liability, including any and all economic benefits generated from such asset and/or liabilities after the Contribution Time, to Theravance.

(f) At the Contribution Time (or thereafter upon reasonable request and at the requesting party's expense), (i) Theravance shall execute and deliver such bills of sale, stock powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment as and to the extent necessary to evidence the Assignment, and (ii) the LLC shall execute and deliver to Theravance such bills of sale, stock powers, certificates of title, assumptions of contracts, indemnity agreements and other instruments of assumption as and to the extent necessary to evidence the valid and effective Assumption.

(g) To the extent that any part of the Assignment or Assumption requires any Governmental Approvals, the parties hereto shall use commercially reasonable efforts to obtain any such Governmental Approvals. If and to the extent that such part of the Assignment or Assumption would be a violation of applicable laws or require any Governmental Approval, then, unless Theravance shall otherwise determine, such part of the Assignment to or Assumption by the LLC, shall be automatically deemed deferred and any such purported Assignment or Assumption shall be null and void until such time as all legal impediments are removed and/or each of such Governmental Approval has been obtained.

(h) The Members shall use commercially reasonable efforts to obtain any Consents required in connection with the transactions contemplated by this Agreement. Notwithstanding the foregoing, no Member shall be obligated to pay any consideration therefor to any Third Party from whom any such Consent, substitution or amendment is requested.

(i) If any Assignment or Assumption intended to be Transferred and assumed hereunder is not consummated as of the Contribution Time, whether as a result of the provisions of Section 4.1(g) or otherwise, then Theravance shall thereafter hold such LLC Asset for the use and benefit of the LLC if permitted by Law. If and when the Consents and/or Governmental Approvals, or any other impediments to Assignment or Assumption, the absence of which caused the deferral of Assignment of any LLC Asset or Assumption pursuant to Section 4.1(g) or otherwise, are obtained or removed (as appropriate), the Assignment of the applicable LLC Asset or Assumption of the applicable LLC Liability shall be effected in accordance with the terms of this Agreement. With respect to any LLC Asset retained by Theravance due to the deferral of the Assignment of such LLC Asset, Theravance shall take such actions with respect to such LLC Asset as may be reasonably requested by the LLC.

(j) If the Members are unable to obtain, or to cause to be obtained, any such required Governmental Approvals, Consents, release, substitution or amendment pursuant to

Section 4.1(h) or otherwise, Theravance shall (i) continue to be bound by such Contract, license or other obligation, which shall not constitute a Liability of Theravance (unless not permitted by Law or the terms thereof), (ii) as agent or subcontractor for the LLC, pay, perform and discharge fully all the obligations or other Assumed Liabilities thereunder after the Contribution Time, and (iii) deliver to the LLC any payments, benefits or other consideration received by Theravance under such Contract, license or other obligation; *provided*, *however*, that Theravance shall not be obligated to extend, renew or otherwise cause such Contract, license or other obligation to remain in effect beyond the term in effect as of the Contribution Time. At the request of the Manager, Theravance shall exercise its rights under such Contract, license or other obligation for the benefit of the LLC. The LLC shall fully indemnify Theravance and its Affiliates, officers, directors, employees and agents for, and hold each of them harmless against, any and all obligations or Assumed Liabilities arising in connection therewith and also for any actions requested by the Manager pursuant to this Section 4.1(j), *provided*, *however*, that the LLC shall have no obligation to indemnify Theravance or its Affiliates, officers, directors, employees or agents with respect to any matter to the extent that Theravance, the Manager or their respective Affiliates, officers, directors, employees or agents has (i) engaged in any violation of Law, (ii) committed gross negligence or fraud or (iii) breached this Agreement, the Ancillary Agreements or any other agreement with any Person, including the GSK Agreements. Theravance shall, without further consideration, promptly pay and remit, or cause to be promptly paid or remitted, to the LLC, all money, rights and other consideration received by it or any of its Affiliates in respect of such performance on behalf of the LLC. If and when any such Governmental Approval, Consent, release, substitution or amendment shall be obtained or such agreement, lease, license or other rights or obligations shall otherwise become assignable or capable of novation, Theravance shall promptly assign, or cause to be assigned, all rights, obligations and other Assumed Liabilities thereunder of Theravance's to the LLC without payment of any further consideration and the LLC, without the payment of any further consideration, shall assume such rights and obligations and other Assumed Liabilities.

(k) If any Intellectual Property owned by Theravance (or Theravance Biopharma) as of the Contribution Time that is relevant to the LLC Business, Assigned Assets, or Assigned Products is not assigned to the LLC hereunder (or if it is assigned back to Theravance under Section 3.1(e)), the LLC will have and is hereby granted a nonexclusive, worldwide, perpetual, irrevocable, sublicensable, transferable license to exercise such Intellectual Property only with respect to the LLC Business, Assigned Assets and/or Assigned Products.

(l) If any Intellectual Property assigned to the LLC hereunder (other than Intellectual Property referred to in clause (a), (b) or (c) of the definition of "Assigned Assets") is relevant to the Theravance Business or Retained Products, Theravance will have and is hereby granted a nonexclusive, worldwide, perpetual, irrevocable, sublicensable, transferable license to exercise such Intellectual Property only with respect to the Theravance Business and/or Retained Products.

4.2 **Additional Capital Contributions**. Except as otherwise provided pursuant to this Section 4.2, no Member shall be permitted or required to make any additional Capital Contribution without the consent of the Manager and such Member. Notwithstanding the foregoing, the Manager shall request each Member to make a Capital Contribution on the first

Business Day of each Fiscal Quarter equal to its LLC Percentage of the Projected Capital Contribution for that Fiscal Quarter. If a Member fails to make a requested Capital Contribution pursuant to this Section 4.2 (a "**Non-Contributing Member**") within ten (10) Business Days after receiving such request, any other Member shall be permitted, but not required, to advance any shortfall in the Capital Contribution of such Non-Contributing Member in accordance with Section 4.5 below but only with the prior written consent of the Non-Contributing Member if, and only if, such Non-Contributing Member holds at least a majority of the then outstanding Units.

4.3 **Interest**. No Member shall be entitled to any interest or compensation with respect to such Member's Capital Contribution or share of the capital of the LLC, except as expressly provided herein. No Member shall have any liability for the repayment of the Capital Contribution of any other Member and each Member shall look only to the assets of the LLC for return of such Member's Capital Contributions to the extent permitted herein.

4.4 **No Right of Withdrawal**. No Member shall have the right to withdraw or receive any return of, or interest on, any portion of such Member's contributions to the capital of, or to receive any distributions from, the LLC, except as provided in Articles XI and XIV.

4.5 **Advances**. If any Member shall advance any funds to the LLC in excess of its Capital Contributions pursuant to Sections 4.1 and 4.2, the amount of such advance shall neither increase its Capital Account nor entitle that Member to any increase in its share of the distributions of the LLC. The amount of any such advance shall be a debt obligation of the LLC to such Member and shall be repaid to it by the LLC with interest at a rate and upon such other terms and conditions which the Manager reasonably determines in good faith are, taken as a whole, generally consistent with the interest rate and other terms and conditions that would be available to the LLC from an unrelated commercial lender, as shall be agreed by the Manager and such Member. Any such advance shall be payable and collectible only out of the assets of the LLC and the other Members shall not be personally obligated to repay any part thereof. No Person that makes any advance to the LLC pursuant to this Section 4.5 shall have or acquire, as a result of making such loan, any direct or indirect interest in the profits, capital or property of the LLC, other than as a creditor.

ARTICLE V

MANAGEMENT, EXPENSES AND RESTRICTIONS

5.1 **Management by Manager; Manager**.

(a) Management by Manager. Subject to and in accordance with this Agreement, the Manager shall have decision-making authority as to the LLC, including the authority to (i) manage the business and affairs of the LLC, (ii) exercise all powers of the LLC, and (iii) do all lawful acts on behalf of the LLC. The Manager may act by one or more committees designated by the Manager in accordance with Section 5.1(c). The Manager shall be a "**manager**" within the meaning of Section 18-101(10) and Section 18-402 of the Act. No Member shall have the right, power or authority to act on behalf of or bind the LLC, except that a Member who is also a Manager or an Officer of the LLC may act on behalf of or bind the LLC

in its capacity as a Manager or an Officer of the LLC to the extent that he or she is authorized to do so.

(b) Appointment of the Manager. The Manager shall be appointed by a Majority in Interest of the Class A Members and must be Theravance or a Theravance Affiliate. The initial Manager shall be as set forth on Exhibit B. Any Manager may be removed at any time by a Majority in Interest of the Class A Members, *provided* that they simultaneously appoint a successor Manager that must be Theravance or a Theravance Affiliate. Upon appointment of any Manager, the Manager shall, and Theravance shall cause such Manager to, execute and deliver to the LLC a counterpart of this Agreement, which execution and delivery shall evidence such Manager's express agreement to be a party to, and be bound by, this Agreement. When the Majority in Interest of the Class A Members act as Manager since no Person is then appointed as Manager pursuant to this Section 5.1, the other holders of Class A Units agree to be bound by the actions of the Majority in Interest of the Class A Members.

(c) Committees, General. The Manager may, by resolution passed by the Manager, designate one or more committees of the LLC. Any such committee, to the extent provided in the resolution of the Manager, shall have and may exercise all the powers and authority of the Manager. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Manager. Each committee shall keep regular minutes of its meetings and report the same to the Manager when required. No employees, consultants or representatives of Theravance Biopharma shall be members of any such committee, except for Permitted Consultants.

5.2 Fiduciary Duties of Theravance and the Manager. Notwithstanding any duty otherwise existing at law or in equity, to the fullest extent permitted by law (including Section 18-1101 of the Act), the Manager shall have the fiduciary duties of directors of a board of directors, provided that following a Theravance Biopharma Triggering Event, the Manager shall be entitled to the benefit of the business judgment rule in all circumstances other than those in which the Manager has acted in bad faith, and, prior to a Theravance Biopharma Triggering Event, Theravance (for so long as it is the direct or indirect holder of a Majority in Interest of the Class A Units) and any other holder of Class A Units (for so long as such holder, together with its Affiliates, is the direct or indirect holder of a Majority in Interest of the Class A Units) shall have the fiduciary duties of a controlling stockholder, in each case of a for-profit stock corporation organized and existing under the DGCL to which provisions of Subchapter XIV of the DGCL, 8 Del. Ch. §§ 341 ff., are not applicable, as such duties and responsibilities are interpreted and defined by decisions of state and federal courts having jurisdiction to interpret and define the same. The provisions of this Agreement (including, without limitation, Section 3.8 and this Section 5.2), to the extent that they expand, restrict or eliminate the duties and liabilities of a Member, the Manager or an Affiliate of a Member or the Manager otherwise existing at law or in equity, are agreed by the parties hereto to replace such other duties and liabilities of such Person.

5.3 Duties of the Manager. Without limiting the generality of Section 5.1 but subject to Section 10.1, at the expense of the Manager, the responsibilities of the Manager shall include the following:

(a) Subject to Section 3.12, prepare, and maintain at the principal place of business of the LLC the Books and Records of the LLC, including, without limitation, the following:

(i) Proper and complete records and books of account, including without limitation Capital Accounts in which shall be entered fully and accurately all transactions relating to the LLC Business in such detail and completeness as is customary and usual for businesses of the type engaged in by the LLC.

(ii) A copy of the Certificate of Formation of the LLC and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any amendment has been executed.

(iii) Copies of the federal, state, and local income tax returns and reports of the LLC for the seven (7) most recent years.

(iv) Copies of the LLC's currently effective written operating agreement.

(v) Copies of financial statements of the LLC for the seven (7) most recent years. For the avoidance of doubt, the financial statements of the LLC shall at a minimum include a balance sheet, statement of operations (including, without limitation, the Net Income, Net Loss and items thereof of the LLC for the applicable accounting period) and cash flow statement.

(vi) Minutes of every annual, special meeting and court-ordered meeting.

(vii) Any written consents obtained from Members for actions taken by Members without a meeting.

(b) Prior to a Theravance Biopharma Triggering Event, be responsible for the day-to-day management of the Assigned Products in accordance with the terms and conditions of the GSK Agreements;

(c) Prior to a Theravance Biopharma Triggering Event, use all commercially reasonable efforts to maximize the commercial value of the Assigned Products in accordance with and subject to the terms of the GSK Agreements; *provided*, *however*, that, for the avoidance of doubt, the Manager shall not be required to cause GSK to take any actions or inactions except to the extent such actions or inactions are required to be performed by GSK pursuant to the GSK Agreements;

(d) Prior to a Theravance Biopharma Triggering Event, exercise the rights and perform the obligations of the LLC as assignee under the GSK Agreements, including the appointment of representatives to any Joint Steering Committee or Joint Product Committee to the extent permitted under any GSK Agreement;

(e) Subject to Section 3.12, prepare a quarterly financial plan for the LLC (a "**Financial Plan**"), consisting of (i) a balance sheet, (ii) capital expenditures (if any), (iii) Management Costs, (iv) LLC Costs and (v) Projected Capital Contributions. Subject to Section 3.12, the Manager shall (A) distribute to each Member a draft of each Financial Plan and any amendment or modification thereto at least thirty (30) days prior to the first day of the Fiscal Quarter and a draft of each amendment or other modification to a Financial Plan at least fifteen (15) days before it is effective, (B) provide each Member with a reasonable opportunity to comment on such Financial Plan or amendment or other modification thereto within such timeframe and (C) consider in good faith any and all comments received from the Members. Notwithstanding anything else in this clause (e) to the contrary, in no event will the Financial Plan or any amendment or other modification thereto include or be based on any sales forecast provided or delivered by GSK under the GSK Agreements (or other Confidential Information (as defined in the GSK Agreements)) but shall only be based on publicly available information, including analysts' consensus estimates.

(f) Notify each Member at least thirty (30) days before the start of each Fiscal Quarter of such Member's requested Capital Contribution to the LLC for that Fiscal Quarter pursuant to Section 4.2; and

(g) Take all actions necessary to ensure that the formation, structure and operation of the LLC comply with this Agreement, applicable law and the GSK Agreements.

5.4 **Limitation of Authority of Manager**. The Manager shall obtain the approval of a Majority in Interest of the Class A Members and a Majority in Interest of the Class B Members before the Manager shall take any of the following actions:

(a) Except for advances pursuant to Section 4.6, borrow on behalf of the LLC;

(b) Issue an Interest, or the right to acquire an Interest, in the LLC or any other debt or equity security therein;

(c) Take any action or omit to take any action that would be reasonably expected to have a direct or indirect material and adverse effect on (i) the rights, preferences, privileges of or obligations relating to the Class B Units or Class C Units or (ii) the economic interest represented by the Class B Units or Class C Units, in each case, whether by merger, reorganization, transfer of assets, consolidation, dissolution, issuance or sale of securities, amendment, failure to perform or waiver of rights or obligations under this Agreement or the GSK Agreements or otherwise; *provided*, *however*, that the Manager's actions or failure to act with regard to Development and Commercialization (as each such term is defined in the applicable GSK Agreement) matters under the GSK Agreements that are based on the Manager's good faith determination that GSK is complying with its respective diligent efforts obligations under the GSK Agreements shall not require approval under clause (ii) of this Section 5.4(c); and *provided*, *further however*, that (x) following the Transfer of all or any portion of the Interests with respect to any Class B Units to any Person other than Theravance Biopharma, its direct or indirect wholly-owned subsidiaries, or the successors to all or substantially all of the assets of Theravance Biopharma, whether by merger, sale of stock, sale of assets or other similar transaction, or its or their successors or direct or indirect wholly-owned subsidiaries, and

(y) pursuant to the dissolution and winding up of the affairs of the LLC in accordance with Article XIV, to the extent the Manager's actions are consistent with a plan of dissolution and winding up of the affairs of the LLC approved pursuant to Section 14.1(a), the approval by the Class B Members of the actions described in this clause (c) shall not be required (and for the avoidance of doubt shall not be required regardless of whether such other Person continues to hold Class B Units);

(d) Take any action or omit to take any action that would cause the LLC to be treated as engaged in a trade or business (either directly or through an investment in another partnership or limited liability company) within the United States for purposes of Sections 875, 882, 884 and 1446 of the Code; and

(e) Invest in United States real property interests as that term is defined in Section 897 of the Code.

ARTICLE VI

NOTICES

6.1 **Notices**. Any notice, payment, demand or other communication required or permitted to be given by any provision of this Agreement shall be deemed to have been delivered and given for all purposes (i) if delivered personally to the party or to an officer of the party to whom the same is directed, when received by such party, (ii) if delivered by confirmed telecopy transmission, when received if received on a Business Day during normal business hours of the recipient, and if not, on the next Business Day, (iii) by a nationally recognized overnight courier service or (iv) whether or not the same is actually received, if sent by registered or certified mail, return receipt requested, postage and charges prepaid, addressed as follows: If to the LLC, at its principal place of business the address of which is set forth in Section 2.2; if to a Member, at such Member's address set forth on Exhibit A hereto, or to such other address as such Member may from time to time specify by written notice to the Members and the LLC; such notice shall be deemed to be given five (5) days after the date on which the same was deposited in a regularly maintained receptacle for the deposit of United States mail, addressed and sent as aforesaid. Any party may by written notice to the other parties specify a different address or facsimile number for notice purposes by sending notice thereof in the foregoing manner.

6.2 **Waiver of Notice**. Whenever any notice is required to be given under the provisions of the Act, the Certificate or this Agreement, a waiver thereof in writing, signed by the Person or Persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE VII

OFFICERS

7.1 **Officers**.

(a) The Manager may, from time to time, designate one or more Persons to be officers of the LLC (each such person an "**Officer**"). Any Officers designated by the Manager

shall have such authority and perform such duties as the Manager may, from time to time, delegate to them. The Manager may assign titles to particular Officers. Any number of offices may be held by the same person. No Officer need be a resident of the State of Delaware or of the United States of America. No Officer shall be an employee, consultant or representative of Theravance Biopharma, except for Permitted Consultants.

(b) Each Officer shall hold office until his or her successor shall be duly designated and qualified or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided.

(c) Any Officer may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the Manager. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

(d) Any Officer may be removed as such, either with or without cause, by the Manager whenever in its judgment the best interests of the LLC will be served thereby. Any vacancy occurring in any office of the LLC may be filled by the Manager.

(e) To the fullest extent permitted by law, and in all instances solely to the extent not inconsistent with the specific provisions of this Agreement, it is the intention of the parties that those Officers with titles expressly referenced in the DGCL or customarily used in corporations organized under the DGCL, in their respective capacities as such, shall, unless otherwise provided herein or determined by the Manager, have the statutory and customary rights, powers, authority, duties and responsibilities of officers with similar titles of a for-profit stock corporation organized and existing under the DGCL. Notwithstanding the foregoing, no Officer shall have any right, power or authority to cause the LLC to enter into any transaction or to take or fail to take any other action that requires any consent, approval or waiver (i) of the Managers or any Members (including a Majority in Interest of the Class A Members or a Majority in Interest of the Class B Members), (ii) pursuant to the terms of this Agreement or (iii) under applicable law, in each case without obtaining in advance such consent, approval or waiver. Each Officer is hereby delegated such rights, powers and authority with respect to the management of the business and affairs of the LLC as may be necessary or advisable to effect the provisions of this Section 7.1(e).

(f) The initial Officers of the LLC shall be those individuals designated as the Officers on Exhibit B.

7.2 Reliance by Third Parties. In dealing with the LLC and its duly appointed agents, no Person shall be required to inquire as to the LLC's or such agents' authority to bind the LLC.

7.3 Actions and Determinations of the LLC. Except as otherwise expressly provided herein, whenever this Agreement provides that a determination shall be made or an action shall be taken by the LLC, such determination or act shall be made or taken by the Manager or, pursuant to this Agreement or with the authorization of the Manager (which may be

a general authorization and need not be specific as to any named person, Officer or particular transaction), by any Officer.

ARTICLE VIII

ACCOUNTING AND RECORDS

8.1 **Financial and Tax Reporting**. The Manager shall prepare financial statements for the LLC and the income tax information returns for the LLC using such methods of accounting and tax year as the Manager deems necessary or appropriate as permitted by the Code and Treasury Regulations.

8.2 **Members Access to Certain Information**. Subject to Section 8.6 and the obligation of Theravance and the Manager to withhold information pursuant to Section 3.12, the Manager shall make available, upon at least three (3) Business Days' prior written notice to the Manager, for inspection at reasonable times during business hours by a Member, for any reason or no reason, the Books and Records of the LLC, in each case including, without limitation, the information, documents and other materials identified in Sections 18-305(a)(1)-(6) of the Act).

8.3 **Books and Records**. Proper and complete books and records of the LLC (including those books and records identified in the Act) shall be kept at the LLC's principal office and at any other place as designated by the Manager.

8.4 **Tax Returns**. The LLC shall cause appropriate tax reports and returns (including an IRS Form 1065, Schedule K-1) to be prepared and delivered in a timely manner to each of the Members and to any relevant tax authority within ninety (90) days after the close of each Fiscal Year (subject to reasonable delays in the event of the late receipt of any necessary financial information necessary to prepare tax returns of the LLC, but in no event later than one hundred twenty (120) days after the close of each Fiscal Year).

8.5 **Tax Matters Partner**. The Member identified on Exhibit B as the Tax Matters Member is hereby designated as the LLC's "**Tax Matters Partner**" for purposes of the Code.

8.6 **Confidentiality**.

(a) Each Member hereby acknowledges that by virtue of such Member's Interests, such Member, its Affiliates and its and their respective officers, directors, employees, agents and representatives may have access, or the LLC may allow such Member, its Affiliates and its and their officers, directors, employees, agents and representatives access, to business, technical, other information, materials and/or ideas or this Agreement ("**Proprietary Information**," which term shall include, without limitation, anything such Member learns or discovers as a result of exposure to or analysis of any Proprietary Information). Therefore, each Member hereby agrees that such Member will, and shall cause its Affiliates and its and their officers, directors, employees, agents and representatives to hold in confidence and will not, and will cause its officers, directors, employees, agents, representatives and Affiliates not to, possess or use (except as required to exercise rights or perform obligations under this Agreement or to enforce its obligations under this Agreement) or disclose any Proprietary Information without the prior written consent of the Manager, except such information that (i) was in the public domain

prior to the time it was furnished to such Member, (ii) is or becomes (through no willful improper action or inaction by such Member) generally available to the public, (iii) was in its possession or known by such Member, its Affiliates or its and their respective officers, directors, employees, agents and representatives without restriction prior to receipt from the LLC, (iv) was rightfully disclosed to such Member, its Affiliates or its and their respective officers, directors, employees, agents and representatives by a third party without restriction, (v) was independently developed without any use of Proprietary Information, (vi) legal counsel, accountants or representatives for such Member, its Affiliates or its and their respective officers, directors, employees, agents and representatives who are bound by a duty of confidentiality request to see, or (vii) subject to the last sentence of clause (b) below, is required to be disclosed by law or the rules of any national securities exchange, association or marketplace, *provided* that, the Member shall notify the LLC of any such disclosure requirement as soon as practicable and reasonably cooperate with the LLC (at the LLC's cost) if the LLC seeks a protective order or other remedy in respect of any such disclosure; and furnish only that portion of the Proprietary Information which the Member is legally required to disclose. Each Member agrees that is will not reverse engineer or attempt to derive the composition or underlying information, structure or ideas of any Proprietary Information. The foregoing does not grant any Member a license in or to any of the Proprietary Information. In accordance herewith, each Member also acknowledges and agrees that due to the unique nature of the Proprietary Information, any breach of this Section 8.6 would cause irreparable harm to the LLC for which damages are not an adequate remedy, and that the LLC shall therefore be entitled to seek equitable relief in addition to all other remedies available at law.

(b) To the maximum extent permitted by the Act, subject to the provisions of this Agreement (including, without limitation, the obligation of Theravance and the Manager to withhold information pursuant to Section 3.12), the Manager shall have the right to keep confidential from the Members or other Persons, for such period of time as the Manager deems reasonable, any information (including, to the extent permitted by the Act, any information for which a member or manager of a limited liability company may otherwise be entitled to obtain or examine pursuant to Section 18-305 of the Act) which the Manager reasonably in good faith believes to be in the nature of trade secrets or other information the disclosure of which the Manager reasonably in good faith believes is not in the best interest of the LLC or could damage the LLC or its business or which the LLC is required by law or by agreement with a third party (including the GSK Agreements) to keep confidential. Notwithstanding any other provision of this Agreement, but without limiting any rights of Theravance to disclosure pursuant to Article 10 of the Collaboration Agreement and Strategic Alliance Agreement, no Member shall disclose Confidential Information (as defined in the GSK Agreements) of GSK that would otherwise be permitted to be disclosed solely pursuant to clause (vii) in Section 8.6(a); *provided* that a Member may disclose such information to its outside counsel and outside accountants on a need-to-know basis provided they are subject to customary confidentiality obligations.

ARTICLE IX

CAPITAL ACCOUNTS AND ALLOCATIONS OF NET INCOME AND NET LOSS

9.1 Capital Accounts.

(a) A separate capital account (the "**Capital Account**") shall be established and maintained for each Member. The Capital Account of each Member shall be credited with such Member's Capital Contributions to the LLC (net of any liabilities secured by any contributed property that the LLC is considered to assume or take subject to), all Net Income allocated to such Member pursuant to Section 9.2 and any items of income or gain which are specially allocated pursuant to Section 9.3; and shall be debited with all Net Losses allocated to such Member pursuant to Section 9.2, any items of loss or deduction specially allocated to such Member pursuant to Section 9.3, and all cash and the Carrying Value of any property (net of liabilities assumed by such Member and the liabilities to which such property is subject) distributed to such Member. To the extent not provided for in the preceding sentence, the Capital Accounts of the Members shall be adjusted and maintained in accordance with the rules of Treasury Regulations Section 1.704-1(b)(2)(iv), as the same may be amended or revised. Any references in any section of this Agreement to the Capital Account of a Member shall be deemed to refer to such Capital Account as the same may be credited or debited from time to time as set forth above. In the event of any Transfer of any Interest in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred Interest. Whenever the LLC would be permitted to adjust the Capital Accounts of the Members pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(f) to reflect revaluations of the property of the LLC, the Manager may adjust the Capital Accounts of the Members if it determines that doing so would be appropriate. If Code Section 704(c) applies to LLC property, the Capital Accounts of the Members shall be adjusted in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(g) for allocations of depreciation, depletion, amortization and gain and loss, as computed for book purposes, with respect to such property. The Capital Accounts shall be maintained for the sole purpose of determining the allocation of items of income, gain, loss and deduction among the Members for tax purposes and shall have no effect on the amount of any distributions to any Members in liquidation or otherwise.

(b) No Member shall be required to pay to the LLC or to any other Member the amount of any negative balance which may exist from time to time in such Member's Capital Account.

9.2 Allocations of Net Income and Net Loss. Net Income, Net Loss and items thereof of the LLC for each Fiscal Year (or other Accounting Period) shall be allocated to the Members in such manner that:

(a) Net Income for each Fiscal Quarter or Interim Period shall be allocated to the Capital Accounts of the Members in proportion to their respective LLC Percentages as of the end of such Fiscal Quarter or Interim Period.

(b) Net Loss for each Fiscal Quarter or Interim Period shall be allocated to the Capital Accounts of the Members in proportion to their respective LLC Percentages as of the end of such Fiscal Quarter or Interim Period.

9.3 **Special Allocation Provisions**. Notwithstanding any other provision in this Agreement:

(a) Minimum Gain Chargeback. If there is a net decrease in Partnership Minimum Gain or Partner Nonrecourse Debt Minimum Gain (determined in accordance with the principles of Treasury Regulations Sections 1.704-2(d) and 1.704-2(i)) during any Fiscal Year or other Accounting Period taxable year, the Members shall be specially allocated items of LLC income and gain for such year (and, if necessary, subsequent years) in an amount equal to their respective shares of such net decrease during such year, determined pursuant to Treasury Regulations Sections 1.704-2(g) and 1.704-2(i)(5). The items to be so allocated shall be determined in accordance with Treasury Regulations Section 1.704-2(f). This Section 9.3(a) is intended to comply with the minimum gain chargeback requirements in such Treasury Regulations Sections and shall be interpreted consistently therewith; including that no chargeback shall be required to the extent of the exceptions provided in Treasury Regulations Sections 1.704-2(f) and 1.704-2(i)(4).

(b) Qualified Income Offset. In the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of LLC income and gain shall be specially allocated to such Member in an amount and manner sufficient to eliminate the deficit balance in its Capital Account (in excess of the amounts described in clauses (i) and (ii) of Section 9.3(c) below) created by such adjustments, allocations or distributions as promptly as possible. This Section 9.3(b) is intended to constitute a "qualified income offset" within the meaning of Treasury Regulation Section 1.704-1(b)(ii)(d).

(c) Limitation on Net Losses. If any allocation of Net Loss or an item of deduction, expenditure or loss to be made pursuant to Section 9.2 or this Section 9.3 for any Fiscal Year or other Accounting Period would cause a deficit in any Member's Capital Account (or would increase the amount of any such deficit) after (i) crediting to that Capital Account the amount that such Member is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations Section 1.704-2(g)(1) and 1.704-2(i)(5), and (ii) debiting to such Capital Account the items described in Treasury Regulations 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6), then such Net Loss or item of deduction, expenditure or loss shall be allocated to the Members that have positive Capital Account balances (in excess of the amounts described in clauses (i) and (ii) of this section for such Member) in proportion to the respective amounts of such positive balances until all such positive balances have been reduced to zero.

(d) Gross Income Allocation. In the event any Member has a deficit Capital Account at the end of any Fiscal Year which is in excess of the sum of (i) the amount such Member is obligated to restore, if any, pursuant to any provision of this Agreement, and (ii) the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations Section 1.704-2(g)(1) and 1.704-2(i)(5), each such Member shall be

specially allocated items of LLC income and gain in the amount of such excess as quickly as possible; *provided* that an allocation pursuant to this Section 9.3(d) shall be made only if and to the extent that a Member would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Article IX have been tentatively made as if Section 9.3(c) and this Section 9.3(d) were not in this Agreement.

(e) Nonrecourse Deductions. Nonrecourse Deductions shall be allocated in accordance with the number of Units held by each Member and in the same manner as if such Nonrecourse Deductions were taken into account in determining Net Income and Net Loss for such Accounting Period or fiscal year.

(f) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any taxable period shall be allocated to the Member who bears the economic risk of loss with respect to the liability to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulations Section 1.704-2(j).

(g) Change in Interests. If there is a change in any Member's Interest during any Fiscal Year, the principles of Section 706(d) of the Code shall apply in allocating Net Income and Net Loss and items thereof for such Fiscal Year to account for the variation. For purposes of applying Section 706(d), the Manager may adopt any method or convention permitted under applicable Treasury Regulations. If there is a change in the Interest of any Member, then for purposes of applying Section 9.2 with respect to the Fiscal Period ending on the date of change, the hypothetical liquidating distributions under Section 9.2 shall be made on the basis of the Interests of each Member as applied before giving effect to such change.

9.4 Curative Allocations. If the Manager determines, after consultation with counsel experienced in income tax matters, that the allocation of any item of LLC income, gain, loss, deduction or credit is not specified in this Article IX (an "**unallocated item**"), or that the allocation of any item of LLC income, gain, loss, deduction or credit hereunder is clearly inconsistent with the Members' economic interests in the LLC (determined by reference to the general principles of Treasury Regulation Section 1.704-1(b) and the factors set forth in Treasury Regulation Section 1.704-1(b)(3)(ii)) (a "**misallocated item**"), then the Manager may allocate such unallocated items, or reallocate such misallocated items, to reflect such economic interests; *provided* that no such allocation shall have any effect on the amounts distributable to any Member (other than tax distributions), including the amounts to be distributed upon the complete liquidation of the LLC.

9.5 Tax Allocations. For income tax purposes only, each item of income, gain, loss and deduction of the LLC shall be allocated in the same manner as the corresponding items of Net Income and Net Loss and specially allocated items are allocated for Capital Account purposes; *provided* that in the case of any asset of the LLC the Carrying Value of which differs from its adjusted tax basis for U.S. federal income tax purposes, income, gain, loss and deduction with respect to such asset shall be allocated solely for income tax purposes in accordance with the principles of Section 704(c) of the Code so as to take account of the difference between the Carrying Value and adjusted tax basis of such asset. Unless otherwise agreed by the Manager, for purposes of applying the principles of Section 704(c), the LLC shall use the "traditional method" of Treasury Regulation Section 1.704-3(b).

9.6 **Compliance with Section 704(b) of the Code**. The allocation provisions contained in this Article IX are intended to comply with Section 704(b) of the Code and the Treasury Regulations promulgated thereunder, and shall be interpreted and applied in a manner consistent therewith.

9.7 **Section 754 Election**. The Manager shall cause the LLC to make an election under Section 754 of the Code effective for the taxable year in which the Effective Time occurs upon the timely request of Theravance Biopharma. In the event of an adjustment to the adjusted tax basis of any LLC asset under Code Section 734(b) or Code Section 743(b) pursuant to a Section 754 election by the LLC, subsequent allocations of tax items shall reflect such adjustment consistent with the Treasury Regulations promulgated under Sections 704, 734 and 743 of the Code.

ARTICLE X

EXPENSES

10.1 **Expenses**. All LLC Costs shall be borne by the LLC. For the avoidance of doubt, the Capital Contributions paid by the Members pursuant to Section 4.3, together with the existing cash balance of the LLC, are intended to provide the LLC with a sufficient cash balance to pay the LLC Costs.

ARTICLE XI

DISTRIBUTIONS

11.1 **Distributions**.

(a) Except as provided in Section 11.2, the Net Cash of the LLC as of the end of each Fiscal Quarter (or Interim Period) shall be distributed to the Members as of the end of such Fiscal Quarter (or Interim Period). No Member shall be entitled to any distribution or payment with respect to such Member's Interest, except as set forth in this Agreement.

(b) Other than distributions pursuant to Section 11.2 and distributions pursuant to Section 14.4, any distribution of cash or other assets to the Members pursuant to this Section 11.1 shall be made in proportion to the Member's respective LLC Percentage.

(c) Except as otherwise provided by law, no Member shall be required to restore or repay to the LLC any funds properly distributed to it pursuant to Section 11.1.

11.2 **Tax Distributions**. Notwithstanding Section 11.1, within ninety (90) days of the end of each Fiscal Year, the LLC shall make a distribution to each Member of any available cash of the LLC (as determined by the Manager) of an amount equal to the excess of (A) the sum of (i) the product of (x) the amount of net income and gain taxable at ordinary tax rates allocated to such Member with respect to its Interest (as shown on Schedule K-1 to the LLC's IRS Form 1065) for such Fiscal Year and all prior Fiscal Years and (y) the maximum marginal rate of federal, state and local income tax applicable to a corporation subject to tax in the Designated Jurisdiction with respect to such income or gain, (ii) the product of (x) the amount of net income

and gain taxable at long-term capital gains rates allocated to such Member with respect to its Interest (as shown on Schedule K-1 to the LLC's IRS Form 1065) for such Fiscal Year and all prior Fiscal Years and (y) the maximum marginal rate of federal, state and local income tax applicable to a corporation subject to tax in the Designated Jurisdiction with respect to such income or gain and, (iii) in the event of allocation by the LLC of net income or gain taxable at a rate other than the ordinary or long-term capital gains rates contemplated in clauses (i) and (ii) above, the product of (x) the amount of such net income and gain taxable at such other rate allocated to such Member with respect to its Interest (as shown on Schedule K-1 to the LLC's IRS Form 1065) for such Fiscal Year and all prior Fiscal Years and (y) the maximum marginal rate of federal, state and local income tax applicable to a corporation subject to tax in the Designated Jurisdiction with respect to such income or gain, over (B) the cumulative cash distributions previously made to such Member with respect to its Interest pursuant to this Section 11.2 and Section 11.1(b) during such Fiscal Year and all prior Fiscal Years. The determination of the tax rates to be used for purposes of the preceding sentence shall be made by the Manager in its good faith discretion after consulting with the LLC's tax advisors, taking into account among other things changes in applicable tax rates over the relevant period, the deductibility of state and local taxes and any limitations on the ability of an individual to deduct any items of expense or loss under United States federal income tax principles. For the avoidance of doubt, the references to "net income and gain" in clauses (A)(i)(x), (A)(ii)(x), and (A)(iii)(x) above shall mean that amount of such gross income and gain of the LLC allocated to such Member with respect to its Interest for all such Fiscal Years reduced by the gross amount of loss and deduction allocated to such Member with respect to its Interest for all such Fiscal Years that is available as an offset to such income and gain. Without prejudice to the foregoing, the LLC may make a distribution out of any available cash of the LLC (as determined by the Manager) to each Member as soon as practicable following the close of each Estimated Tax Period of each Fiscal Year in amounts equal to the estimated tax liability of each Member relating to such Estimated Tax Period (as estimated by the Manager in its good faith discretion after consulting with the LLC's tax advisors and based on the results of such quarter and using the methodology and assumptions described in the preceding sentences).

11.3 **No Other Withdrawals**. Except as expressly provided in this Agreement, no withdrawals or distributions shall be required or permitted.

11.4 **Distribution Limitations**. Notwithstanding any provision to the contrary contained in this Agreement, the LLC shall not make a distribution to any Member on account of its Interest if such distribution would violate the Act or other applicable law or breach any contract or agreement to which the LLC is a party.

ARTICLE XII

TRANSFER OF MEMBERSHIP; OTHER MATTERS

12.1 **Transfer**.

(a) Transfer of Class A Units. No holder of Class A Units may Transfer all or any portion of its Interest with respect to the Class A Units other than to (x) GSK or its Affiliates or (y) such holder's direct or indirect wholly-owned subsidiaries or successors to all or

substantially all of the assets of such holder whether by merger, sale of stock, sale of assets or other similar transaction, *provided* that such transfer (i) does not result in a violation of the Securities Act or the Securities Exchange Act, and (ii) is in accordance with the other applicable provisions of this Article XII.

(b) Transfer of Class C Units and Class B Units. A holder of Class B Units or Class C Units may freely Transfer all or any portion of its Interest with respect to the Class B Units or Class C Units, respectively, *provided* that such Transfer (i) does not result in a violation of the Securities Act or the Securities Exchange Act, and (ii) is in accordance with the other applicable provisions of this Article XII. For the avoidance of doubt, this Section 12.1(b) shall not limit the effect of the second proviso clause beginning "provided, further however," of Section 5.4(c).

12.2 Transfer Void. Any Transfer or attempted Transfer of an Interest in contravention of this Agreement shall, to the fullest extent permitted by law, be absolutely null and void ab initio and of no force or effect, on or against the LLC, any Member, any creditor of the LLC or any claimant against the LLC and may be enjoined, and shall not be recorded or otherwise registered on the books and records of the LLC. No distributions of cash or property of the LLC shall be made to any transferee of any Interest Transferred in violation hereof. The Transfer or attempted Transfer of any Interest in violation hereof shall not affect the beneficial ownership of such Interest, and, notwithstanding such Transfer or attempted Transfer, the Member making such prohibited Transfer or attempted Transfer shall retain the right to vote, if any, and the right to receive distributions with respect to such Interest.

12.3 Effect of Assignment. Following a Transfer of an Interest that is permitted under this Article XII, the assignee of such Interest (i) shall be a mere assignee, holding only the economic interest of the transferring Member and shall have no other rights (including, without limitation, voting or information rights) unless and until such assignee is admitted to the LLC as a member of the LLC in accordance with Section 12.9, (ii) shall be treated as having made all of the Capital Contributions in respect of, and received all of the distributions received in respect of, such Interest, (iii) shall succeed to the Capital Account associated with such Interest and (iv) shall receive allocations and distributions under Articles IX and XI in respect of such Interest as if such transferee were a Member. For the avoidance of doubt, with respect to the Theravance Biopharma Transfer, Theravance Biopharma shall be treated as having made all of the Capital Contributions in respect of such Interest and shall succeed to the Capital Account associated with such Interest. The Manager shall cause Exhibit A to be appropriately amended to reflect any Transfer of an Interest.

12.4 Legends.

(a) In the event the Units become certificated Units, any certificate representing Units shall be endorsed with the following legend, as well as with any legends as may be required by applicable federal and state securities laws:

"THE SALE, PLEDGE, HYPOTHECATION, ASSIGNMENT OR TRANSFER OF THE UNITS REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN WRITTEN AGREEMENT

BETWEEN THE REGISTERED HOLDERS OF THE UNITS OF THE LLC (OR THE PREDECESSOR IN INTEREST TO THE UNITS). SUCH AGREEMENT RESTRICTS THE TRANSFER OF UNITS. SUCH AGREEMENT CONTAINS PROVISIONS REGARDING THE VOTING OF THE UNITS REPRESENTED BY THIS CERTIFICATE. COPIES OF SUCH AGREEMENT MAY BE OBTAINED FROM THE ISSUER UPON WRITTEN REQUEST. BY ACCEPTING ANY INTEREST IN SUCH UNITS THE PERSON ACCEPTING SUCH INTEREST SHALL BE DEEMED TO AGREE TO AND SHALL BECOME BOUND BY ALL THE PROVISIONS OF SUCH AGREEMENT."

(b) Any certificate issued at any time in exchange or substitution for any certificate bearing such legends shall also bear such legends, unless the Units represented thereby are no longer subject to the provisions of this Agreement or, in the opinion of the LLC (with advice from counsel to the LLC, as the LLC may deem appropriate), the restrictions imposed under the Securities Act or state securities laws are no longer applicable, in which case the applicable legend (or legends) may be removed.

12.5 **Publicly Traded Partnership Limitations**. Notwithstanding any other provision of this Agreement, no Transfer shall be permitted if (i) the Manager determines in its sole discretion that such transaction will either cause the LLC to be characterized as a "publicly traded partnership" or will materially increase the risk that the LLC will be so characterized or (ii) such Transfer would occur in a transaction registered or required to be registered under the Securities Act. For purposes of this Section 12.5, the phrase "publicly traded partnership" shall have the meanings set forth in Section 7704(b) and 469(k) of the Code. In particular and without limiting the foregoing, no Transfer shall be permitted, given effect or otherwise recognized, and such Transfer (or purported Transfer) shall, to the fullest extent permitted by law, be void *ab initio*, if at the time of such Transfer (or as a result of such Transfer) Units are (or would become) traded on an "established securities market" (within the meaning of Treasury Regulation Section 1.7704-1(b)) or are (or would become) "readily tradable on a secondary market or the equivalent thereof" (within the meaning of Treasury Regulation Section 1.7704-1(c)).

12.6 **Effective Date**. Any Transfer in compliance with this Article XII shall be deemed effective on the first date as of which the relevant requirements of this Agreement have been satisfied.

12.7 **Redemption**. The Units shall not be redeemable at the option of the holder thereof or otherwise.

12.8 **Assignment of Reverted Drug Programs**. Theravance and the LLC shall assign to Theravance Biopharma all rights to any Assigned Product reverted to Theravance or the LLC pursuant to the GSK Agreements, and following such assignment Theravance Biopharma shall be free to pursue the development of any such Assigned Product to the extent permitted under the GSK Agreements and without any obligations to the LLC, to any Member or to any other Person bound by this Agreement except as otherwise provided in the GSK Agreement.

12.9 **Admission of Permitted Assignee as a Member**. Any assignee of an Interest permitted in accordance with the terms and conditions of this Agreement shall, upon its request, be admitted as a substitute Member by the Manager. If a Member assigns its entire Interest pursuant to this Article XII in accordance with the requirements of this Agreement, such admission shall be deemed effective immediately prior to such assignment, and immediately following such admission, such assignor Member shall cease to be a member of the LLC. The Manager shall cause Exhibit A to be appropriately amended to reflect any admission of a new Member and cessation of an existing Member.

12.10 **Transfer to Theravance Biopharma at Effective Time; Admission of Theravance Biopharma at Effective Time**. Notwithstanding any other provision of this Agreement, at the Effective Time:

(a) Theravance shall (and, effective automatically upon the Effective Time, hereby does) Transfer to Theravance Biopharma all two thousand one hundred twenty-five (2,125) Class B Units, six thousand three hundred seventy-five (6,375) Class C Units and all of the respective rights and responsibilities appurtenant thereto hereunder, including (i) with respect to a Member (but not an assignee), the right, if any, to vote to the extent set forth herein, (ii) the right to have a Capital Account maintained for such Member (or assignee), (iii) the right to receive allocations of Net Income and Net Losses pursuant to Article IX, and (iv) the right to receive distributions of cash or property from the LLC;

(b) Theravance Biopharma shall be admitted as a Member pursuant to Section 12.9; and

(c) Theravance Biopharma shall execute and deliver such instruments of transfer as shall be necessary to evidence and effect such Transfer.

ARTICLE XIII

INDEMNIFICATION AND LIMITATION OF LIABILITY

13.1 **Indemnification**.

(a) For purposes of this Section 13.1(a), (i) "agent" means the Manager, any former Manager, Officer, any former Officer, any direct or indirect subsidiary of the LLC or any Affiliate, officer, director or employee of the foregoing; (ii) "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative, legislative or investigative; (iii) "Member" means each Member and any former Member, any direct or indirect subsidiary of such Member or any Affiliate, officer, director or employee of the foregoing and (iv) "expenses" include, without limitation, reasonable attorneys' fees and other expenses of establishing a right of indemnification under this Section 13.1(a). The LLC shall, (i) to the fullest extent permitted under the DGCL (as if the LLC were a Delaware corporation and agent was a director or officer of a Delaware corporation), indemnify and hold harmless each agent (and his heirs and legal and personal representatives) and (ii) to the fullest extent permitted under the Act, indemnify and hold harmless each Member (and its successors and permitted assigns), in each case against losses and damages arising out of liabilities or expenses incurred

by him as a result of serving in the capacity by reason of which such Person is deemed to be an "agent" or Member pursuant to this subsection (a), regardless of whether the agent or Member is or continues to serve in such capacity at the time any such liability or expense is paid. Without limiting the generality of the foregoing, the LLC hereby agrees (i) to the fullest extent permitted under the DGCL (as if the LLC were a Delaware corporation and the agent was a director or officer of a Delaware corporation) to indemnify each agent (and his heirs and legal and personal representatives) and (ii) to the fullest extent permitted under the Act, indemnify and hold harmless each Member (and its successors and permitted assigns), and to save and hold such Person harmless, from and in respect of all (1) fees, costs and expenses reasonably incurred in connection with or resulting from any demand, claim, action or proceeding against such agent (and his heirs and legal and personal representatives) or such Member (and its successors and permitted assigns) or the LLC that arises out of or in any way relates to the agent's or Member's service in the capacity by reason of which such Person is deemed to be an "agent" or "Member" pursuant to this subsection (a), and (2) such demands, claims, actions and proceedings and any losses or damages resulting therefrom, including judgments, fines and amounts paid in settlement or compromise of any such demand, claim, action or proceeding. Notwithstanding the foregoing, the LLC shall not indemnify any agent (or his heirs or legal or personal representatives) or Member (or its successors or permitted assigns) for (i) losses, damages or expenses incurred with respect to any demand, claim, action or proceeding if such Person's conduct was undertaken in bad faith, recklessly or with gross negligence or if such Person's conduct or its acts or omissions constituted fraud, intentional wrongdoing, or breach of this Agreement (including, in the case of Theravance or the Manager, the failure of Theravance or the Manager to comply with its fiduciary duties under Section 5.2) or any other agreement, including the GSK Agreements, as determined by a court of competent jurisdiction pursuant to Section 15.10, or (ii) any liability arising by reason of any act or omission of an agent or Member subsequent to his ceasing to be an agent or Member, as applicable, subsequent to the termination of the LLC. The termination of any proceeding by a judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not, of itself, create a presumption that the agent's or Member's conduct was undertaken in bad faith, recklessly or with gross negligence or that such Person's conduct or its acts or omissions constituted fraud, intentional wrongdoing or breach of this Agreement (including, in the case of Theravance or the Manager, the failure of Theravance or the Manager to comply with its fiduciary duties under Section 5.2) or any other agreement, including the GSK Agreements. The LLC shall be required to advance the expenses incurred by any Person indemnified hereunder in connection with any proceeding in advance of the final disposition or other termination of such proceeding upon receipt of an undertaking by or on behalf of such Person to repay such payment if there shall be an adjudication or determination that such agent is not entitled to indemnification as provided herein.

(b) The indemnification accorded to an agent (or his heirs or legal or personal representatives) under Section 13.1(a) shall be made solely out of the assets of the LLC, and no Member, Manager or Officer shall have any personal liability or other obligation therefor. Nothing in Section 13.1(a) shall be deemed to require any Member to make any additional Capital Contribution.

13.2 **Exculpation**. For purposes of this Section 13.2, the terms "Member" and "agent" shall have the meanings assigned to such terms in Section 13.1(a). No agent shall be liable to the LLC or any Member or any other Person who is bound by this Agreement for (a) honest

mistakes in judgment, or for action or inaction, taken reasonably and in good faith and for a purpose that was reasonably believed to be in the best interests of the LLC or (b) losses sustained or liabilities incurred as a result of any act or omission of such agent if such agent's conduct were not undertaken in bad faith, recklessly or with gross negligence or if such agent's conduct and its acts or omissions did not constitute fraud, intentional wrongdoing or breach of this Agreement (including, in the case of Theravance or the Manager, the failure of Theravance or the Manager to comply with its fiduciary duties under Section 5.2) or any other agreement, including the GSK Agreements. To the fullest extent permitted under the Act, no Member shall be liable to the LLC or any Member or any other Person who is bound by this Agreement for any action or inaction taken by such Member or for any losses sustained or liabilities incurred as a result of any act or omission of such Member. Each agent and Member may consult with counsel, accountants and other professionals in respect of LLC affairs and shall be fully protected and justified in acting, or failing to act, if such action or failure to act is in accordance with the reasonable advice or opinion of such counsel, accountant or other professional and if such counsel, accountant or other professional shall have been selected with reasonable care. Notwithstanding the foregoing, the provisions of this Section 13.2 shall not relieve any Person of liability arising by reason of such Person's acting in bad faith, recklessly or with gross negligence, or if such Person's conduct in the performance of its duties hereunder, or its acts or omissions, constitute fraud, intentional wrongdoing, or breach of this Agreement (including, in the case of Theravance or the Manager, the failure of Theravance or the Manager to comply with its fiduciary duties under Section 5.2) or any other agreement, including the GSK Agreements. This Agreement shall be construed to give effect to the provisions of this Section 13.2 to the fullest extent permitted by law.

13.3 **Limitation of Liability**. Notwithstanding anything to the contrary herein contained, the debts, obligations and liabilities of the LLC shall be solely the debts, obligations and liabilities of the LLC and no Member, Manager or Officer shall be obligated personally for any such debt, obligation or liability of the LLC solely by reason of being a Member, Manager or Officer.

ARTICLE XIV

DISSOLUTION AND TERMINATION

14.1 **Dissolution**. The LLC shall be dissolved, its assets disposed of and its affairs wound up upon the first to occur of the following:

(a) the consent of a Majority in Interest of the Class A Members, a Majority in Interest of the Class B Members and a Majority in Interest of the Class C Members; or

(b) the entry of a decree of judicial dissolution under the Act; or

(c) at any time there are no members of the LLC, unless the LLC is continued without dissolution in accordance with this Agreement or the Act.

Except as otherwise provided herein, the death, bankruptcy, incompetency, retirement, resignation, expulsion or dissolution of a Member, or the occurrence of any event that terminates

the continued membership of a Member in the LLC, shall not, in and of itself, dissolve or terminate the LLC. Notwithstanding any other provision of this Agreement, the bankruptcy (as defined in Sections 18-101(1) and 18-304 of the Act) of a Member will not cause that Member to cease to be a member of the LLC, and upon the occurrence of such an event, the business of the LLC shall continue without dissolution.

14.2 **Authority to Wind Up**. Upon the dissolution of the LLC as set forth in Section 14.1, the Manager shall have all necessary power and authority required to marshal the assets of the LLC, to satisfy the LLC's creditors, to distribute assets and otherwise wind up the business and affairs of the LLC. In particular, the Manager shall have the authority to continue to conduct the business and affairs of the LLC insofar as such continued operation remains consistent, in the reasonably judgment of the Manager, with the orderly winding up of the LLC.

14.3 **Winding Up and Certificate of Cancellation**. The winding up of the LLC shall be completed when all debts, liabilities and obligations of the LLC have been paid and discharged or reasonably adequate provision therefor has been made, and all of the remaining property and assets of the LLC have been distributed to the Members.

14.4 **Distribution of Assets**. Upon dissolution of the LLC, the affairs of the LLC shall be wound up and the LLC shall be liquidated by the Manager. The assets of the LLC shall be distributed as follows in accordance with the Act:

(a) To creditors of the LLC, including to the payment of the expenses of the dissolution, winding up and liquidation of the LLC and, in accordance with the terms agreed among them or otherwise on a pro rata basis (based on amounts owed to them), Members who are creditors (other than in respect of distributions owing to them or to former Members hereunder), to the extent otherwise permitted by law, in satisfaction of the liabilities of the LLC (whether by payment or the making of reasonable provision for payment thereof, including by establishing reserves, in amounts established by the Manager to meet other liabilities of the LLC, including contingent, conditional and unmatured liabilities (other than liabilities to the Members or former Members in respect of distributions owing to them hereunder));

(b) The remaining assets of the LLC shall be applied and distributed to the Members in proportion to their respective LLC Percentages.

(c) The distribution of cash, securities and other property to a Member in accordance with the provisions of this Section 14.4 shall constitute a complete return to the Member of its Capital Contributions and a complete distribution to the Member of its Interest and all the LLC's property, and shall constitute a compromise to which all Members have consented within the meaning of the Act. If such cash, securities and other property are insufficient to return such Member's Capital Contributions or returns thereon, the Member shall have no recourse against the Manager, other Members or Officers. If any amounts distributable to the Members are other than cash, their value shall be deemed to be the fair market value as determined in good faith by the Manager.

14.5 **Contingent Distribution**. For the avoidance of doubt, if any portion of the amount distributable to the Members pursuant to Section 14.4(b) is placed into escrow and/or is

payable to such holders subject to contingencies, such dissolution or termination shall be effected such that the portion of such amount that is placed in escrow and/or subject to any contingencies (the "**Contingent Distribution**") shall be allocated to the Members in accordance with this Section 14.5 as if all of consideration ultimately payable in the transaction, including the Contingent Distribution, is paid without restrictions at the time of closing of such dissolution or termination (so that the Contingent Distribution shall be allocated among the Members pro rata based on the amount of such consideration otherwise payable to each Member pursuant to this Section 14.5). Each Member agrees to take such actions as may be required, necessary or advisable to effect the intent of this Section 14.5.

ARTICLE XV

MISCELLANEOUS

15.1 Amendment.

(a) Except as expressly set forth herein (including without limitation, Section 5.4), this Agreement may be amended, revised and modified and the observance of any term hereof may be waived (either generally or in a particular instance and either retroactively or prospectively), including any amendment, revision, modification or waiver of or to this Agreement by merger, reorganization, transfer of assets, consolidation, dissolution, issuance or sale of securities or otherwise, only with the consent of a Majority in Interest of the Class A Members, *provided*, *however*, that any amendment, revision, modification or waiver of or to this Agreement, including any amendment, revision, modification or waiver of or to this Agreement by merger, reorganization, transfer of assets, consolidation, dissolution, issuance or sale of securities or otherwise, directly or indirectly adversely affecting the interest of the Class B Members or the Class C Members in the Assigned Drug Programs or Assigned Products (including, for the avoidance of doubt, any amendment to the rights, preferences, privileges and obligations of Theravance, the LLC, the Manager or the Class A Units under this Agreement having such an effect) or directly or indirectly adversely affecting the rights, preferences, privileges or obligations of the Class B Units under this Agreement may be made only with the consent of a Majority in Interest of the Class B Members. Any amendment, revision, modification or waiver so effected shall be binding upon all the Parties hereto.

(b) No Party shall, without a Majority in Interest of the Class A Members and a Majority in Interests of the Class B Members:

(i) by amendment of this Agreement or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid, or consummate or agree to consummate any such action that has the effect of avoiding, the observance or performance of any of the terms to be observed or performed under this Agreement by the LLC, but will at all times in good faith assist in the carrying out of all the provisions of this Agreement; or

(ii) amend, alter or repeal this Section 15.1 of this Agreement (or any other provision of this Agreement having the effect of amending, altering or repealing this Section 15.1).

(c) Notwithstanding the foregoing provisions, the Manager may amend and modify the provisions of this Agreement (including Article IX) and Exhibits A and B hereto to the extent necessary to reflect the admission, substitution or removal of any Member permitted under this Agreement and the election, designation, removal, vacancy or resignation of any Manager (in each case subject to the approval of any such action by the requisite vote of Members entitled to vote pursuant to this Agreement). Furthermore, the Manager may amend this Agreement, without the consent of the Members, (i) to make a change that is reasonably necessary to cure any ambiguity or inconsistency and to make changes to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling, regulation or statute of any governmental body which will not be inconsistent with this Agreement, in both cases, subject to the requirement that no Member be materially and adversely affected; or (ii) to prevent any material and adverse effect to the LLC or any Member arising from the application of legal restrictions to any Member, subject to the requirement that no Member be adversely affected without its consent.

(d) No Party shall amend, revise, modify or waive this Agreement, including by merger, reorganization, transfer of assets, consolidation, dissolution, issuance or sale of securities or otherwise, in a manner that, directly or indirectly, has an adverse effect on the rights, preferences, privileges of or obligations of the Class C Units under this Agreement or applicable law without the consent of a Majority in Interest of the Class C Members.

(e) Promptly after entering into any amendment pursuant to this Section 15.1, the Manager shall provide the Members a copy of such amendment.

(f) Section 3.8 of this Agreement may not be amended without the consent of Theravance Biopharma.

15.2 Power of Attorney.

(a) By signing this Agreement, each Member hereby makes, constitutes and appoints the Manager with full power of substitution and resubstitution, its true and lawful agent or agents and attorney- or attorneys-in-fact for it and in its name, place and stead, to sign, execute, certify, acknowledge, file and record (i) the Certificate, (ii) all instruments amending, restating or canceling the Certificate, as the same may hereafter be amended or restated, pursuant to the Act or this Agreement, and (iii) such other agreements, instruments, elections or documents (a) that may be necessary to reflect the exercise by a Member of any of the powers granted to it under this Agreement, and (b) that may be required of the LLC or of the Members by the laws of Delaware or any other jurisdiction. Each Member authorizes such agent or attorney-in-fact to take any further action that such agent or attorney-in-fact shall consider necessary in connection with any of the foregoing, hereby giving such agent or attorney-in-fact full power and authority to do and perform each and every act or thing whatsoever requisite or advisable to be done in and about the foregoing as fully as such Member might or could do if personally present, and hereby ratifying and confirming all that such agent or attorney-in-fact shall lawfully do or cause to be done by virtue hereof. The Manager shall provide to each Member copies of all documents executed pursuant to the power of attorney contained in this Section 15.2.

(b) The power of attorney granted pursuant to this Section 15.2:

(i) is a special power of attorney coupled with an interest and is irrevocable;

(ii) may be exercised by such attorney-in-fact by listing all of the Members executing any agreement, certificate, instrument or document with the single signature of such attorney-in-fact acting as attorney-in-fact for all of them; and

(iii) shall survive the assignment by a Member of its Interest, except that where the assignee thereof is admitted as a Member, the power of attorney shall survive such assignment as to the assignor Member for the sole purpose of enabling such attorney-in-fact to execute, acknowledge and file any such agreement, certificate, instrument or document as is necessary to effect such admission.

15.3 **Withholding**. The LLC shall at all times be entitled to make payments with respect to any Member in amounts required to discharge any obligation of the LLC to withhold or make payments to any governmental authority with respect to any federal, state, local, or other jurisdictional tax liability of such Member arising as a result of such Member's Interest. To the extent each such payment satisfies an obligation of the LLC to withhold, with respect to any distribution to a Member on which the LLC did not withhold or with respect to any Member's allocable share of the income of the LLC, each such payment shall be deemed to be a loan by the LLC to such Member (which loan shall be deemed to be immediately due and payable) and shall not be deemed a distribution to such Member. The amount of such payments made with respect to such Member, plus interest, on each such amount from the date of each such payment until such amount is repaid to the LLC at an interest rate per annum equal to the prime rate published in the *Wall Street Journal* on the date of such payment by the LLC with respect to such Member, shall be repaid to the LLC by (a) deduction from any cash distributions made to such Member pursuant to this Agreement, or (b) earlier payment by such Member to the LLC, in each case as determined by the LLC in its discretion. The LLC may, in its discretion, defer making distributions to any Member owing amounts to the LLC pursuant to this Section 15.3 until such amounts are paid to the LLC and shall in addition exercise any other rights of a creditor with respect to such amounts. Each Member agrees to indemnify and hold harmless the LLC and each of the Members, from and against liability for taxes, interest, or penalties which may be asserted by reason of the failure to deduct and withhold tax on amounts distributable or allocable to said Member. Any amount payable as indemnity hereunder by a Member shall be paid promptly to the LLC upon request for such payment from the LLC, and if not so paid, the LLC shall be entitled to claim against and deduct from the Capital Account of, or from any distribution due to, the affected Member for all such amounts.

15.4 **Apportionment of Amounts Withheld at the Source or Paid by the LLC**.

(a) If the LLC receives securities disposition proceeds or other income with respect to which taxes have been withheld at the source or with respect to which the LLC makes payments to any taxing authority, the aggregate amount of such taxes so withheld or paid shall be deemed for all purposes of this Agreement to have been received by the LLC and then distributed by the LLC to and among the Members based on the amount of such withholding or

other taxes attributable to each Member, as determined by the Manager after consulting with the LLC's accountants or other advisers, taking into account any differences in the amount of such withholding or other taxes attributable to each Member because of such Member's status, nationality or other characteristics. The intent of the preceding sentence is to have the burden of taxes withheld at the source or paid or reimbursed by the LLC borne by those Members to which such withholding or other taxes are attributable to the maximum extent possible. If the amounts deemed distributed to the Members in accordance with such sentence do not comport with the provisions of this Agreement relating to the apportionment of distributions among the Members, then, notwithstanding such distribution provisions, subsequent distributions to the Members shall be adjusted in an equitable manner by the Manager to reflect the intent of such sentence.

(b) If the LLC is required to remit cash to a governmental agency in respect of a withholding obligation arising from an in-kind distribution by the LLC or the LLC's receipt of an in-kind payment, the Manager may cause the LLC to sell an appropriate portion of the property at issue and, to the extent permitted by applicable law (as determined by the Manager), any resulting income or gain shall be allocated solely for income tax purposes entirely to the Member or Members in respect of which such withholding obligation arises (in such proportion as the Manager shall determine in its reasonable discretion).

15.5 **Notice to and Consent of Members**. By executing this Agreement, each of the parties hereto acknowledges that it has actual notice of and consents to (a) all of the provisions hereof (including the restrictions on Transfer), and (b) all of the provisions of the Certificate.

15.6 **Further Assurances**. The parties agree to execute and deliver any further instruments or documents and perform any additional acts which are or may become necessary to effectuate and carry on the LLC created by this Agreement.

15.7 **Binding Effect**. Subject to the restrictions on Transfer set forth in this Agreement, this Agreement shall be binding on and inure to the benefit of the Members and their respective transferees, successors, permitted assigns and legal representatives. If Theravance or the Manager or any of their respective successors or assigns shall (i) consolidate with or merge into any other Person and shall not be the continuing or surviving Person of such consolidation or merger or (ii) sell, lease, license, transfer or otherwise dispose of all or substantially all of its business or assets to any Person, then, in each case, proper provision shall be made so that such Persons assume the obligations of Theravance and the Manager hereunder.

15.8 **Governing Law**. This Agreement shall be governed by and construed under the laws of the State of Delaware as applied to agreements among Delaware residents entered into and to be performed entirely within Delaware.

15.9 **Title to LLC Property**. Legal title to all property of the LLC will be held and conveyed in the name of the LLC.

15.10 **Dispute Resolution**.

(a) In the event of any dispute, controversy or claim arising under or relating to this Agreement (a "**Claim**"), the party asserting the Claim (the "**Claimant**") shall give written notice (a "**Claim Notice**") to the other parties to this Agreement (the "**Respondents**").

(b) The Claim Notice shall specify in reasonable detail the basis of the Claim, including (i) the provisions of this Agreement that it alleges have been breached and (ii) to the extent known to it, the factual basis of such alleged breach. The Claim Notice need not specify the factual basis of such alleged breach to the extent such facts are not available to Claimant due to confidentiality or other restrictions applicable to the Assigned Drug Programs or Assigned Products or to the extent any Respondent has or could reasonably obtain access to such facts, but has withheld them from Claimant (without regard to any confidentiality obligation or other restriction on disclosure).

(c) The parties to the dispute (i.e., the Claimant and the Respondents) shall negotiate in good faith to seek to achieve a mutually agreeable resolution of the Claim for fifteen (15) business days after receipt of such Claim by Respondents, or such longer period as they shall mutually agree. Any such resolution shall be set forth in a written agreement signed by all parties to the dispute.

(d) If the parties to the dispute do not achieve a mutually agreeable resolution within such time period, the sole recourse of the Claimant to resolve the Claim shall be through binding arbitration in accordance with this Agreement ("**Arbitration**"). To initiate such arbitration, the Claimant shall furnish the Respondents written notice ("**Arbitration Notice**") of its intent to pursue arbitration within fifteen (15) business days after the end of such time period.

(e) Each party to the dispute shall (i) take all reasonable steps necessary or advisable in order to properly submit the Claim to Arbitration; (ii) raise no objection to the submission of the Claim to Arbitration; (iii) irrevocably waive, to the fullest extent permitted by law, any objection such party has, or may have, to the submission of the Claim to Arbitration; (iv) irrevocably waive, to the fullest extent permitted by law, any right to have the Claim submitted for resolution in any jurisdiction or venue other than the Arbitration; (v) irrevocably waive, to the fullest extent permitted by law, any and all rights to have the Claim decided by a jury; and (vi) irrevocably waive, to the fullest extent permitted by law, any and all rights to any appeal of the ruling or award of the Arbitrator(s).

(f) The scope of the arbitration shall be limited solely to the Claim in accordance with this Agreement (including this dispute resolution process). No other matter may be brought before the Arbitration.

(g) The Arbitration shall be conducted before a former member of the Delaware Court of Chancery or the Delaware Supreme Court selected in good faith by mutual agreement of the Parties within fifteen (15) business days after the date the Arbitration Notice is delivered by the Claimant, provided that if the Parties cannot reach such mutual agreement within such period, then any party may petition the Delaware Court of Chancery to appoint an arbitrator who shall be a former member of the Delaware Court of Chancery or the Delaware Supreme Court. If no former member of the Court is willing or able to serve in such capacity, then within ten (10) business days of learning of such unwillingness or unavailability, each party shall select one person to act as arbitrator from a list of arbitrator candidates provided by JAMS, and, within five (5) business days after their selection, the two so selected shall select a third arbitrator (all three collectively, the "**Arbitrators**"). If the Arbitrators selected by the parties are unable or fail to agree upon the third Arbitrator within the allotted time, the third Arbitrator shall

be appointed by JAMS. All Arbitrators shall serve as neutral, independent and impartial arbitrators.

(h) Subject to the availability of the Arbitrator(s), the parties shall use their commercially reasonable best efforts to complete the Arbitration within ninety (90) days after the Arbitrator(s) is/are appointed (or as promptly thereafter as possible), on a schedule to be negotiated in good faith among the Parties.

(i) This arbitration provision (including the validity and applicability of the agreement to arbitrate, the conduct of any arbitration, the enforcement of any arbitration award made hereunder and any other questions of arbitration law or procedure arising hereunder) and its interpretation, and any Claim, shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of laws of any jurisdictions other than those of the State of Delaware. The location of any arbitration shall be Wilmington, Delaware or such other location as mutually agreed to by the parties.

(j) The Parties agree that, except as otherwise provided herein, the Arbitration shall proceed in accordance with the JAMS Streamlined Arbitration Rules and Procedures ("**JAMS Rules**") effective July 15, 2009, unless the Parties mutually agree to proceed under different rules and procedures. For the avoidance of doubt, to the extent any rule or procedure set forth in the JAMS Rules conflicts with this Agreement, this Agreement supersedes and trumps any such conflict. Unless the Parties mutually agree, the following Jams Rules shall not apply to the Arbitration: Rule 3 and Rule 19(f). Rule 15(a) (3) shall be limited to exclude exhibits intended to be used solely on cross examination. Rule 16 shall be further limited such that any subpoena shall be issued only upon prior order of the Arbitrator(s) and upon good cause shown.

(k) The Claimant shall have the burden of proving any Claim by a preponderance of the evidence, provided that if evidence is not available to Claimants (or any of its parent entities or other Affiliates) due to confidentiality or other restrictions applicable to the Assigned Drug Programs or Assigned Products or the Respondents have obtained or reasonably could obtain access to facts that are relevant to the Arbitration, but have not disclosed them to the Claimant (without regard to any confidentiality obligation or other restriction on disclosure), then the allegations set forth in the Claim Notice shall be taken as true by the Arbitrator and Respondents shall have the burden of refuting such Claim by a preponderance of the evidence.

(l) The Arbitrator(s) shall be entitled to award any legal and equitable remedies he, she or they deem appropriate in resolving any Claim, provided that no remedy shall violate or give rise to a right to terminate the GSK Agreements.

(m) A party to a dispute liable to pay a damage remedy shall pay such amount within ten (10) business days after the ruling by the Arbitrator(s). If any such party (other than the LLC) is liable to pay a damage remedy to another party, it shall pay such amount directly to the party entitled to receive such payment and not to the LLC as a capital contribution.

Theravance shall be required to pay on behalf of the Manager any damage remedy to which the Manager is found liable.

(n) An Arbitration award, if any, (i) shall be the sole and exclusive remedy with respect to a Claim by a party to a dispute, and (ii) shall be final, non-appealable and binding on the parties to the dispute and may be entered as a judgment in any court of competent jurisdiction as described more fully below. The parties to this Agreement further agree that any claim, cause of action or proceeding relating to any arbitration sought, compelled or performed hereunder will be brought and pursued only in the U.S. District Court for the District of Delaware or, solely in the case that such federal court does not have jurisdiction, in any Delaware State court (collectively, the "**Delaware Courts**"). The parties to this Agreement submit to the exclusive jurisdiction and venue of the Delaware Courts for such purposes, except that any confirmed arbitration award may be enforced in any court having jurisdiction over a party or, to the extent of any in rem action, any of its assets. The parties to this Agreement further irrevocably waive any objection to the laying of the venue of any such proceeding in the Delaware Courts, any claim that any such proceeding has been brought in an inconvenient or inappropriate forum and any right to a jury trial with regard to any such proceeding. The relationship between the parties to any dispute arising under this Agreement shall be deemed commercial in nature, and the Claim shall be deemed commercial.

(o) The parties to this Agreement agree that, subject to any non-waivable disclosure obligations under applicable law, the Arbitration, and all matters relating thereto or arising thereunder, including, without limitation, the existence of any Claim, the proceeding and all of its elements (including any pleadings, briefs or other documents submitted or exchanged, any testimony or other oral submissions, any third-party discovery proceedings, including any discovery obtained pursuant thereto, and any decision of the Arbitrator(s) or award), shall be kept strictly confidential, and each party hereby agrees that such information shall not be disclosed beyond: (i) the Arbitrator(s); (ii) the participants in the Arbitration and their respective legal counsel; (iii) those agents assisting the Parties in the preparation or presentation of the Arbitration; provided such agents are contractually or legally required to preserve the confidentiality of such information as contemplated by this Agreement; (iv) other employees or agents of the Parties with a need to know such information who are contractually required to preserve the confidentiality of such information as contemplated by this Agreement. The parties to this Agreement further agree that they will, to the fullest extent permitted by law, file under seal any claim, cause of action or proceeding relating to any arbitration sought, compelled or performed hereunder or any arbitration ruling or award issued. Disclosure under this Section 15.10, including any authorized disclosure by the disclosing party, does not relieve the receiving party of its obligations of confidentiality generally under this Agreement. In no event will the receiving party or its officers, directors, employees, attorneys, accountants, financial advisors, contractors or agents oppose an action by the disclosing party to obtain a protective order, order sealing documents, or other relief requiring that confidential information to be disclosed shall be treated confidentially in connection with any claim, action or proceeding.

(p) Each party to a dispute shall pay its own costs and expenses in any Arbitration, except that the Arbitrator(s) at his, her or their sole discretion may require the non-prevailing party to the Arbitration to pay the costs and expenses of the prevailing party.

15.11 **Entire Agreement**. This Agreement, the Exhibits and Attachments hereto, and the portions of the Master Agreement that relate to the LLC (collectively, the "Entire Agreements") constitute the entire agreement among the parties with respect to the subject matter herein. The Entire Agreements replace and supersede all prior agreements by and among the Members or any of them with respect to the subject matter herein. The Entire Agreements supersede all prior written and oral statements with respect to the subject matter herein; and no representation, statement, condition or warranty not contained in the Entire Agreements with respect to the subject matter herein will be binding on the Members or the LLC or have any force or effect whatsoever.

15.12 **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. For the avoidance of doubt, affirmation or signature of this Agreement or Unit purchase or issuance agreement by electronic means (an "**Electronic Signature**") shall, to the extent permitted by law, constitute the execution and delivery of a counterpart of this Agreement or a Unit purchase or issuance agreement by or on behalf of such Person intending to be bound by the terms of this Agreement. The parties hereto agree that this Agreement, each Unit purchase or issuance agreement and any additional information incidental thereto may be maintained as electronic records. Any Person providing an Electronic Signature further agrees to take any and all additional actions, if any, evidencing their intent to be bound by the terms of this Agreement, as may be reasonably requested by the Manager.

15.13 **No State-law Partnership**. The Members intend that the LLC not be a partnership (including a limited partnership) or joint venture, and that no Member be a partner or joint venturer of any other Member by virtue of this Agreement, for any purposes other than for U.S. federal income tax purposes as set forth in Section 15.14, and neither this Agreement nor any other document entered into by the LLC or any Member relating to the subject matter hereof shall be construed to suggest otherwise.

15.14 **Tax Classification**. It is the intent of the Members that, prior to any conversion of the LLC to a corporate legal entity in compliance with the provisions of this Agreement, the LLC shall always be operated in a manner consistent with its treatment as a "partnership" for federal, state and local income and franchise tax purposes at all times that it has two (2) or more Members and as a disregarded entity for federal, state and local income and franchise tax purposes at all times that it has one (1) Member. In accordance therewith, (a) no Member or Manager shall file any election with any taxing authority to have the LLC treated otherwise, and (b) each Member and Manager hereby represents, covenants, and warrants that it shall not maintain a position inconsistent with such treatment. The Members and Manager agree that at all times that the LLC has two (2) or more Members, except as otherwise required by applicable law, they (i) will not cause or permit the LLC to elect (A) to be excluded from the provisions of Subchapter K of the Code, or (B) to be treated as a corporation or an association taxable as a corporation for any tax purposes; (ii) will cause the LLC to make any election reasonably determined by the Tax Matters Member to be necessary or appropriate in order to ensure the treatment of the LLC as a partnership for all tax purposes; (iii) will cause the LLC to file any required tax returns in a manner consistent with its treatment as a partnership for tax purposes; and (iv) have not taken, and will not take, any action that would be inconsistent with the treatment of the LLC as a partnership for such purposes.

15.15 **Severability**. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under any present or future laws applicable to the LLC effective during the term of this Agreement, or in conflict with or prohibited by Section 3.12: (i) such provision will be fully severable; (ii) this Agreement will be construed and enforced as if such illegal, invalid, unenforceable or conflicting provision had never comprised a part of this Agreement and to give effect to Section 3.12 to the maximum extent possible to reflect the intention of the parties; and (iii) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the illegal, invalid, unenforceable or conflicting provision or by its severance from this Agreement.

15.16 **No Third Party Beneficiary**. This Agreement is made solely and specifically among and for the benefit of the parties hereto and their respective successors and permitted assigns, and no other Person will have any rights, interest, or claims hereunder or be entitled to any benefits under or on account of this Agreement as a third party beneficiary or otherwise. Notwithstanding the foregoing, any Person that is entitled to be indemnified by the LLC pursuant to Section 13.1 shall be entitled to enforce its right to indemnification therein.

15.17 **Interpretation**. The titles and section headings set forth in this Agreement are for convenience only and shall not be considered as part of agreement of the parties. When the context requires, the plural shall include the singular and the singular the plural, and any gender shall include all other genders. The parties intend that no provision of this Agreement shall be interpreted or construed against any party because such party or its counsel was the drafter thereof.

15.18 **Aggregation of Units**. All Units held or acquired by Affiliates of Members shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first indicated above.

MEMBERS:

THERAVANCE, INC.

By: /s/ Michael W. Aguiar

Name: Michael W. Aguiar

Title: Chief Financial Officer

THERAVANCE BIOPHARMA, INC.

By: /s/ Rick E Winningham

Name: Rick E Winningham

Title: Chief Executive Officer

MANAGER:

THERAVANCE, INC.

By: /s/ Michael W. Aguiar

Name: Michael W. Aguiar

Title: Chief Financial Officer

LLC:

THERAVANCE RESPIRATORY COMPANY, LLC

By: /s/ Rick E Winningham

Name: Rick E Winningham

Title: Chief Executive Officer and President

EXHIBIT A

MEMBERS; UNITS

Class A Members	Number of Class A Units
Theravance, Inc. 901 Gateway Boulevard South San Francisco, CA 94080	750
Total Class A Units	**750**

Class B Members(1)	Number of Class B Units(1)
Theravance Biopharma, Inc. Ugland House, South Church Street George Town Grand Cayman, Cayman Islands	2,125
Total Class B Units	**2,125**

Class C Members(1)	Number of Class C Units(1)
Theravance, Inc. 901 Gateway Boulevard South San Francisco, CA 94080	750
Theravance Biopharma, Inc. Ugland House, South Church Street George Town Grand Cayman, Cayman Islands	6,375
Total Class C Units	**7,125**
TOTAL UNITS	**10,000**

(1) After giving effect to the Theravance Biopharma Transfer.

EXHIBIT B

MANAGER; OFFICERS; TAX MATTERS MEMBER

Manager:

Theravance, Inc.

Officers:

Rick E Winningham, Chief Executive Officer and President
Michael W. Aguiar, Chief Financial Officer, Treasurer and Secretary

Tax Matters Member:

Theravance, Inc.

EXHIBIT C

ASSIGNED RIGHTS AND BENEFITS AND ASSUMED LIABILITIES

The Assignment of rights and benefits of Theravance under the Collaboration Agreement relating to Assigned Collaboration Products and the Assumption of Liabilities of Theravance under the Collaboration Agreement relating to Assigned Collaboration Products shall include, without limitation, the following rights, benefits and Liabilities (capitalized terms not otherwise defined shall have the meaning given them in the Collaboration Agreement):

1. The obligation of the LLC pursuant to Section 2.1 of the Collaboration Agreement to license to GSK any Theravance Patents, Theravance Know-How and Theravance's rights in the Joint Inventions to the extent such any such assets are included in the Assigned Assets assigned to the LLC pursuant to this Agreement.

2. The right to grant the prior written consent to any sublicense or subcontract relating to the development or manufacture of any Assigned Collaboration Product pursuant to Section 2.2 of the Collaboration Agreement, and to require GSK to secure all appropriate covenants, obligations and rights from any such sublicensee or subcontractor relating to such sublicense or subcontract.

3. The right to enforce the obligations of GSK with respect to trademark and housemarks under Section 2.3 of the Collaboration Agreement to the extent such obligations relate to any Assigned Collaboration Product and the obligation to perform the obligations of Theravance under Section 2.3 of the Collaboration Agreement to the extent relating to the Assigned Collaboration Products. For the avoidance of doubt, the LLC shall own all Theravance Inventions invented after the Contribution Date that relate primarily to the Assigned Collaboration Products and shall have a non-exclusive license to all Joint Inventions invented after the Contribution Date to the extent useful in the development and commercialization of the Assigned Collaboration Products.

4. The right to enforce GSK's obligations to use Diligent Efforts, as modified pursuant to Section 3.1 of the Collaboration Amendment Agreement (as defined in the Agreement), to the extent relating to any Assigned Collaboration Product.

5. The right to require GSK to bear costs and expenses pursuant to Section 4.2.2 of the Collaboration Agreement to the extent such costs and expenses relate to Assigned Collaboration Products.

6. The right to receive update reports pursuant to Section 4.2.3(c) of the Collaboration Agreement to the extent such reports relate to Assigned Collaboration Products.

7. The right to enforce GSK's obligations pursuant to Section 4.2.4 of the Collaboration Agreement to the extent relating to the Development of Assigned Collaboration Products.

8. The right to enforce GSK's obligations pursuant to Section 4.5.2. of the Collaboration Agreement to the extent relating to any GSK Discontinued Compound to the extent such compound is an Assigned Collaboration Product.

9. The right to receive a Theravance Discontinued Compound that is reverted pursuant to Section 4.5.3 of the Collaboration Agreement to the extent such compound is an Assigned Collaboration Product, *provided* that the LLC shall comply with the obligations with respect to such reverted compound set forth in such section.

10. The right to enforce GSK's obligations pursuant to, and the obligation to comply with Section 4.5.4 of the Collaboration Agreement to the extent there is an Assigned Collaboration Product being Developed under the Collaboration Agreement.

11. The right to require GSK to Commercialize Assigned Collaboration Products pursuant to Article 5 of the Collaboration Agreement, including the right to enforce GSK's obligation to bears costs and expenses pursuant to Section 5.3.1 of the Collaboration Agreement to the extent related to Assigned Collaboration Products and to receive any reports relating thereto pursuant to Article 5, as modified by the Collaboration Amendment Agreement.

12. The obligation to comply with Section 5.3.3 of the Collaboration Agreement to the extent it applies to Assigned Collaboration Products.

13. The right to receive all milestone payments payable by GSK pursuant to Section 6.2.2 of the Collaboration Agreement relating to Assigned Collaboration Products.

14. The obligation to make all milestone payments payable pursuant to Section 6.2.3 of the Collaboration Agreement relating to Assigned Collaboration Products.

15. The right to receive and the obligation to deliver notices of Development Milestones pursuant to Section 6.2.4 of the Collaboration Agreement relating to Assigned Collaboration Products.

16. The right to receive all royalties payable by GSK pursuant to Section 6.3 of the Collaboration Agreement relating to Assigned Collaboration Products.

17. The right to enforce the obligations of GSK pursuant to Section 6.4 through 6.10 of the Collaboration Agreement with respect to royalties payable by GSK relating to Assigned Collaboration Products.

18. The right to enforce the obligations of GSK, and the obligation to perform the obligations of Theravance, pursuant to Article 7 of the Collaboration Agreement with respect to promotional materials and samples relating to the Assigned Collaboration Products.

19. The right to enforce the obligations of GSK, and the obligation to perform the obligations of Theravance, pursuant to Article 8 of the Collaboration Agreement with respect to regulatory matters relating to the Assigned Collaboration Products.

20. The right to enforce the obligations of GSK pursuant to Article 9 of the Collaboration Agreement with respect to orders, supply and returns relating to the Assigned Collaboration Products.

21. The right to enforce the obligations of GSK pursuant to Article 10 of the Collaboration Agreement to the extent applicable to the Assigned Collaboration Products, and the obligation to comply with the confidentiality and use restrictions applicable to Confidential Information in Section 10.1 of the Collaboration Agreement (including Section 10.5 thereof) to the extent relating to Confidential Information received by the LLC, subject to the permitted disclosure and use restriction set forth in Section 10.2 of the Collaboration Agreement.

22. The obligation to comply with the restrictions on publications and public announcements in Sections 10.3 and 10.4 of the Collaboration Agreement, respectively, to the extent relating to Confidential Information received by the LLC.

23. The obligation to comply with Section 11.4 of the Collaboration Agreement and the right to enforce the obligations of GSK pursuant to Section 11.4 of the Collaboration Agreement, in each case to the extent applicable to the rights and obligations under the Collaboration Agreement assigned to the LLC pursuant to Section 4.1(a)(ii) hereof.

24. The right to be indemnified by GSK pursuant to Section 12.1 of the Collaboration Agreement, subject to the limitations and conditions contained therein, relating to the rights and benefits assigned to it pursuant to Section 4.1(a)(ii) hereof.

25. The obligation to indemnify GSK and others pursuant to Section 12.2 of the Collaboration Agreement, subject to the limitations and conditions contained therein, for Losses relating to the Liabilities assumed by the LLC pursuant to the first sentence of Section 4.1(c)(ii) hereof.

26. The obligations pursuant to Section 13.1.1 of the Collaboration Agreement to prosecute and maintain Theravance Patents and related applications to the extent they primarily relate to the Assigned Collaboration Products and the right to enforce GSK's obligations to pay out-of-pocket costs and expenses pursuant to such section.

27. The right to enforce the obligations of GSK, and perform the obligations of Theravance, pursuant to Section 13.1.2 of the Collaboration Agreement to prosecute and maintain Patents covering Joint Inventions, to the extent primarily related to Assigned Collaboration Products.

28. The right to enforce the obligations of GSK pursuant to Section 13.1.3 of the Collaboration Agreement to prosecute and maintain GSK Patents and related applications to the extent primarily related to an Assigned Collaboration Product.

29. The right to (i) exercise the step-in rights pursuant to Section 13.1.5 of the Collaboration Agreement, to the extent such GSK Patents or claims primarily relate to an Assigned Collaboration Product, and (ii) require GSK to perform, and the obligation to perform,

the rights and obligations of the Parties set forth in Sections 13.1.6 and 13.1.7, to the extent they relate to the Assigned Collaboration Products.

30. The obligation to assist and cooperate, and the right to require GSK to assist or cooperate, with respect to Patent Infringement Claims pursuant to Section 13.2.1 of the Collaboration Agreement to the extent such claims primarily relate to an Assigned Collaboration Product.

31. The rights to defend the infringement of a Theravance Patents pursuant to Section 13.2.2 of the Collaboration Agreement to the extent primarily related to an Assigned Collaboration Product.

32. The right to join GSK as a party-plaintiff in an infringement action pursuant to Section 13.2.3 of the Collaboration Agreement to the extent that such action primarily relates to an Assigned Collaboration Product.

33. The right to receive, and the obligation to give, a Hatch-Waxman Certification under Section 13.3 of the Collaboration Agreement to the extent the GSK Patent or Theravance Patent which is the subject of such notice primarily relates to an Assigned Collaboration Product.

34. The right to receive and the obligation to give assistance pursuant to Section 13.4 of the Collaboration Agreement with respect to a legal action covered by Article 13 of the Collaboration Agreement to the extent such legal action primarily relates to an Assigned Collaboration Product.

35. The right and obligation to give written consent with respect to a suit pursuant to Section 13.5 of the Collaboration Agreement to the extent such suit primarily relates to an Assigned Collaboration Product.

36. The right to terminate the Collaboration Agreement pursuant to Section 14.2 of the Collaboration Agreement if GSK materially breaches or defaults in the performance of any obligations under the Collaboration Agreement, subject to the cure rights specified therein, if such breach or default relates to an Assigned Collaboration Product; *provided* that such right may only be exercised with the consent of Theravance (so long as it retains a portion of the Collaboration Agreement) and all assignees to which portions of the Collaboration Agreement have been assigned; and *provided*, *further*, that such condition on the right to terminate will not limit any other available rights or remedies.

37. The right to dispute GSK's termination of a Terminated Development Collaboration Product pursuant to Section 14.3 of the Collaboration Agreement, if such product is an Assigned Collaboration Product.

38. The right to dispute GSK's termination of a Terminated Commercialized Collaboration Product pursuant to Section 14.4 of the Collaboration Agreement, if such product is an Assigned Collaboration Product.

39. Upon termination of the Collaboration Agreement to which Section 14.6.1(a) of the Collaboration Agreement applies, the obligation to transfer data and materials related to specified Collaboration Products to the extent such products are Assigned Collaboration Products.

40. Upon termination of the Collaboration Agreement to which Section 14.6.1(b) of the Collaboration Agreement applies, the right to receive (i) data and materials related to Theravance Compounds, (ii) regulatory filings, (iii) access rights, and (iv) rights to bring an action against GSK, in each case to the extent such compounds are Assigned Collaboration Products.

41. Upon termination of the Collaboration Agreement to which Section 14.6.2 of the Collaboration Agreement applies, if the Collaboration Product terminated after initiation of the first Phase III Study with respect to such product is an Assigned Collaboration Product, the rights set forth in Sections 14.6.2(a) through (d) thereof, subject to Section 14.6.2(e) thereof.

42. Upon termination of the Collaboration Agreement to which Section 14.6.3 of the Collaboration Agreement applies, if the Terminated Commercialized Collaboration Product is an Assigned Collaboration Product, the rights set forth in Sections 14.6.3(a) through (d) and (f) thereof, subject to Sections 14.6.3(e) thereof.

43. Upon termination of the Collaboration Agreement to which Section 14.6.4 of the Collaboration Agreement applies, the right receive the (i) materials, (ii) regulatory filings, (iii) license filings and (iv) stock, as specified therein, and the right to limit further Development work by GSK, as specified therein, in each case to the extent such rights relate to an Assigned Collaboration Product.

44. The right to receive royalties payable by GSK pursuant to Section 14.9, and the obligation to pay royalties to GSK after termination of the Collaboration Agreement pursuant to Section 14.9 thereof to the extent that the product giving rise to such payment obligation is developed and commercialized by the LLC.

Theravance, Inc. and Theravance Biopharma, Inc. Announce Completion of Separation of Late-Stage Partnered Respiratory Assets From Biopharmaceutical Operations

SOUTH SAN FRANCISCO, CA—(MARKETWIRED — JUNE 2, 2014) — Theravance, Inc. (NASDAQ: THRX) ("Theravance") and Theravance Biopharma, Inc. (NASDAQ: TBPH) ("Theravance Biopharma") today announced the completion of the separation of Theravance Biopharma, Inc., the research and development-based biopharmaceutical business, from Theravance, Inc. to form two, independent, publicly traded companies with differing business objectives and opportunities, via a dividend distribution of Theravance Biopharma shares to Theravance stockholders.

Theravance, Inc., A Royalty Management Company, is focused on maximizing the potential value of the respiratory assets partnered with GlaxoSmithKline plc including RELVAR®/BREO® ELLIPTA® and ANORO™ ELLIPTA® and providing capital returns to stockholders, while Theravance Biopharma is focused on the discovery, development and commercialization of small molecule medicines across a number of therapeutic areas including bacterial infections, central nervous system (CNS)/pain, respiratory disease and gastrointestinal motility dysfunction.

"Now that we have completed the separation, each company will focus its efforts on building value by unlocking unique and promising opportunities," said Rick E Winningham, Chief Executive Officer of both Theravance and Theravance Biopharma. "Theravance, A Royalty Management Company, will focus on providing a return of capital to stockholders via dividends and potential share repurchases. Theravance Biopharma will continue the research and development activities underway at Theravance. Over the next few months, each will sharpen its strategic focus and complete its leadership team, enabling both companies to execute effectively."

As part of the separation, Theravance has appointed three new board members, Catherine J. Friedman, Paul Pepe and James L. Tyree, who bring successful track records in capital markets and corporate operating roles. Also in connection with the separation, Henrietta H. Fore, Robert V. Gunderson, Jr., Burton G. Malkiel, Peter S. Ringrose, George M. Whitesides and William D. Young have resigned from the Theravance board, but continue to serve on the Theravance Biopharma board. William Waltrip remains on the board of Theravance and Rick Winningham currently continues to serve as chairman of the board of Theravance. The board of directors of Theravance Biopharma also added three new board members on June 2, Michael G. Atieh, Eran Broshy and Dean J. Mitchell, who bring leadership and experience in finance, business strategy, late-stage drug development and commercialization.

About Theravance

Theravance, Inc., A Royalty Management Company, is focused on maximizing the potential value of the respiratory assets partnered with GlaxoSmithKline plc including RELVAR®/BREO® ELLIPTA® and ANORO™ ELLIPTA®, with the intention of providing capital returns to stockholders. Theravance is responsible for all development and commercial activities under the Long-Acting Beta$_2$ Agonist (LABA) collaboration and the strategic alliance agreements with Glaxo Group Limited (GSK). Theravance is eligible to receive the associated royalty revenues from RELVAR®/BREO® ELLIPTA® (fluticasone furoate/vilanterol, "FF/VI"), ANORO™ ELLIPTA® (umeclidinium bromide/vilanterol, "UMEC/VI") and potentially VI monotherapy. Theravance formed a Delaware limited liability company, Theravance Respiratory Company, LLC ("TRC"), to which it assigned its strategic alliance agreement with GSK and all of its rights and obligations under its collaboration agreement with GSK other than with respect to RELVAR®

ELLIPTA®/BREO® ELLIPTA®, ANORO™ ELLIPTA® and VI monotherapy. TRC is controlled by Theravance and jointly owned by Theravance and Theravance Biopharma. Theravance Biopharma's equity interest in TRC entitles it to an 85% economic interest in any future payments made by GSK under the strategic alliance agreement and under the portion of the collaboration agreement assigned to TRC, which portion does not include RELVAR®/BREO® ELLIPTA®, ANORO™ ELLIPTA® and VI monotherapy. Specifically, this 85% economic interest relates to the following drug development programs: The combination of umeclidinium (UMEC), vilanterol (VI) and fluticasone furoate (FF) (UMEC/VI/FF), the MABA program, as monotherapy and in combination with other therapeutically active components, such as an inhaled corticosteroid, and any other product or combination of products that may be discovered and developed in the future under the strategic alliance agreement or the collaboration agreement. Theravance's equity interest in TRC entitles it to a 15% economic interest in the potential future payments described above. Also, Theravance retains the right to receive all payments under the collaboration agreement associated with global sales of RELVAR®/BREO® ELLIPTA®, ANORO™ ELLIPTA® and potentially VI monotherapy. For more information, please visit Theravance's web site at www.thrxinc.com.

RELVAR®, BREO®, ANORO™ and ELLIPTA® are trademarks of the GlaxoSmithKline group of companies.

About Theravance Biopharma

Theravance Biopharma is a biopharmaceutical company with one approved product, VIBATIV® (telavancin), that was discovered and developed internally, a pipeline of internally discovered product candidates and strategic collaborations with pharmaceutical companies. In addition, Theravance Biopharma has an economic interest in future payments that may be made by GSK pursuant to its agreements with Theravance relating to certain drug programs, including the combination of umeclidinium (UMEC), vilanterol (VI) and fluticasone furoate (FF) (UMEC/VI/FF), the MABA program, as monotherapy (GSK961081) and in combination with other therapeutically active components, such as an inhaled corticosteroid, and any other product or combination of products that may be discovered and developed in the future under the strategic alliance agreement or the collaboration agreement.

Theravance Biopharma is focused on the discovery, development and commercialization of small molecule medicines across a number of therapeutic areas including bacterial infections, central nervous system (CNS)/pain, respiratory disease, and gastrointestinal motility dysfunction. By leveraging its proprietary insight of multivalency to drug discovery, Theravance Biopharma is pursuing a best-in-class strategy designed to discover superior medicines in areas of significant unmet medical need. For more information, please visit Theravance Biopharma's web site at www.theravance.com.

THERAVANCE, the Cross/Star logo, MEDICINES THAT MAKE A DIFFERENCE and VIBATIV are trademarks and/or registered trademarks of the Theravance Biopharma group of companies.

Forward-Looking Statements

This press release contains certain "forward-looking" statements as that term is defined in the Private Securities Litigation Reform Act of 1995 regarding, among other things, statements relating to goals, plans, objectives and future events. Theravance and Theravance Biopharma intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Examples of such statements include statements relating to: the strategies, plans and objectives of the two companies following the separation, the timing, manner, amount and planned growth of Theravance's anticipated potential capital returns to stockholders (including without limitation statements concerning the intention to initiate a cash dividend in the third quarter of 2014 and expectations of future cash dividend growth), the status and timing of clinical studies, data analysis and communication of results, the potential benefits and mechanisms of action of product candidates, the enabling capabilities of Theravance Biopharma's approach to drug discovery and its proprietary insights, expectations for product candidates

through development and commercialization, and the timing of seeking regulatory approval of product candidates. These statements are based on the current estimates and assumptions of the managements of Theravance and Theravance Biopharma as of the date of the press release and are subject to risks, uncertainties, changes in circumstances, assumptions and other factors that may cause actual results to be materially different from those reflected in the forward-looking statements. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include, among others, risks related to: the disruption of operations during the transition period following the spin-off, including the diversion of managements' and employees' attention to the companies' respective businesses, adverse impacts upon the progress of discovery and development efforts, disruption of relationships with collaborators and increased employee turnover, lower than expected future royalty revenue from respiratory products partnered with GSK, delays or difficulties in commencing or completing clinical studies, the potential that results from clinical or non-clinical studies indicate product candidates are unsafe or ineffective, dependence on third parties to conduct clinical studies, delays or failure to achieve and maintain regulatory approvals for product candidates, risks of collaborating with third parties to discover, develop and commercialize products, and Theravance Biopharma's risks associated with establishing distribution capabilities for telavancin with appropriate technical expertise and supporting infrastructure. Other risks affecting Theravance are described under the heading "Risk Factors" contained in Theravance's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on May 7, 2014 and the risks discussed in Theravance's other periodic filings with the SEC. Other risks affecting Theravance Biopharma are described under the heading "Risk Factors" contained in the information statement included in Theravance Biopharma's Registration Statement on Form 10 filed with the SEC on May 7, 2014. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Theravance and Theravance Biopharma assume no obligation to update their forward-looking statements.

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