Innoviva, Inc.
Form 10-Q
August 04, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

OR

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

For the transition period from to

Commission File Number: 000-30319

INNOVIVA, INC.

(Exact Name of Registrant as Specified in its Charter)

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

2000 Sierra Point Parkway, Suite 500

Brisbane, CA 94005

(Address of Principal Executive Offices)

(650) 238-9600

(Registrant s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

The number of shares of registrant s common stock outstanding on July 31, 2016 was 111,202,828.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

INNOVIVA, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	June 30, 2016 (unaudited)	December 31, 2015 *
Assets		
Current assets:		
Cash and cash equivalents	$ 112,945	$ 159,180
Short-term marketable securities	40,921	28,103
Related party receivables from collaborative arrangements	35,817	26,228
Prepaid expenses and other current assets	738	814
Total current assets	190,421	214,325
Property and equipment, net	174	221
Capitalized fees paid to a related party, net	187,456	194,368
Other assets	58	18
Total assets	$ 378,109	$ 408,932
Liabilities and Stockholders Deficit		
Current liabilities:		
Accounts payable	$ 137	$ 818
Accrued personnel-related expenses	1,126	1,659
Accrued interest payable	7,823	7,911
Other accrued liabilities	1,392	2,218
Non-recourse notes, due 2029, current	3,266	
Deferred revenue	885	885
Total current liabilities	14,629	13,491
Convertible subordinated notes, due 2023, net of issuance costs	241,408	250,992
Non-recourse notes, due 2029, net of issuance costs	480,879	482,139
Other long-term liabilities	1,639	1,856
Deferred revenue	2,656	3,099
Commitments and contingencies (Note 9)		
Stockholders deficit:		
Preferred stock: $0.01 par value, 230 shares authorized, no shares issued and outstanding		
Common stock: $0.01 par value, 200,000 shares authorized, 111,617 and 114,933 shares issued as of June 30, 2016 and December 31, 2015, respectively	1,116	1,149
Treasury stock: 150 shares as of June 30, 2016 and December 31, 2015	(3,263)	(3,263)
Additional paid-in capital	1,312,434	1,351,898
Accumulated other comprehensive income (loss)	6	(2)
Accumulated deficit	(1,673,395)	(1,692,427)
Total stockholders deficit	(363,102)	(342,645)
Total liabilities and stockholders deficit	$ 378,109	$ 408,932

See accompanying notes to condensed consolidated financial statements.

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* Condensed consolidated balance sheet as of December 31, 2015 has been derived from audited consolidated financial statements.

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INNOVIVA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Royalty revenue from a related party, net of amortization for capitalized fees paid to a related party of $3,456 and $3,456 for the three months ended June 30, 2016 and 2015 and $6,912 and $6,912 for the six months ended June 30, 2016 and 2015	$ 32,251	$ 10,434	$ 56,206	$ 17,108
Revenue from collaborative arrangements from a related party, net	221	221	442	443
Total net revenue	32,472	10,655	56,648	17,551
Operating expenses:				
Research and development	370	638	762	1,350
General and administrative	6,225	4,909	12,477	10,348
Total operating expenses	6,595	5,547	13,239	11,698
Income from operations	25,877	5,108	43,409	5,853
Other income (expense), net	1,719	(16)	1,687	1,162
Interest income	157	85	249	201
Interest expense	(13,156)	(12,987)	(26,313)	(25,693)
Net income (loss)	$ 14,597	$ (7,810)	$ 19,032	$ (18,477)
Basic and diluted net income (loss) per share	$ 0.13	$ (0.07)	$ 0.17	$ (0.16)
Shares used to compute basic and diluted net income (loss) per share:				
Shares used to compute basic net income (loss) per share	111,359	115,329	112,005	115,096
Shares used to compute diluted net income (loss) per share	124,316	115,329	112,531	115,096
Cash dividend declared per common share	$	$ 0.25	$	$ 0.50

See accompanying notes to condensed consolidated financial statements.

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INNOVIVA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Net income (loss)	$ 14,597	$ (7,810)	$ 19,032	$ (18,477)
Other comprehensive income:				
Unrealized gain on marketable securities, net	8	2	9	1,228
Less: realized gain on marketable securities, net	(1)		(1)	(1,151)
Comprehensive income (loss)	$ 14,604	$ (7,808)	$ 19,040	$ (18,400)

See accompanying notes to condensed consolidated financial statements.

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INNOVIVA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six months ended June 30,	
	2016	**2015**
Cash flows from operating activities		
Net income (loss)	$ 19,032	$ (18,447)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	6,967	6,966
Stock-based compensation	4,705	3,755
Amortization of premium (discount) on short-term investments	(14)	392
Interest added to the principal balance of the non-recourse term notes due 2029	855	12,836
Gain on repurchase of convertible subordinated notes due 2023	(1,752)	
Amortization of debt issuance costs	1,414	1,527
Realized gain on sale of marketable securities, net	1	(1,204)
Amortization of lease guarantee	(28)	
Other non-cash items		(2)
Changes in operating assets and liabilities:		
Receivables from collaborative arrangements	(9,589)	(3,447)
Prepaid expenses and other current assets	76	437
Other assets	(40)	
Accounts payable	(681)	462
Payable to Theravance Biopharma, Inc., net		(906)
Accrued personnel-related expenses and other accrued liabilities	(627)	(1,709)
Accrued interest payable	(88)	374
Other long-term liabilities	(78)	(3)
Deferred revenue	(443)	(443)
Net cash provided by operating activities	19,710	558
Cash flows from investing activities		
Maturities of marketable securities	44,101	59,120
Purchases of marketable securities	(59,893)	(8,457)
Sales of marketable securities	2,995	57,098
Purchases of property and equipment	(8)	(6)
Net cash (used in) provided by investing activities	(12,805)	107,755
Cash flows from financing activities		
Repurchase of common stock	(44,331)	
Repurchase of convertible subordinated notes due 2023	(8,095)	
Payments of cash dividends to stockholders	(843)	(58,045)
Repurchase of shares to satisfy tax withholding	(597)	(2,121)
Proceeds from capped-call options	391	
Proceeds from issuances of common stock, net	335	4,632
Net cash used in financing activities	(53,140)	(55,534)
Net (decrease) increase in cash and cash equivalents	(46,235)	52,779
Cash and cash equivalents at beginning of period	159,180	96,800

Cash and cash equivalents at end of period	$	112,945	$	149,579
Supplemental disclosure of cash flow information				
Cash paid for interest	$	24,132	$	10,954

See accompanying notes to condensed consolidated financial statements.

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INNOVIVA, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Description of Operations and Summary of Significant Accounting Policies

Description of Operations

Innoviva, Inc. (referred to as Innoviva , the Company , or we and other similar pronouns) is focused on bringing compelling new medicines to patients in areas of unmet need by leveraging its significant expertise in the development, commercialization and financial management of bio-pharmaceuticals. Innoviva s portfolio is anchored by the respiratory assets partnered with Glaxo Group Limited (GSK), including RELVAR®/BREO® ELLIPTA® (fluticasone furoate/ vilanterol, FF/VI) and ANORO® ELLIPTA® (umeclidinium bromide/ vilanterol, UMEC/VI). Under the Long-Acting Beta*2* Agonist (LABA) Collaboration Agreement and the Strategic Alliance Agreement with GSK (referred to herein as the GSK Agreements), Innoviva is eligible to receive the associated royalty revenues from RELVAR®/BREO® ELLIPTA® and ANORO® ELLIPTA®. Innoviva is also entitled to 15% of any future payments made by GSK under its agreements originally entered into with us, and since assigned to Theravance Respiratory Company, LLC (TRC), relating to the combination FF/UMEC/VI and the Bifunctional Muscarinic Antagonist- Beta*2* Agonist (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 LABA Collaboration Agreement (LABA Collaboration), which has been assigned to TRC other than RELVAR®/BREO®ELLIPTA® and ANORO® ELLIPTA®.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In our opinion, the unaudited condensed consolidated financial statements have been prepared on the same basis as audited consolidated financial statements and include all adjustments, consisting of only normal recurring adjustments, necessary for the fair presentation of our financial position, results of operations, comprehensive income and cash flows. The interim results are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2016 or any other period.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission (SEC) on February 24, 2016.

Variable Interest Entity

We evaluate our ownership, contractual and other interest in entities to determine if they are variable interest entities (VIE), whether we have a variable interest in those entities and the nature and extent of those interests. Based on our evaluations, if we determine we are the primary beneficiary of such VIEs, we consolidate such entities into our financial statements. We consolidate the financial results of TRC, which we have determined to be a VIE, because we have the power to direct the economically significant activities of TRC and the obligation to absorb losses of, or the right to receive benefits from, TRC. The financial position and results of operations of TRC are not material for the periods presented.

Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which supersedes the lease recognition requirements in ASC Topic 840, *Leases*. The standard requires an entity to recognize right-of-use assets and lease liabilities arising from a lease for both financing and operating leases in the consolidated balance sheets but recognize the impact on the consolidated statement of operations and cash flows in a similar manner under current GAAP. The standard also requires additional qualitative and quantitative disclosures. The standard is effective for us beginning January 1, 2019, although early adoption is permitted. We are currently evaluating adoption methods and whether this standard will have a material impact on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. This standard is effective for us beginning January 1, 2018. We are evaluating the effects of the adoption of this ASU to our consolidated financial statements.

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In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, requiring an entity to recognize the amount of revenue to which it expects to be entitled to in exchange for the transfer of promised goods or services to customers. The standard will replace nearly all existing revenue recognition guidance under GAAP when it becomes effective. In July 2015, the FASB decided to defer the effective date by one year. Thus, the standard will be effective for us beginning January 1, 2018, at which time we may adopt the standard under either the full retrospective method or the modified retrospective method. Early adoption on or after January 1, 2017 would be permitted. We are currently evaluating the effect that the new standard will have on our consolidated financial statements and related disclosures.

Recently Adopted Accounting Pronouncement

In April 2015, the FASB issued ASU 2015-03, *Interest Imputation of Interest* (ASU 2015-03), to simplify the presentation of debt issuance costs. This standard amended existing guidance to require the presentation of debt issuance costs associated with term loans in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. We adopted ASU 2015-03 on January 1, 2016. Upon adoption of ASU 2015-03, we applied the guidance retrospectively to all periods presented and classified our debt issuance costs, which prior to adoption were included in other assets in the condensed consolidated financial statements, as a deduction to our respective long-term debts.

2. Net Income (Loss) per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of shares of common shares outstanding. Diluted net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of shares of common shares and dilutive potential common share equivalents then outstanding. Dilutive potential common share equivalents include the assumed exercise, vesting and issuance of employee stock awards using the treasury stock method, as well as common shares issuable upon assumed conversion of our convertible debt using the if-converted method.

The following table shows the computation of basic and diluted net income per share for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30	
(In thousands except for per share amounts)	**2016 (1)(2)**	**2015**	**2016 (3)**	**2015**
Numerator:				
Net income (loss) attributable to common stockholders, basic	$ 14,597	$ (7,810)	$ 19,032	$ (18,477)
Add: Interest expense on convertible subordinated notes due 2023, net of tax	1,457			
Net income (loss) attributable to common stockholders, diluted	$ 16,054	$ (7,810)	$ 19,032	$ (18,477)
Denominator:				
Weighted-average shares used to compute basic net income (loss) per share	111,359	115,329	112,005	115,096

Dilutive effect of convertible subordinated notes due 2023	12,602			
Dilutive effect of options and awards granted under equity incentive plan and employee stock purchase plan	355		526	
Weighted-average shares used to compute diluted net income (loss) per share	124,316	115,329	112,531	115,096
Net income (loss) per share				
Basic	$ 0.13	$ (0.07)	$ 0.17	$ (0.16)
Diluted	$ 0.13	$ (0.07)	$ 0.17	$ (0.16)

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Anti-Dilutive Securities

The following common share equivalents were not included in the computation of diluted net income (loss) per share because their effect was anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	**2016 (1)**	**2015 (4)**	**2016 (3)**	**2015 (5)**
Outstanding options and awards granted under equity incentive plan and employee stock purchase plan	4,276	7,178	4,383	7,516
Shares issuable upon conversion of convertible subordinated notes		12,678	12,753	12,678
	4,276	19,856	17,136	20,194

(1) Includes 2.9 million options, 0.1 million restricted stock units, and 0.1 million unvested restricted stock awards (RSAs) retained by former employees who were transferred to Theravance Biopharma, Inc. (Theravance Biopharma) in connection with the Spin-Off of Theravance Biopharma in June 2014 (the Spin-Off). Subsequent to the Spin-Off, stock-based compensation expense associated with the awards held by Theravance Biopharma employees granted prior to the Spin-Off is recognized by Theravance Biopharma. Stock options of 2.9 million were excluded from the diluted net income per share calculation as their effect was anti-dilutive.

(2) For the three months ended June 30, 2016, the effect of assumed conversion of convertible subordinated notes due 2023 became dilutive under the if-converted method and was included in the computation of diluted net income per share.

(3) Includes 3.2 million options, 0.1 million restricted stock units, and 0.3 million unvested RSAs retained by former employees who were transferred to Theravance Biopharma in connection with the Spin-Off. Subsequent to the Spin-Off, stock-based compensation expense associated with the awards held by Theravance Biopharma employees granted prior to the Spin-Off is recognized by Theravance Biopharma. Stock options for 3.2 million shares of common stock were excluded from the diluted net income per share calculation as their effect was anti-dilutive.

(4) Includes 4.2 million options, 0.4 million restricted stock units, and 1.1 million unvested RSAs retained by former employees who were transferred to Theravance Biopharma in connection with the Spin-Off. All of these awards were excluded from the diluted net loss per share calculation as their effect was anti-dilutive.

(5) Includes 4.4 million options, 0.5 million restricted stock units, and 1.2 million unvested RSAs retained by former employees who were transferred to Theravance Biopharma in connection with the Spin-Off. All of these awards were excluded from the diluted net loss per share calculation as their effect was anti-dilutive.

3. Collaborative Arrangements

Net Revenue from Collaborative Arrangements

Net revenue recognized under our GSK Agreements was as follows:

(In thousands)	Three Months Ended June 30, 2016	2015	Six Months Ended June 30, 2016	2015
Royalties from a related party	$ 35,707	$ 13,890	$ 63,118	$ 24,020
Less: amortization of capitalized fees paid to a related party	(3,456)	(3,456)	(6,912)	(6,912)
Royalty revenue	32,251	10,434	56,206	17,108
Strategic alliance - MABA program	221	221	442	443
Total net revenue from GSK	$ 32,472	$ 10,655	$ 56,648	$ 17,551

LABA Collaboration

As a result of the launch and approval of RELVAR®/BREO® ELLIPTA® and ANORO® ELLIPTA® in the U.S., Japan and Europe, we paid milestone fees to GSK totaling $220.0 million during the year ended December 31, 2014. Although we have no further milestone payment obligations to GSK pursuant to the LABA Collaboration Agreement, we continue to have ongoing development and commercialization activities under the GSK Agreements that are expected to continue over the life of the agreements. The milestone fees paid to GSK were recognized as capitalized fees paid to a related party, which are being amortized over their estimated useful lives commencing upon the commercial launch of the product. The amortization expense is recorded as a reduction to the royalties from GSK.

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We are entitled to receive annual royalties from GSK on sales of RELVAR®/BREO® ELLIPTA® as follows: 15% on the first $3.0 billion of annual global net sales and 5% for all annual global net sales above $3.0 billion. Sales of single-agent LABA medicines and combination medicines would be combined for the purposes of this royalty calculation. For other products combined with a LABA from the LABA Collaboration, such as ANORO® ELLIPTA®, royalties are upward tiering and range from 6.5% to 10%.

Agreements Entered into with GSK in Connection with the Spin-Off

On March 3, 2014, in contemplation of the Spin-Off, we, Theravance Biopharma and GSK entered into a series of agreements, including amendments to the GSK Agreements, clarifying how the companies would implement the Spin-Off and operate following the Spin-Off. Pursuant to a three-way master agreement, by and among us, Theravance Biopharma and GSK, we agreed to sell a certain number of Theravance Biopharma shares withheld from a taxable dividend of Theravance Biopharma shares to GSK. After such Theravance Biopharma shares were sent to the transfer agent, we agreed to purchase the Theravance Biopharma shares from the transfer agent, rather than have them sold on the open market, in order to satisfy tax withholdings. GSK had a right to purchase these shares of Theravance Biopharma from us, but this right expired unexercised. During the six months ended June 30, 2015, we sold all 436,802 ordinary shares of Theravance Biopharma that we held as of December 31, 2014. Refer to Note 4 Available-for-Sale Securities and Fair Value Measurements for further information.

GSK Contingent Payments and Revenue

The potential future contingent payments receivable related to the MABA program of $363 million are not deemed substantive milestones due to the fact that the achievement of the event underlying the payment predominantly relates to GSK s performance of future development, manufacturing and commercialization activities for product candidates after licensing the program. We are entitled to 15% of any milestone payments through our ownership interest in TRC.

4. Available-for-Sale Securities and Fair Value Measurements

Available-for-Sale Securities

The classification of available-for-sale securities in the condensed consolidated balance sheets is as follows:

(In thousands)	June 30, 2016	December 31, 2015
Cash and cash equivalents	$ 110,228	$ 148,673
Short-term marketable securities	40,921	28,103
Total	$ 151,149	$ 176,776

The estimated fair value of available-for-sale securities is based on quoted market prices for these or similar investments that were based on prices obtained from a commercial pricing service. Available-for-sale securities are summarized below:

(In thousands)	Amortized Cost	June 30, 2016 Gross Unrealized Gains	Estimated Fair Value
U.S. government agencies	$ 19,970	$ 6	$ 19,976
U.S. commercial paper	52,535		52,535
Money market funds	78,638		78,638
Total	$ 151,143	$ 6	$ 151,149

(In thousands)	Amortized Cost	December 31, 2015 Gross Unrealized Losses	Estimated Fair Value
U.S. government agencies	$ 14,406	$ (1)	$ 14,405
U.S. corporate notes	2,702	(1)	2,701
U.S. commercial paper	10,997		10,997
Money market funds	148,673		148,673
Total	$ 176,778	$ (2)	$ 176,776

As of June 30, 2016, all of the available-for-sale securities had contractual maturities within one year and the weighted average maturity of marketable securities was approximately four months. We have determined that the gross unrealized gains on our marketable securities as of June 30, 2016 were temporary in nature.

During the six months ended June 30, 2015, we sold all of the ordinary shares of Theravance Biopharma, which resulted in a gain on sale of $1.2 million, which is included in other income (expense), net in the condensed consolidated statement of operations.

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Fair Value Measurements

Our available-for-sale securities are measured at fair value on a recurring basis and our debt is carried at the amortized cost basis. The estimated fair values were as follows:

	Estimated Fair Value Measurements as of June 30, 2016 Using:			
Types of Instruments (In thousands)	**Quoted Price in Active Markets for Identical Assets Level 1**	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**	**Total**
Assets				
U.S. government agencies	$	$ 19,976	$	$ 19,976
U.S. commercial paper		52,535		52,535
Money market funds	78,638			78,638
Total assets measured at estimated fair value	$ 78,638	$ 72,511	$	$ 151,149
Liabilities				
Convertible subordinated notes due 2023	$	$ 197,825	$	$ 197,825
Non-recourse notes due 2029		494,017		494,017
Total fair value of liabilities	$	$ 691,842	$	$ 691,842

	Estimated Fair Value Measurements as of December 31, 2015 Using:			
Types of Instruments (In thousands)	**Quoted Price in Active Markets for Identical Assets Level 1**	**Significant Other Observable Inputs Level 2**	**Significant Unobservable Inputs Level 3**	**Total**
Assets				
U.S. government agencies	$	$ 14,405	$	$ 14,405
U.S. corporate notes		2,701		2,701
U.S. commercial paper		10,997		10,997
Money market funds	148,673			148,673
Total assets measured at estimated fair value	$ 148,673	$ 28,103	$	$ 176,776
Liabilities				
Convertible subordinated notes due 2023	$	$ 189,100	$	$ 189,100
Non-recourse notes due 2029		470,970		470,970
Total fair value of liabilities	$	$ 660,070	$	$ 660,070

The fair value of our marketable securities classified within Level 2 is based upon observable inputs that may include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications.

The fair value of our convertible subordinated notes due 2023 and non-recourse notes due 2029 is based on recent trading prices of the instruments.

5. Capitalized Fees Paid to a Related Party

Capitalized fees paid to a related party, which consist of registrational and launch-related milestone fees paid to GSK, were as follows:

		June 30, 2016			December 31, 2015		
(In thousands)	**Weighted Average Remaining Amortization Period (Years)**	**Gross Carrying Value**	**Accumulated Amortization**	**Net Carrying Value**	**Gross Carrying Value**	**Accumulated Amortization**	**Net Carrying Value**
Approval and launch related milestone payments under the LABA Collaboration	13.6	$ 220,000	$ (32,544)	$ 187,456	$ 220,000	$ (25,632)	$ 194,368