

Innoviva, Inc.
Form PRE 14A
March 10, 2016

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

INNOVIVA, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Edgar Filing: Innoviva, Inc. - Form PRE 14A

- o Fee paid previously with preliminary materials.
 - o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

Edgar Filing: Innoviva, Inc. - Form PRE 14A

, 2016

Dear Stockholder:

I am pleased to invite you to attend Innoviva, Inc.'s 2016 Annual Meeting of Stockholders, to be held on Wednesday, April 27, 2016 at the Presidio Room, Embassy Suites Hotel, San Francisco Airport South San Francisco, 250 Gateway Boulevard, South San Francisco, California 94080. The meeting will begin promptly at 2:00 p.m., local time.

Enclosed are the following:

our Notice of Annual Meeting of Stockholders and Proxy Statement for 2016;

our Annual Report on Form 10-K for 2015; and

a proxy card with a return envelope to record your vote.

Details regarding the business to be conducted at the Annual Meeting are more fully described in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement.

Your vote is important. Whether or not you expect to attend, please date, sign, and return your proxy card in the enclosed envelope, or vote via telephone or the Internet according to the instructions in the Proxy Statement, as soon as possible to assure that your shares will be represented and voted at the Annual Meeting. If you attend the Annual Meeting, you may vote your shares in person even though you have previously voted by proxy if you follow the instructions in the Proxy Statement.

On behalf of your Board of Directors, thank you for your continued support and interest.

Sincerely,

Michael W. Aguiar
President and Chief Executive Officer

951 Gateway Boulevard
South San Francisco, CA 94080

T 650.238.9600 F 650.827.5083
www.inva.com

Edgar Filing: Innoviva, Inc. - Form PRE 14A

Innoviva, Inc.
951 Gateway Boulevard
South San Francisco, California 94080

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held On April 27, 2016

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Innoviva, Inc., a Delaware corporation formerly known as Theravance, Inc. (the "Company"). The meeting will be held on Wednesday, April 27, 2016 at 2:00 p.m., local time, at the Presidio Room, Embassy Suites Hotel, San Francisco Airport South San Francisco, 250 Gateway Boulevard, South San Francisco, California 94080 for the following purposes:

- Proposal 1: To elect directors to serve for the ensuing year.
- Proposal 2: To approve a non-binding advisory resolution regarding executive compensation.
- Proposal 3: To ratify the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as the independent registered public accounting firm of the Company for its fiscal year ending December 31, 2016.
- Proposal 4: To approve an amendment to the Company's Restated Certificate of Incorporation allowing stockholders to remove directors with or without cause (the "Removal Amendment").
- Proposal 5: To approve an amendment to the Company's Restated Certificate of Incorporation to, among other things, remove provisions that are out-of-date, obsolete or inoperative (the "Ancillary Amendment").
To conduct any other business properly brought before the meeting.

These items of business are more fully described in the Proxy Statement accompanying this Notice.

The record date for the Annual Meeting is February 29, 2016. Only stockholders of record at the close of business on that date may vote at the meeting or any adjournment thereof.

You are cordially invited to attend the meeting in person. Whether or not you expect to attend the meeting, please complete, date, sign and return the enclosed proxy card, or vote via telephone or the Internet as instructed in these materials, as promptly as possible in order to ensure your representation at the meeting. A return envelope (which is postage prepaid if mailed in the United States) is enclosed for your convenience. Even if you have voted by proxy, you may still vote in person if you attend the meeting. Please note, however, that if your shares are held of record by a broker, bank or other agent and you wish to vote at the meeting, you must provide a valid proxy issued in your name from that record holder.

If you have any questions regarding this information or the proxy materials, please visit our website at www.inva.com or contact our investor relations department at investor.relations@inva.com.

By Order of the Board of Directors

Michael W. Aguiar
President and Chief Executive Officer

South San Francisco, California
, 2016

Edgar Filing: Innoviva, Inc. - Form PRE 14A

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on Wednesday, April 27, 2016:

The proxy statement is available at <http://investor.inva.com/proxy.cfm>.

Innoviva, Inc.
951 Gateway Boulevard
South San Francisco, California 94080

PROXY STATEMENT
FOR THE 2016 ANNUAL MEETING OF STOCKHOLDERS

This proxy statement is furnished in connection with solicitation of proxies by our Board of Directors for use at the 2016 Annual Meeting of Stockholders (the "Annual Meeting") to be held on Wednesday, April 27, 2016 at 2:00 p.m., local time, and any postponements or adjournments thereof. The Annual Meeting will be held at the Presidio Room, Embassy Suites Hotel, San Francisco Airport South San Francisco, 250 Gateway Boulevard, South San Francisco, California 94080. As used in this proxy statement, the terms "Innoviva," "we," "us," and "our" mean Innoviva, Inc. and its subsidiaries unless the context indicates otherwise.

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why am I receiving these materials?

We sent you this Proxy Statement and the enclosed Proxy Card because the Board of Directors of Innoviva, Inc. is soliciting your proxy to vote at the Annual Meeting to be held on Wednesday, April 27, 2016 at 2:00 p.m., local time, and any postponements or adjournments thereof. You are invited to attend the Annual Meeting to vote on the proposals described in this Proxy Statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card, or follow the instructions on the enclosed proxy card to submit your proxy via telephone or on the Internet.

We intend to mail this Proxy Statement and accompanying proxy card on or about _____, 2016 to all stockholders of record entitled to vote at the Annual Meeting.

I thought I was a stockholder of Theravance, Inc., why am I receiving materials for Innoviva, Inc.?

On January 7, 2016, Theravance, Inc. changed its legal name to "Innoviva, Inc." The name change was effected through a short-form merger pursuant to Section 253 of the General Corporation Law of the State of Delaware. The merger and resulting name change do not in any way affect the ownership of the Company or otherwise affect the rights or interests of the Company's stockholders or other stakeholders.

What is included in the proxy materials?

The proxy materials include:

This Proxy Statement for the Annual Meeting;

Our 2015 Annual Report to Stockholders, which consists of our Annual Report on Form 10-K for the year ended December 31, 2015; and

The proxy card.

Can I attend the Annual Meeting?

You are invited to attend the Annual Meeting if you were a stockholder of record or a beneficial owner as of February 29, 2016. Admission will begin at 1:30 p.m. local time on the date of the Annual Meeting, and you must present valid picture identification such as a driver's license or passport and, if asked, provide proof of stock ownership as of February 29, 2016. The use of mobile phones, pagers, recording or photographic equipment, tablets and/or computers is not permitted at the Annual Meeting. The meeting will begin promptly at 2:00 p.m. local time.

Who can vote at the Annual Meeting?

Only stockholders of record at the close of business on February 29, 2016 will be entitled to vote at the Annual Meeting. On this record date, there were 113,851,845 shares of Company Common Stock ("Common Stock") outstanding. The holders of Common Stock have the right to one vote for each share they held as of the record date.

In accordance with Delaware law, a list of stockholders entitled to vote at the meeting will be available at the place of the Annual Meeting on April 27, 2016 and will be accessible for ten days prior to the meeting at our principal place of business, 951 Gateway Boulevard, South San Francisco, California 94080, between the hours of 9:00 a.m. and 5:00 p.m. local time.

Stockholder of Record: Shares Registered in Your Name

If on February 29, 2016 your shares were registered directly in your name with our transfer agent, Computershare, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the meeting, we urge you to fill out and return the enclosed proxy card or vote by proxy via telephone or the Internet as instructed on your proxy card to ensure your vote is counted.

Beneficial Owner: Shares Registered in the Name of a Broker or Bank

If on February 29, 2016 your shares were held in an account at a brokerage firm, bank, dealer, or other similar organization, then you are the beneficial owner of shares held in "street name" and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. If you do not provide instructions for voting the shares that you beneficially own, the organization holding your shares cannot vote them for you for the election of directors, nor can they vote them for you on Proposals 2, 4 or 5. We encourage you to provide voting instructions to the brokerage firm, bank, dealer, or other similar organization that is the record holder of your shares. A number of brokers and banks enable beneficial holders to give voting instructions via telephone or the Internet. Please refer to the voting instructions provided by your bank or broker. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you provide a valid proxy from your broker, bank or other custodian.

What am I voting on?

The following chart sets for the proposals scheduled for a vote at the Annual Meeting, our board of directors recommendation with respect to such proposals, the vote required for such proposals to be approved and whether broker discretionary voting is allowed on such proposal.

Proposal	Board Recommendation	Vote Required	Broker Discretionary Voting Allowed
Proposal 1: Elect five directors to serve until the 2017 Annual Meeting of Stockholders.	FOR	Plurality	No
Proposal 2: Approval a non-binding advisory resolution regarding executive compensation.	FOR	Majority Votes Cast	No
Proposal 3: Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2016.	FOR	Majority Votes Cast	Yes
Proposal 4: Approval of an amendment to our Restated Certificate of Incorporation (the "Current Charter") allowing stockholders to remove directors with or without cause (the "Removal Amendment").	FOR	Supermajority of Outstanding Shares	No
Proposal 5: Approval of an amendment to our Current Charter to, among other things, remove provisions that are out-of-date, obsolete or inoperative (the "Ancillary Amendment")	FOR	Supermajority of Outstanding Shares	No

Plurality means that the nominees for director receiving the greatest number of votes will be elected. Withheld votes and "broker non-votes" will have no effect on the election of a nominee.

Majority Votes Cast means that a proposal that receives an affirmative majority of the votes cast will be approved. Abstentions and broker non-votes will not be counted "For" or "Against" this proposal and will have no effect on this proposal.

Supermajority of Outstanding Shares means that a proposal that receives an affirmative vote of the holders of at least sixty-six and two-thirds percent (66²/₃%) of the voting power of all of the then-outstanding shares of capital stock will be approved. Abstentions and broker non-votes will have the effect of a vote "Against" this proposal.

Broker Discretionary Voting occurs when a broker does not receive voting instructions from the beneficial owner and votes those shares in its discretion on any proposal on which it is permitted to vote.

The Removal Amendment and the Ancillary Amendment are collectively referred to herein as the "Charter Amendments."

Why is the Company seeking approval of the Removal Amendment?

Our Current Charter currently provides that any of our directors, or our entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66²/₃%) of the voting power of all of the then-outstanding shares of capital stock. Such a provision was recently ruled by the Delaware Chancery Court to be invalid under Delaware law. Therefore, we are seeking approval of the Removal Amendment as described herein.

Why is the Company seeking approval of the Ancillary Amendment?

Our Current Charter has been substantially unchanged since the time of our initial public offering in 2004, except for one amendment in 2007. Since that time, there have been certain changes and developments that have made certain provisions of our Current Charter out-of-date, obsolete or inoperative. Accordingly, we are seeking approval of the Ancillary Amendment as described herein.

Are the Charter Amendments conditioned on each other?

Neither the Removal Amendment nor the Ancillary Amendment is conditioned on the other.

Do stockholders have dissenter's rights of appraisal?

No. Stockholders do not have dissenters' rights of appraisal as a result of the Charter Amendments.

Do the Charter Amendments have any impact on our business, financial condition or operations?

We do not believe that the proposed amendments to our Current Charter will have any material impact on our business, financial condition or operations. Accordingly, we do not believe that any financial statements or financial information is material for the exercise of prudent judgment with respect to the decision whether to vote for adoption of the either of the amendments and, accordingly, financial information is not included or incorporated by reference in this Proxy Statement.

How do I vote?

With regard to the election of directors, you may either vote "For" all the nominees to the Board of Directors or you may withhold your vote from any nominee you specify. You may not vote your proxy "For" the election of any persons in addition to the five named nominees. For other matters to be voted on, you may vote "For" or "Against" or abstain from voting. We do not have cumulative voting rights for the election of directors. The procedures for voting are explained below.

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote by using the enclosed proxy card, vote by proxy on the Internet or by telephone, or vote in person at the Annual Meeting. Whether or not you plan to attend the meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person if you have already voted by proxy.

To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, we will vote your shares as you direct.

To vote on the Internet, please follow the instructions provided on your proxy card.

To vote by telephone, please follow the instructions provided on your proxy card.

To vote in person, come to the Annual Meeting and we will give you a ballot when you arrive.

We provide Internet proxy voting to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your broker, bank or other agent, you should have received instructions for granting proxies with these proxy materials from that organization rather than from us. A number of brokers and banks enable beneficial holders to give voting instructions via telephone or the Internet. Please refer to the voting instructions provided by your bank or broker. To vote in person at the Annual Meeting, you must provide a valid proxy from your broker, bank or other agent. Follow the instructions from your broker, bank or other agent included with these proxy materials, or contact your broker, bank or other agent to request a proxy form.

How many votes do I have?

On each matter to be voted upon, you have one vote for each share of Common Stock you owned as of February 29, 2016.

What if I return a proxy card but do not make specific choices?

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted (i) "**For**" the election of all five nominees for director, (ii) "**For**" approval of the advisory resolution regarding executive compensation, (iii) "**For**" ratification of Ernst & Young LLP as our independent registered public accounting firm, (iv) "**For**" the approval of the Removal Amendment and (v) "**For**" the approval of the Ancillary Amendment. However, with respect to all matters other than (iii) of the preceding sentence, if you are not a record holder, such as where your shares are held through a broker, bank or other agent, you must provide voting instructions to the record holder of the shares in accordance with the record holder's requirements in order for your shares to be properly voted. If any other matter is properly presented at the meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his best judgment.

What happens if additional matters are presented at the Annual Meeting?

If any other matters are properly presented for consideration at the Annual Meeting, including, among other things, consideration of a motion to adjourn the Annual Meeting to another time or place (including, without limitation, for the purpose of soliciting additional proxies), the persons named in the proxy card and acting thereunder will have discretion to vote on those matters in accordance with their best judgment. We do not currently anticipate that any other matters will be raised at the Annual Meeting.

How are votes counted?

Votes will be counted by the inspector of elections appointed for the meeting, who will separately count "For" and (with respect to proposals other than the election of directors) "Against" votes, abstentions and broker non-votes. Abstentions will be counted towards the vote total for each proposal, and will have the same effect as "Against" votes. Broker non-votes, as described in the next paragraph, have no effect and will not be counted towards the vote total for Proposal 1, 2 and 3, and will have the same effect as an "Against" vote for Proposals 4 and 5.

Edgar Filing: Innoviva, Inc. - Form PRE 14A

If your shares are held by your broker as your nominee (that is, in "street name"), you will need to obtain a proxy form from the institution that holds your shares and follow the instructions included on that form regarding how to instruct your broker to vote your shares. If you do not give instructions to your broker, your broker can vote your shares with respect to "discretionary" items, but not with respect to "non-discretionary" items. Discretionary items are proposals considered routine under the rules on which your broker may vote shares held in street name without your voting instructions. On non-discretionary items for which you do not give your broker instructions, the shares will be treated as broker non-votes. Under current broker voting rules, any election of a member of the Board of Directors, whether contested or uncontested, is considered "non-discretionary" and therefore brokers are not permitted to vote your shares held in street name for the election of directors in the absence of instructions from you. Each of the proposals other than Proposal 3 are "non-discretionary" and therefore if you hold your shares through a broker, bank or other agent, your shares will not be voted on Proposals 1, 2, 4 or 5 unless you provide voting instructions to the record holder.

Can I change my vote after submitting my proxy?

Yes. You can revoke your proxy at any time before the final vote at the meeting. You may revoke your proxy in any one of three ways:

You may submit another properly completed proxy card with a later date.

You may send a written notice that you are revoking your proxy to the Corporate Secretary of the Company at 951 Gateway Boulevard, South San Francisco, California 94080.

You may attend the Annual Meeting and vote in person. Simply attending the meeting will not, by itself, revoke your proxy.

How may my brokerage firm or other intermediary vote my shares if I fail to provide timely directions?

Brokerage firms and other intermediaries holding shares of Common Stock in street name for customers are generally required to vote such shares in the manner directed by their customers. In the absence of timely directions, your broker will have discretion to vote your shares on our sole routine matter the proposal to ratify the appointment of Ernst & Young LLP. Your broker will not have discretion to vote on the following "non-routine" matters absent direction from you: the election of directors, the advisory resolution regarding executive compensation and the proposals to amend our Restated Certificate of Incorporation. **Please note that brokers may not vote your shares on the election of directors in the absence of your specific instructions as to how to vote, so we encourage you to provide instructions to your broker regarding the voting of your shares.**

What is the quorum requirement?

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if a majority of all shares outstanding on February 29, 2016, the record date, are represented at the meeting by stockholders present in person or by proxy. On the record date, there were 113,851,845 shares of Common Stock outstanding and entitled to vote. Thus 56,925,923 shares must be represented by stockholders present at the meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy vote or vote at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement.

Is my vote confidential?

Proxy instructions, ballots, and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within Innoviva or

Edgar Filing: Innoviva, Inc. - Form PRE 14A

to third parties, except as necessary to meet applicable legal requirements, to allow for the tabulation of votes and certification of the vote, or to facilitate a successful proxy solicitation.

How can I find out the results of the voting at the Annual Meeting?

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be available on a Current Report on Form 8-K we file with the Securities and Exchange Commission ("SEC") within four business days after the end of the Annual Meeting.

Who is paying for this proxy solicitation?

We will pay for the entire cost of soliciting proxies. In addition to these mailed proxy materials, our directors and employees may also solicit proxies in person, by telephone, or by other means of communication. Directors and employees will not be paid any additional compensation for soliciting proxies. We may reimburse brokerage firms, banks and other agents for the cost of forwarding proxy materials to beneficial owners. We may engage the services of a professional proxy solicitation firm to aid in the solicitation of proxies from certain brokers, bank nominees and other institutional owners. Our costs for such services, if retained, will not be significant. If you choose to access the proxy materials and/or vote through the Internet, you are responsible for any Internet access charges you may incur.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return **each** proxy card to ensure that all of your shares are voted.

When are stockholder proposals due for next year's Annual Meeting?

If you wish to submit a proposal to be considered for inclusion in next year's proxy materials or nominate a director, your proposal must be in proper form according to SEC Regulation 14A, Rule 14a-8 and received by the Corporate Secretary of the Company on or before . If you wish to submit a proposal to be presented at the 2016 Annual Meeting of Stockholders but which will not be included in the Company's proxy materials, your Solicitation Notice, as defined in our Amended and Restated Bylaws ("Bylaws"), must be received by the Corporate Secretary of the Company at Innoviva, Inc., 951 Gateway Boulevard, South San Francisco, CA 94080, Attn: Secretary, no earlier than and no later than . You are advised to review our Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations. Innoviva's current Bylaws may be found on the corporate governance subsection of the investor relations section of our corporate website at www.inva.com.

PROPOSAL 1
ELECTION OF DIRECTORS

Our Board of Directors currently consists of six directors. However, as of the Annual Meeting, the size of our Board of Directors will decrease to five directors. The five nominees for election to the Board of Directors at the Annual Meeting, and their ages as of March 31, 2016, their positions and offices held with the Company and certain biographical information are set forth below. Your proxy cannot be voted for a greater number of persons than the number of nominees named in this proxy statement.

Each director to be elected will hold office until the next annual meeting of stockholders, or until the director's death, resignation or removal. All of the nominees listed below are currently directors of the Company. It is our policy to encourage nominees for director to attend the Annual Meeting. Generally we schedule our annual meeting of stockholders on the same day as a meeting of our Board of Directors to facilitate attendance by the director nominees. Two of our directors serving as of our last annual meeting attended the meeting in person.

Directors are elected by a plurality of the votes properly cast in person or by proxy. The five nominees receiving the highest number of affirmative votes will be elected. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the five nominees named below. However, if you are the beneficial owner of the shares, which means that your shares are held by a brokerage firm, bank, dealer, or other similar organization as your nominee, your shares will not be voted for the election of directors unless you have provided voting instructions to your nominee. If any director nominee becomes unavailable for election as a result of an unexpected occurrence, your shares will be voted for the election of a substitute director nominee proposed by our current Board of Directors, if any. Each person nominated for election has agreed to serve if elected.

NOMINEES

Name	Age	Positions and Offices Held With the Company
Michael W. Aguiar	49	Chief Executive Officer, President and Director
Catherine J. Friedman	55	Director
Paul A. Pepe	57	Director
James L. Tyree	63	Director
William H. Waltrip	78	Chairman

We have determined that each of these director nominees possesses the requisite communication skills, personal integrity, business judgment, ability to make independent analytical inquiries, and willingness to devote adequate time and effort necessary to serve as an effective member of the Board of Directors. Other specific experiences, qualifications, attributes or skills of nominees that contributed to our conclusion that the nominees should serve as directors are noted below.

Michael W. Aguiar was appointed President and Chief Executive Officer of Innoviva, Inc. and became a member of our Board of Directors in August 2014. He joined Innoviva as Senior Vice President and Chief Financial Officer in March 2005. Prior to joining Innoviva, Mr. Aguiar served as Vice President of Finance at Gilead Sciences, Inc., a biopharmaceutical company, since 2002. Prior to Gilead Sciences, Inc., Mr. Aguiar served as Vice President of Finance at Immunex Corporation, a biopharmaceutical company, from 2001 to 2002. From 1995 to 2001, he was with Honeywell International in a variety of positions, including, most recently CFO and Vice President Finance for Honeywell Electronic Materials SBU. Mr. Aguiar earned a B.S. in biology from the University of California, Irvine and an M.B.A. in finance from the University of Michigan. Mr. Aguiar's demonstrated leadership in his field, his prior senior management experience in our industry and his

Edgar Filing: Innoviva, Inc. - Form PRE 14A

experience as our Chief Executive Officer and as our former Chief Financial Officer contributed to our conclusion that he should serve as a director.

Catherine J. Friedman has served as a member of our Board of Directors since June 2014. Ms. Friedman has served as an independent consultant serving public and private growth companies since 2006. Prior to that, Ms. Friedman held the position of Managing Director at Morgan Stanley from 1997 to 2006 and Head of West Coast Healthcare and Co-Head of the Biotechnology Practice at Morgan Stanley from 1993 to 2006. Ms. Friedman has served on the Board of Directors of GSV Capital Corp. since 2013 and the Board of Directors of Radius Health since 2015. She is also on the Board of Directors of XenoPort Inc., a publicly traded biopharmaceutical company, and Enteromedics, a publicly traded medical device company, since 2007. Ms. Friedman also joined the Board of Directors of Yahoo! Inc. in 2016. Ms. Friedman is a member of the Board of Trustees for Sacred Heart Schools in Atherton, California and she serves as a Trustee for the Darden School Foundation at the University of Virginia. She has a B.A. from Harvard University and received an M.B.A. from the University of Virginia Darden Graduate School of Business. Ms. Friedman's demonstrated leadership in her field, her knowledge of financial and financing matters and her prior board service contributed to our conclusion that she should serve as a director.

Paul A. Pepe has served as a member of our Board of Directors since June 2014. He has been a Managing Director in Corporate Finance Advisory at Wells Fargo Securities since 2011. From 2009 to 2011, Mr. Pepe was a Managing Director at Citadel LLC responsible for Equity Capital Markets. Prior to joining Citadel, Mr. Pepe spent nearly 22 years with Bank of America Corporation and Merrill Lynch & Co., most recently as Head of the Americas Corporate Finance Group from 2003 to 2009. During his tenure at Merrill Lynch & Co., he also co-headed the Equity Linked Capital Markets Group (which comprises convertible bond origination and corporate equity derivative coverage) and headed the corporate equity derivative effort at the firm. He began his career at Manufacturers Hanover Trust Company (now part of J.P. Morgan). Mr. Pepe holds a B.S. from Adelphi University and an M.B.A. from the Wharton School of Business at the University of Pennsylvania. Mr. Pepe's demonstrated leadership in his field and his knowledge of financial and financing matters contributed to our conclusion that he should serve as a director.

James L. Tyree has served a member of our Board of Directors since June 2014. He is the co-founder and managing partner at Tyree and D'Angelo Partners. Since 2000, he held numerous executive positions at Abbott including Corporate Vice President Pharmaceutical and Nutritional Products Group Business Development, Senior Vice President Global Nutrition, and Executive Vice President Global Pharmaceuticals. He retired as Executive Vice President of Abbott Biotechnology Ventures in March, 2012. Prior to joining Abbott, Mr. Tyree was the President of Sugan Inc. Earlier in his career, Mr. Tyree held management positions in Bristol-Myers Squibb, Pfizer, and Abbott. Mr. Tyree is a member of the Advisory Board of the University Of Chicago Graduate School Of Business (Booth). He is past chairman of the Board of Directors of the Illinois Biotechnology Industry Organization. Mr. Tyree is an Independent Director for SonarMed, a privately held developer and manufacturer of critical care respiratory monitoring technologies. Mr. Tyree also serves on the Board of Directors of Genelux and ChemCentryx. Mr. Tyree holds a B.A., a B.S. and an M.B.A. from Indiana University. Mr. Tyree's demonstrated leadership in his field, his understanding of our industry and his senior management experience in several companies in our industry contributed to our conclusion that he should serve as a director.

William H. Waltrip has served as a member of our Board of Directors since April 2000, and as Chairman of the Board of Directors since October 2014. Mr. Waltrip served from 1993 until 2003 as Chairman of the board of directors of Technology Solutions Company, a systems integration company, and from 1993 until 1995 he was Chief Executive Officer of that company. From 1995 to 1998 he also served as Chairman of Bausch & Lomb Inc., and during 1996 and 2002 was the company's Chief Executive Officer. From 1991 to 1993 he was Chairman and Chief Executive Officer of Biggers

Edgar Filing: Innoviva, Inc. - Form PRE 14A

Brothers, Inc., a food service distribution company, and was a consultant to private industry from 1988 to 1991. From 1985 to 1988 he served as President and Chief Operating Officer of IU International Corporation, a transportation, environmental and distribution company. Earlier, he had been President, Chief Executive Officer and a director of Purolator Courier Corporation. He was previously a member of the board of directors of Charles River Laboratories Corporation and Thomas & Betts Corporation. Mr. Waltrip's demonstrated leadership in his field, his understanding of our industry and his experience as a chief executive officer and chairman of several companies contributed to our conclusion that he should serve as a director.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" EACH NAMED NOMINEE.

INCUMBENT DIRECTOR NOT STANDING FOR ELECTION

Terrence C. Kearney has informed the Company that he will not run for re-election in order to devote his full time and efforts to his other commitments. Mr. Kearney's decision to not run for re-election was due to his desire to focus his time on working with companies that are actively developing new product candidates and was not the result of any disagreement with the Company relating to the Company's operations, policies or practices.

INDEPENDENCE OF THE BOARD OF DIRECTORS

As required under the listing standards of The Nasdaq Global Market ("Nasdaq"), a majority of the members of a Nasdaq-listed company's board of directors must qualify as "independent," as affirmatively determined by its board of directors. Our Board of Directors consults with counsel to ensure that the Board of Directors' determinations are consistent with all relevant laws and regulations regarding the definition of "independent," including those set forth in pertinent listing standards of Nasdaq, as in effect from time to time.

Management has reviewed the directors' responses to a questionnaire asking about their transactions, relationships and arrangements with the Company (and those of their immediate family members) and other potential conflicts of interest. Other than as set forth in this Proxy Statement, these questionnaires did not disclose any transactions, relationships, or arrangements that question the independence of our directors. After reviewing this information, our Board of Directors affirmatively determined that all of our directors are independent directors within the meaning of the applicable Nasdaq listing standards except for Michael W. Aguiar, our Chief Executive Officer.

INFORMATION REGARDING THE BOARD OF DIRECTORS AND ITS COMMITTEES

As required under Nasdaq listing standards, our independent directors meet in regularly scheduled executive sessions at which only independent directors are present. William H. Waltrip presides over these executive sessions. The Board of Directors has an Audit Committee, a Compensation Committee,

Edgar Filing: Innoviva, Inc. - Form PRE 14A

a Nominating/Corporate Governance Committee and a Stock Option Committee. The following table provides membership and meeting information for each of the Board committees during 2015:

Director	Audit	Compensation	Nominating/ Corporate Governance	Stock Option
Michael W. Aguiar				X
Catherine J. Friedman	X	X		
Terrence C. Kearney(2)	X(1)	X		
Paul A. Pepe	X*		X*	
James L. Tyree	X(3)	X*	X	
William H. Waltrip			X	
Total meetings in fiscal year 2015	11	7	0#	0#

*
Current Committee Chairperson.

The committee did not meet in 2015, but acted by written consent during the year.

(1)
Appointed on April 23, 2015.

(2)
Resignation effective as of April 27, 2016.

(3)
Replaced by Mr. Kearney as a member of the Audit Committee effective as of April 23, 2015.

Below is a description of each committee of the Board of Directors. The Board of Directors has determined that each member of the Audit, Compensation and Nominating/Corporate Governance Committees meets the applicable rules and regulations regarding "independence" and that each such member is free of any relationship that would interfere with his individual exercise of independent judgment with regard to the Company.

Audit Committee

The Audit Committee of the Board of Directors oversees our accounting practices, systems of internal controls, enterprise risk management and financial reporting processes. For this purpose, the Audit Committee performs several functions. The Audit Committee determines and approves the engagement of the independent auditors; determines whether to retain or terminate the existing independent auditors or to appoint and engage new independent auditors; reviews and approves all audit and permissible non-audit services provided by our independent auditors; confers with management and the independent auditors regarding the effectiveness of internal controls, financial reporting processes and disclosure controls; reviews our overall enterprise risk management framework, consults with management and the independent auditors regarding our policies governing financial risk management; reviews and discusses reports from the independent auditors on critical accounting policies used by us; establishes procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters; reviews and approves related-person transactions in accordance with our Policies and Procedures with respect to Related-Person Transactions and applicable Nasdaq rules; reviews the financial statements to be included in our Annual Report on Form 10-K; and discusses with management and the independent auditors the results of the annual audit and the results of quarterly reviews and any significant changes in our accounting principles. Our Audit Committee charter can be found on the corporate governance section of our corporate website at www.inva.com. The current members of the Audit Committee are Catherine J. Friedman, Paul A. Pepe (Chairman) and Terrence C. Kearney. Effective as of Mr. Kearney's resignation as a director prior to

Edgar Filing: Innoviva, Inc. - Form PRE 14A

the Annual Meeting, James L. Tyree will replace Mr. Kearney on the Audit Committee. The Audit Committee met 11 times during 2015.

The Board of Directors annually reviews the Nasdaq listing standards definition of independence for Audit Committee members and has determined that all members of our Audit Committee are independent (as independence is currently defined in the Nasdaq listing standards). The Board of Directors has determined that Paul A. Pepe is an audit committee financial expert as defined by Item 407(d) of Regulation S-K. The Board made a qualitative assessment of Mr. Pepe's level of knowledge and experience based on a number of factors, including his post-graduate education in finance and his more than twenty-five years of employment in financial services.

Compensation Committee

The Compensation Committee of the Board of Directors reviews and approves our overall compensation strategy and policies. Specifically, the committee reviews and approves corporate performance goals and objectives relevant to the compensation of our executive officers and other senior management; reviews and approves the compensation and other terms of employment of our principal executive officer and other executive officers; approves the individual bonus programs in effect for the principal executive officer, other executive officers and key employees for each fiscal year; recommends to the Board of Directors the compensation of the directors; recommends to the Board of Directors the adoption or amendment of equity and cash incentive plans and approves the adoption of and amendments to these plans; grants stock options and other equity awards; administers our equity incentive plans and similar programs; monitors application of stock ownership guidelines; and administers, concurrently with the Board of Directors, the executive officer recoupment policy. A more detailed description of the committee's functions can be found in our Compensation Committee Charter. The charter is published in the corporate governance section of our website at www.inva.com. The current members of the Compensation Committee are Catherine J. Friedman, Terrence C. Kearney and James L. Tyree (Chairman). Effective as of Mr. Kearney's resignation as a director prior to the Annual Meeting, the committee will become a two-member committee, unless the Board determines to appoint another current director of the Company to the committee. All current members of the committee are independent (as independence is defined for board members in the Nasdaq listing standards and as independence is defined for compensation committee members in the Nasdaq listing standards).

The Compensation Committee met 7 times during 2015. Mr. Aguiar, our Chief Executive Officer, does not participate in the determination of his own compensation or the compensation of directors. However, he makes recommendations to the committee regarding the amount and form of the compensation of the other executive officers and key employees, and he often participates in the committee's deliberations about their compensation. No other executive officers participate in the determination of the amount or form of the compensation of executive officers or directors.

The Compensation Committee has retained Frederic W. Cook & Co. ("FW Cook") as its independent compensation consultant. FW Cook serves at the pleasure of the committee rather than our management and its fees are approved by the committee. FW Cook provides the committee with data about the compensation paid by our peer group and other employers who compete with us for executives, updates the committee on new developments in areas that fall within the committee's jurisdiction and is available to advise the committee regarding all of its responsibilities. FW Cook also provides data and recommendations concerning the compensation of directors. The committee has assessed the independence of FW Cook pursuant to SEC rules and concluded that no conflict of interest exists that would prevent FW Cook from independently representing the committee.

The Compensation Committee, in consultation with FW Cook, reviews and approves the overall strategy for compensating members of the Board of Directors. Specifically, the committee reviews the

Edgar Filing: Innoviva, Inc. - Form PRE 14A

compensation of the directors and recommends to the Board any changes to the compensation of the directors.

Nominating/Corporate Governance Committee

The Nominating/Corporate Governance Committee of the Board of Directors is responsible for identifying, reviewing and evaluating candidates to serve as directors of the Company (consistent with criteria approved by the Board of Directors), reviewing and evaluating incumbent directors, recommending to the Board of Directors for selection candidates for election to the Board of Directors, making recommendations to the Board of Directors regarding the membership of the committees of the Board, assessing the performance of the Board of Directors and advising the Board of Directors on corporate governance principles for the Company. Our Nominating/Corporate Governance Committee charter can be found on the corporate governance section of our corporate website at www.inva.com. The current members of the Nominating/Corporate Governance Committee are Paul A. Pepe (Chairman), James L. Tyree and William H. Waltrip. All current members of the Nominating/Corporate Governance Committee are independent (as independence is currently defined in the Nasdaq listing standards). The Nominating/Corporate Governance Committee did not meet in 2015, but acted by written consent 1 time during the year.

Our Nominating/Corporate Governance Committee believes that candidates for director should have certain minimum qualifications, including being able to read and understand basic financial statements and having the highest personal integrity and ethics. The committee also considers such factors as having relevant expertise upon which to be able to offer advice and guidance to management, sufficient time to devote to our affairs, demonstrated excellence in his or her field, the ability to exercise sound business judgment and the commitment to rigorously represent the long-term interests of our stockholders. However, the Nominating/Corporate Governance Committee retains the right to modify these qualifications from time to time. Candidates for director nominees are reviewed in the context of the current composition of our Board of Directors, our operating requirements and the long-term interests of our stockholders. While we do not have a formal policy on diversity, our Nominating/Corporate Governance Committee considers diversity of experience as one of the factors it considers in conducting its assessment of director nominees, along with such other factors as it deems appropriate given the then current needs of the Board of Directors and the Company, to maintain a balance of knowledge, experience and capability. In the case of incumbent directors, our Nominating/Corporate Governance Committee reviews such directors' overall service to the Company during their term, including the number of meetings attended, level of participation, quality of performance, and any other relationships and transactions that might impair such directors' independence. In the case of new director candidates, the committee also determines whether the nominee must be independent for Nasdaq purposes, which determination is based upon applicable Nasdaq listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The committee uses its network of contacts to compile a list of potential candidates, but may also engage, if it deems appropriate, a professional search firm. The committee conducts any appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board of Directors. The committee meets to discuss and consider such candidates' qualifications and then selects a nominee for recommendation to the Board of Directors by majority vote.

The Nominating/Corporate Governance Committee will consider director candidates recommended by stockholders and evaluate them using the same criteria as candidates identified by the Board or the Nominating/Corporate Governance Committee for consideration. If a stockholder of the Company wishes to recommend a director candidate for consideration by the Nominating/Corporate Governance Committee, the stockholder recommendation should be delivered to the Corporate Secretary of the Company at the principal executive offices of the Company, and must include information regarding the candidate and the stockholder making the recommendation as required by the

Edgar Filing: Innoviva, Inc. - Form PRE 14A

Stockholder Director Communications Policy. Our Stockholder Director Communications Policy can be found on the corporate governance section of our website at www.inva.com.

Stock Option Committee

The Stock Option Committee, of which Michael W. Aguiar is the sole member, may grant equity awards under the 2012 Equity Incentive Plan (the "2012 Incentive Plan") to employees who are not executive officers. During 2015, the Stock Option Committee did not meet, but acted by written consent five times.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Each of Catherine J. Friedman, Terrence C. Kearney and James L. Tyree served on the Compensation Committee of the Board of Directors during 2015. None of the members of the Compensation Committee was at any time during the 2015 fiscal year (or at any other time) an officer or employee of the Company. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

BOARD LEADERSHIP STRUCTURE

Mr. Waltrip has served as lead independent director since April 2005 and as Chairman of the Board of Directors since October 2014. As the lead independent director and as Chairman, Mr. Waltrip coordinates the activities of the other independent directors, including coordinating an appropriate schedule of Board of Directors and committee meetings, suggesting agenda topics for meetings of the Board of Directors, coordinating on the quality, quantity and timeliness of information submitted by management to independent directors, developing agendas for and serving as chairman of the executive sessions of the Board of Directors' independent directors, discussing the results of the Chief Executive Officer's performance evaluation with the Chairman of the Compensation Committee and, together with the Compensation Committee Chairman, delivering the results of the evaluation to the Chief Executive Officer, and coordinating with the General Counsel and Corporate Secretary responses to questions and/or concerns from stockholders, employees, or other interested parties.

Our Board of Directors has determined to separate the roles of Chairman and Chief Executive Officer. Separating these positions allows our Chief Executive Officer to focus on our day-to-day business, while further enabling the Chairman of the Board to lead the Board of Directors in its fundamental role of providing advice to and independent oversight of management. Our Board of Directors recognizes the time, effort and energy that our Chief Executive Officer is required to devote to his position in the current business environment, as well as the commitment required to serve as our Chairman of the Board of Directors, particularly as the Board of Directors' oversight responsibilities continue to grow. We believe that having separate positions and having an independent outside director serve as Chairman of the Board of Directors is the appropriate leadership structure for our Company at this time and demonstrates our commitment to good corporate governance.

RISK OVERSIGHT MANAGEMENT

The Audit Committee reviews our overall enterprise risk management framework, including our overall risk exposures and our processes around the management and monitoring of such risks, and the allocation of responsibilities for specific risk areas across our management, the Board of Directors and committees of the Board of Directors. The Audit Committee will discuss with our management our major financial, legal, reporting and compliance risk exposures and the steps management has taken to monitor and control such exposures, including our risk assessment and risk management policies and guidelines. The Compensation Committee oversees risks related to our compensation programs and discusses with management its annual assessment of our employee compensation policies and programs.

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors met 12 times during 2015. Each Board member attended 75% or more of the aggregate of the meetings of the Board and of the committees on which he or she served, held during the period for which such member was a director or committee member.

STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Stockholders interested in communicating with the Board of Directors or a particular director should send correspondence to Innoviva, Inc. at 951 Gateway Boulevard, South San Francisco, CA 94080, Attn: Corporate Secretary. Each communication should set forth (i) the name and address of the stockholder as it appears on the Company's books and, if the stock is held by a nominee, the name and address of the beneficial owner of the stock, and (ii) the number of shares of the Company's Common Stock that are owned of record by the record holder and beneficially by the beneficial owner. Pursuant to our Stockholder-Director Communications Policy, the Corporate Secretary has been instructed, in his discretion, to screen out communications from stockholders that are not related to the duties and responsibilities of the Board. If deemed an appropriate communication, the Corporate Secretary will forward it, depending on the subject matter, to the chairperson of a committee of the Board or a particular director, as appropriate.

CODE OF BUSINESS CONDUCT

The Company has adopted the Innoviva, Inc. Code of Business Conduct that applies to all directors, officers and employees. The Code of Business Conduct, as amended and restated on December 15, 2010, is available on the corporate governance section of our website at www.inva.com. If the Company makes any substantive amendments to the Code of Business Conduct or grants any waiver from a provision of the Code to any executive officer or director, the Company will promptly disclose the nature of the amendment or waiver on its website.

2015 DIRECTOR COMPENSATION

Our non-employee directors receive both cash and equity compensation for services provided as a director. Equity compensation is structured as periodic automatic grants under a program implemented under our 2012 Equity Incentive Plan, which are non-discretionary.

Cash Compensation. Each member of our Board who is not an employee is paid the following retainers for Board and committee service:

\$50,000 annual retainer for service as a member of our Board;

An additional \$25,000 annual retainer for service as the lead independent director of our Board;

An additional \$50,000 annual retainer for service as the chairman of our Board;

\$10,000 annual retainer for service as a member of our Audit Committee;

An additional \$15,000 annual retainer for service as the chairperson of our Audit Committee;

\$10,000 annual retainer for service as a member of our Compensation Committee;

An additional \$12,500 annual retainer for service as the chairperson of our Compensation Committee;

\$5,000 annual retainer for service as a member of our Nominating/Corporate Governance Committee; and

An additional \$7,500 annual retainer for service as the chairperson of our Nominating/Corporate Governance Committee.

Edgar Filing: Innoviva, Inc. - Form PRE 14A

The members of our Board are also eligible for reimbursement for their expenses incurred in attending Board meetings in accordance with Company policy.

Equity Compensation. Our non-employee directors receive the following initial equity awards upon joining our Board and annual equity awards in connection with each annual meeting of stockholders:

Annual Equity Awards Upon the conclusion of each regular annual meeting of stockholders, each non-employee director who will continue to serve as a member of the Board is automatically granted a restricted stock unit ("RSU") award covering a number of shares of our Common Stock equal to \$250,000 divided by the closing price of a share of our Common Stock on the date of grant, rounded down to the nearest whole share. Each annual RSU award vests on the sooner of the next annual stockholder meeting or the one year anniversary of the date of grant, subject to the director's continuous service through such date.

Initial Equity Awards On the date of joining our Board, each new non-employee director is automatically granted a one-time initial RSU award covering a number of shares of our Common Stock equal to \$250,000 divided by the closing price of a share of our common stock on the date of grant, rounded down to the nearest whole share. This initial RSU award vests in two equal annual installments over the director's first two years of service. In addition, the new non-employee director also receives the annual equity award described above (if joining on the date of our annual meeting of stockholders) or a pro-rated annual equity award (if joining on any other date) that vests on the sooner of the next annual stockholder meeting or the one-year anniversary of the date of grant. The size of each pro-rated annual equity award is based on the number of whole months remaining until the anniversary of the prior year's stockholders' meeting.

All RSU awards granted to our non-employee directors pursuant to the automatic grant program will vest in full if the Company is subject to a change in control or the Board member dies while in service and will be settled in shares of our Common Stock on the vesting date. Additionally, all RSU awards granted to our non-employee directors pursuant to the automatic grant program carry dividend equivalent rights to be credited with an amount equal to all cash dividends paid on the underlying shares of our Common Stock while unvested, which are paid in cash upon vesting.

In addition to the automatic RSUs described above, directors are also eligible to receive other equity awards under our 2012 Equity Incentive Plan.

2015 Director Compensation Table

The following table sets forth all of the compensation awarded to, earned by, or paid to each person who served as a director during 2015, other than a director who also served as a named executive officer.

Name	Fees Earned or Paid in Cash (\$)(1)	Stock Awards \$(2)(3)	Total (\$)
(a)	(b)	(c)	(h)
Catherine J. Friedman	70,000	249,984	319,984
Terrence C. Kearney	67,500	249,984	317,484
Paul A. Pepe	80,000	249,984	329,984
James L. Tyree	80,000	249,984	329,984
William H. Waltrip	112,500	249,984	362,484

(1) Includes the annual retainers paid to each director.

Edgar Filing: Innoviva, Inc. - Form PRE 14A

- (2) The amounts in these columns represent the aggregate grant date fair value of stock awards granted to the director during 2015 computed in accordance with FASB ASC Topic 718. See Note 6 of the notes to our consolidated financial statements in our Annual Report on Form 10-K filed on February 24, 2016 for a discussion of all assumptions made by the Company in determining the grant date fair value of its equity awards.
- (3) As of December 31, 2015, the directors held outstanding RSUs under which the following number of shares of our Common Stock are issuable: Ms. Friedman (30,745); Mr. Kearney (21,661); Mr. Pepe (30,745); Mr. Tyree (30,745); and Mr. Waltrip (36,705).
- (4) As of December 31, 2015, the following directors held outstanding options to purchase the following number of shares of our Common Stock: Ms. Friedman (15,170); Mr. Pepe (15,170); Mr. Tyree (15,170); and Mr. Waltrip (80,787).

NON-EMPLOYEE DIRECTOR STOCK OWNERSHIP GUIDELINES

In July 2010 the Board adopted stock ownership guidelines for non-employee directors. Pursuant to these guidelines, beginning on the later of July 20, 2015 or after five years of service, non-employee directors are expected to hold shares of our Common Stock (including RSUs, and whether or not vested) with a value equal to at least three times their annual base cash retainer. All non-employee directors with at least one year of service on our Board own sufficient shares of our Common Stock or unvested RSUs to satisfy the stock ownership guidelines.

PROPOSAL 2

ADVISORY VOTE ON EXECUTIVE COMPENSATION

In accordance with SEC rules, stockholders are being asked to approve, on a non-binding advisory basis, the compensation of our named executive officers as disclosed in this proxy statement. This is commonly referred to as a "Say On Pay" proposal.

This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement. As described further in the "Compensation of Named Executive Officers" section of this Proxy Statement, beginning on page 23, including the "Compensation Discussion and Analysis" and the related tables and narrative, 2015 was a productive and exciting year for Innoviva, as it generated its first quarterly profit in the fourth quarter of 2015. While the spin-off of our drug discovery and development business into a separate publicly-traded company in June 2014 had a greater impact on our business and senior management team in 2014, there remained some impact on our executive compensation policies and decisions in 2015. While our business fundamentally changed from that of a biopharmaceutical development company to that of a biopharmaceutical royalty management company with a goal of providing capital returns to stockholders, the primary goals of our compensation programs have been and continue to be to fairly compensate employees, attract and retain highly qualified employees, motivate the performance of our employees towards, and reward the achievement of, clearly defined corporate goals, and align our employees' long-term interests with those of our stockholders.

In accordance with Section 14A of the Securities Exchange Act of 1934, we are asking stockholders to vote on the following resolution:

RESOLVED, that the Company's stockholders approve the compensation of the Company's named executive officers as disclosed in the 2015 Summary Compensation Table and the accompanying tables and narrative, including "Compensation Discussion and Analysis."

This Say On Pay vote is advisory, and therefore not binding on our Compensation Committee or Board of Directors. Our Board of Directors and our Compensation Committee value the opinions of our stockholders, however, and will carefully review and consider the voting results when evaluating our executive compensation programs.

**THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF PROPOSAL 2.**

PROPOSAL 3**RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors has selected Ernst & Young LLP, independent registered public accounting firm, as our independent auditors for the fiscal year ending December 31, 2016 and has further directed that management submit the selection of independent auditors for ratification by the stockholders at the Annual Meeting. Ernst & Young LLP has audited our financial statements since 1996. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither our Bylaws nor other governing documents or law require stockholder ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm. However, the Board is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee of the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee of the Board in its discretion may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to ratify the selection of Ernst & Young LLP. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

The following table represents aggregate fees billed or to be billed to the Company for the fiscal years ended December 31, 2015 and December 31, 2014 by Ernst & Young LLP, our principal accountant.

	Fiscal Year Ended December 31,	
	2015	2014
	(in thousands)	
Audit Fees(1)(2)	\$ 737	\$ 899
Tax Fees(3)	\$ 389	376
All Other Fees		
Total Fees	\$ 1,126	\$ 1,275

-
- (1) For professional services rendered for the integrated audits of annual financial statements, including the audit of annual financial statements for the years ended December 31, 2015 and 2014 and the audit of internal control over financial reporting as of December 31, 2015 and 2014. For the years ended December 31, 2015 and 2014, the audit fees also include the review of quarterly financial statements included in our quarterly reports on Form 10-Q, fees for services associated with our registration statements, and accounting consultations.
- (2) Audit fees for the year ended December 31, 2015 include the audits associated with the royalties earned from the collaboration arrangement with GlaxoSmithKline for the years ended December 31, 2014 and 2013. Audit fees for the year ended December 31, 2014 include audits in connection with the Spin-Off of Theravance Biopharma, Inc. in 2014.
- (3) Tax fees include tax advisory and tax planning services.

All fees described above were pre-approved by the Audit Committee.

PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services rendered by Ernst & Young LLP, our independent registered public accounting firm. The Audit Committee pre-approves specified services in defined categories of audit services, audit-related services and tax services up to specified amounts, as part of the Audit Committee's approval of the scope of the engagement of Ernst & Young LLP or on an individual case-by-case basis before Ernst & Young LLP is engaged to provide a service. The Audit Committee has determined that the rendering of the services other than audit services by Ernst & Young LLP is compatible with maintaining the principal accountant's independence.

**THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF PROPOSAL 3.**

PROPOSAL 4

APPROVAL OF REMOVAL AMENDMENT

Background

Article VI of our Restated Certificate of Incorporation (the "Current Charter") currently provides that any of our directors, or our entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least sixty-six and two-thirds percent ($66\frac{2}{3}\%$) of the voting power of all of the then-outstanding shares of our capital stock.

On December 21, 2015, the Delaware Chancery Court issued an opinion in *In re VAALCO Energy, Inc. Stockholder Litigation*, Consol. C.A. No. 11775-VCL, invalidating as a matter of law provisions of the certificate of incorporation and bylaws of VAALCO Energy, Inc., a Delaware corporation, which permitted the removal of VAALCO's directors by its stockholders only for cause. The Chancery Court held that, in the absence of a classified board or cumulative voting, VAALCO's "only for cause" director removal provisions conflict with Section 141(k) of the Delaware General Corporation Law and are therefore invalid.

Following a review of the VAALCO decision and consistent with Section 141(k) of the Delaware General Corporation Law, our Board of Directors held a special meeting on January 15, 2016 at which it (i) approved an amendment to Section 3.11 of our Amended and Restated Bylaws and (ii) declared advisable an amendment to the second paragraph of Article VI of our Current Charter to remove the words "for cause" so that any of our directors may be removed, with or without cause. At such meeting, the Board of Directors directed that the amendment to our Current Charter be proposed at the Annual Meeting and that the Company would not enforce the "only for-cause" director removal provision.

Proposal

The Board of Directors recommends that the stockholders approve an amendment to the second paragraph of Article VI of our Current Charter to remove the words "for cause" so that any of the Company's directors may be removed with or without cause.

The amended language would read as follows:

"Subject to the rights of the holders of any series of Preferred Stock then outstanding, any directors, or the entire Board of Directors, maybe removed from office at any time, but only by the affirmative vote of the holders of at least sixty-six and two-thirds percent ($66\frac{2}{3}\%$) of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class."

If approved by the requisite vote of the stockholders described below, our Current Charter will be amended as set forth in the second paragraph of Article VI in **Exhibit A** to this Proxy Statement.

A vote in favor of the Removal Amendment will also be deemed to constitute approval of the filing of a Restated Certificate of Incorporation (a "Restated Charter") enacting the Removal Amendment, along with the Ancillary Amendment, if approved. All prior amendments to the Current Charter would also be integrated into the Restated Charter.

Vote Required

The affirmative vote of at least sixty-six and two-thirds percent ($66\frac{2}{3}\%$) of the outstanding shares of our Common Stock as of the record date is required to approve of the Removal Amendment. If you "Abstain" from voting, it will have the same effect as an "Against" vote. Broker non-votes will have the same effect as an "Against" vote.

Other Matters

If the Removal Amendment is approved by the requisite vote of stockholders, it is expected that the Company will promptly file a Restated Charter, which will include the amendment contemplated by this Proposal 4 (and the amendments contemplated by Proposal 5, the Ancillary Amendment, if adopted by stockholders) with the Secretary of State of the State of Delaware.

After due consideration, the Board of Directors has concluded that it is in the best interests of Innoviva's stockholders to adopt the Removal Amendment.

**THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF PROPOSAL 4.**

PROPOSAL 5

APPROVAL OF THE ANCILLARY AMENDMENT

Background and Reasons for Amendment

Our Current Charter has been substantially unchanged since the time of our initial public offering in 2004, except for one amendment in 2007. Since that time, there have been certain changes and developments that have made certain provisions of our Current Charter out-of-date, obsolete or inoperative.

For instance, Article IV, Section C, Part 4 of our Current Charter includes provisions relating to a put/call option which expired unexercised in 2007. In addition, at the time of our initial public offering we had two classes of Common Stock, Class A Common Stock and Common Stock. However, in July 2011, all then outstanding shares of Class A Common Stock were converted by the holders thereof into shares our Common Stock. As of such date, there have been no shares of Class A Common Stock outstanding and the Company has no intention of issuing any shares of such class.

Accordingly, we are proposing to make the Ancillary Amendment, which includes the changes and updates described below. On March 9, 2016, the Board of Directors approved, declared advisable and is recommending that the stockholders vote in favor of the Ancillary Amendment.

Proposal

Exhibit A to this Proxy Statement shows the proposed changes to be implemented by the Ancillary Amendment. Stockholders are urged to carefully read **Exhibit A**.

The Ancillary Amendment will amend the following provisions in the Current Charter, as indicated on **Exhibit A**:

- (1) Article IV.A. will be amended to delete all references to "Class A Common Stock," to remove the designation of 30,000,000 shares as Class A Common Stock and to reduce the total number of shares that the Company is authorized to issue by 30,000,000 from 230,230,000 to 200,230,000.
- (2) Article IV.B. will be amended to delete all references to "Class A Common Stock."
- (3) Article IV.C. will be amended to delete all references to "Class A Common Stock."
- (4) Article IV.C.1. will be amended to delete the last two sentences.
- (5) Article VI.C.3. will be amended to clarify that each holder of Common Stock shall have the right to one vote for each such share and to delete reference to Section C.10 of Article IV.
- (6) Article IV.C.4. will be deleted in its entirety and replaced with the following sentence: "The Common Stock is not redeemable."
- (7) Articles IV.C.5-12 will be deleted in their entirety.
- (8) Article IX will be amended to delete the proviso at the end of the first sentence in such Article IX.
- (9) Article X will be amended to (i) delete all references to the put/call option, including romanette "(i)" and (ii) to add the following sentence as the revised romanette "(ii)": "GSK or companies which, following the completion of the Transaction, are controlled by, control or are under common control with GSK (excluding the corporation and any company that is controlled by the corporation) (the "GSK Group")."

Edgar Filing: Innoviva, Inc. - Form PRE 14A

A vote in favor of the Ancillary Amendment will also be deemed to constitute approval of the filing of a Restated Charter enacting the Ancillary Amendment, along with the Removal Amendment, if approved. All prior amendments to the Current Charter would also be integrated into the Restated Charter.

Vote Required

The affirmative vote of at least sixty-six and two-thirds percent ($66\frac{2}{3}\%$) of the outstanding shares of our Common Stock as of the record date is required to approve Proposal 5. If you "Abstain" from voting, it will have the same effect as an "Against" vote. Broker non-votes will have the same effect as an "Against" vote.

Other Matters

If Proposal 5 is approved by the requisite vote of stockholders, it is expected that the Company will promptly file a Restated Charter, which will include the amendment contemplated by Proposal 5 (and the amendment contemplated by Proposal 4, if adopted by stockholders) with the Secretary of State of the State of Delaware.

After due consideration, the Board of Directors has concluded that it is in the best interests of Innoviva's stockholders to adopt the Ancillary Amendment.

**THE BOARD OF DIRECTORS RECOMMENDS
A VOTE IN FAVOR OF PROPOSAL 5.**

REPORT OF THE AUDIT COMMITTEE(1)

The Audit Committee of the Board of Directors consists of the three non-employee directors named below. The Board of Directors annually reviews the Nasdaq listing standards' definition of independence for audit committee members and has determined that each member of the Audit Committee meets that standard. The Board of Directors has also determined that Paul A. Pepe is an audit committee financial expert as described in applicable rules and regulations of the Securities and Exchange Commission.

The principal purpose of the Audit Committee is to assist the Board of Directors in its general oversight of our accounting and financial reporting processes and audits of our financial statements. The Audit Committee is responsible for selecting and engaging our independent auditor and approving the audit and non-audit services to be provided by the independent auditor. The Audit Committee's function is more fully described in its Charter, which the Board adopted and which the Audit Committee reviews on an annual basis.

Our management is responsible for preparing our financial statements and our financial reporting process. Ernst & Young LLP, our independent registered public accounting firm, is responsible for performing an independent audit of our consolidated financial statements and expressing an opinion on the conformity of those financial statements with U.S. generally accepted accounting principles as well as performing an audit of our internal control over financial reporting as of the end of the fiscal year.

The Audit Committee has reviewed and discussed with our management the audited financial statements of the Company included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (the "10-K").

The Audit Committee has also reviewed and discussed with Ernst & Young LLP the audited financial statements in the 10-K. In addition, the Audit Committee discussed with Ernst & Young LLP those matters required to be discussed by the auditors with the Audit Committee under the rules adopted by the Public Company Accounting Oversight Board (the "PCAOB"). Additionally, Ernst & Young LLP provided to the Audit Committee the written disclosures and the letter required by the applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence. The Audit Committee also discussed with Ernst & Young LLP its independence from the Company.

Based upon the review and discussions described above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's 10-K for filing with the Securities and Exchange Commission.

Submitted by the following members of the Audit Committee:

Paul A. Pepe, Chairman
Catherine J. Friedman
Terrence C. Kearney

(1) The material in this report is not "soliciting material," is not deemed "filed" with the SEC and is not to be incorporated by reference in any filing of Innoviva under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information known to us regarding beneficial ownership of our voting securities as of February 29, 2016 by:

each person known by us to be the beneficial owner of more than 5% of any class of our voting securities;

our named executive officers;

each of our directors; and

all executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (the "SEC") and generally includes voting or investment power with respect to securities. Except as noted by footnote, and subject to community property laws where applicable, the persons named in the table below have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them. The table below is based upon information supplied by officers, directors and principal stockholders and Schedules 13G filed with the SEC.

This table lists applicable percentage ownership based on 113,851,845 shares of Common Stock outstanding as of February 29, 2016. Options to purchase shares of our Common Stock that are exercisable within 60 days of February 29, 2016 and restricted stock units ("RSUs") that may be settled on or within 60 days of February 29, 2016 are deemed to be beneficially owned by the persons holding these options for the purpose of computing percentage ownership of that person, but are not treated as outstanding for the purpose of computing any other person's ownership percentage.

Name and Address of Beneficial Owner(1)	Number of Shares	Beneficial Ownership Percent of Total Outstanding Common Stock
5% Stockholders		
GlaxoSmithKline plc(2) 980 Great West Road Brentford Middlesex TW8 9GS United Kingdom	32,005,260	28.1%
Baupost Group, L.L.C.(3) 10 St. James Ave, Suite 1700 Boston, MA 02116	22,255,543	19.5%
FMR LLC(4) 245 Summer Street Boston, MA 02210	17,613,872	15.5%
The Vanguard Group(5) 100 Vanguard Blvd. Malvern, PA 19355	5,956,080	5.2%
Iridian Asset Management(6) 276 Post Road West Westport, CT 06880	14,210,256	12.5%
BlackRock, Inc.(7) 55 East 52 nd Street New York, NY 10022	7,038,451	6.2%

Edgar Filing: Innoviva, Inc. - Form PRE 14A

Name and Address of Beneficial Owner(1)	Number of Shares	Beneficial Ownership Percent of Total Outstanding Common Stock
Named Executive Officers and Directors		
William Waltrip(8)	165,323	*
Michael W. Aguiar(9)	793,109	*
Cathy Friedman(10)	34,988	*
Terrence C. Kearney(11)	29,372	*
Paul A. Pepe(12)	34,988	*
James L. Tyree(13)	32,550	*
Eric d'Esparbes(14)	243,056	*
Michael Faerm(15)	172,414	*
George Abercrombie(16)	216,011	*
Theodore Witek(17)	69,136	*
All current executive officers and directors as a group (10 persons)(18)	1,790,947	1.6%

*
Less than one percent.

- (1) Unless otherwise indicated, the address for each beneficial owner is c/o Innoviva, Inc., 951 Gateway Boulevard, South San Francisco, California 94080.
- (2) Based on a Form 4 filed with the Securities and Exchange Commission on August 7, 2015. Shares are held of record by Glaxo Group Limited ("GGL"), a limited liability company organized under the laws of England and Wales and a wholly-owned subsidiary of GlaxoSmithKline plc ("GSK"), an English public limited company.
- (3) Based on a Schedule 13G/A filed with the Securities and Exchange Commission on February 12, 2016. The Baupost Group, L.L.C. ("Baupost") is a registered investment adviser. SAK Corporation is the Manager of Baupost. Seth A. Klarman, as the sole director and sole officer of SAK Corporation and a controlling person of Baupost, may be deemed to have beneficial ownership under Section 13(d) of the securities beneficially owned by Baupost.
- (4) The various individuals, funds and entities that are deemed to be the beneficial owners of these shares, and the individuals, funds and entities having sole and shared voting power over these shares, are set forth in the Schedule 13G/A filed on February 12, 2016 and on which the information reported herein is based.
- (5) Based on a Schedule 13G filed with the Securities and Exchange Commission on February 10, 2016.
- (6) Based on a Schedule 13G/A filed with the Securities and Exchange Commission on January 26, 2016. Iridian Asset Management ("Iridian") has direct beneficial ownership of the shares of Common Stock in the accounts for which it serves as the investment adviser under its investment management agreements. Various individuals may be deemed to possess beneficial ownership of the shares of Common Stock beneficially owned by Iridian by virtue of their indirect controlling ownership of Iridian, and having the power to vote and direct the disposition of shares of Common Stock and disclaim beneficial ownership of such shares.

Edgar Filing: Innoviva, Inc. - Form PRE 14A

- (7) Based on a Schedule 13G/A filed with the Securities and Exchange Commission on January 22, 2016.
- (8) Includes: (i) 64,474 shares subject to stock options exercisable within 60 days of February 29, 2016 and (ii) 13,950 shares subject to RSUs that will settle within 60 days of February 29, 2016.
- (9) Includes: (i) 88,502 shares subject to stock options exercisable within 60 days of February 29, 2016 and (ii) 538,172 restricted shares subject to performance-based and time-based vesting.
- (10) Includes: (i) 14,538 shares subject to stock options exercisable within 60 days of February 29, 2016 and (ii) 15,575 shares subject to RSUs that will settle within 60 days of February 29, 2016.
- (11) Includes: 13,950 shares subject to RSUs that will settle within 60 days of February 29, 2016.
- (12) Includes: (i) 14,538 shares subject to stock options exercisable within 60 days of February 29, 2016 and (ii) 15,575 shares subject to RSUs that will settle within 60 days of February 29, 2016.
- (13) Includes: (i) 14,538 shares subject to stock options exercisable within 60 days of February 29, 2016 and (ii) 15,575 shares subject to RSUs that will settle within 60 days of February 29, 2016.

Edgar Filing: Innoviva, Inc. - Form PRE 14A

- (14) Includes: 213,912 restricted shares subject to performance-based and time-based vesting.
- (15) Includes: 172,414 restricted shares subject to performance-based and time-based vesting.
- (16) Includes: (i) 154,620 restricted shares subject to performance-based and time-based vesting and (ii) 45,833 shares subject to stock options exercisable within 60 days of February 29, 2016
- (17) Includes: 54,688 shares subject to stock options exercisable within 60 days of February 29, 2016.
- (18) Includes an aggregate of 297,111 shares subject to options exercisable within 60 days of February 29, 2016, 74,625 shares subject to RSUs that will settle within 60 days of February 29, 2016 and 1,079,118 restricted shares subject to performance-based and time-based vesting.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers, and holders of more than 10% of our Common Stock to file reports regarding their ownership and changes in ownership of our securities with the SEC, and to furnish us with copies of all Section 16(a) reports that they file.

We believe that during the fiscal year ended December 31, 2015, our directors, executive officers, and greater than 10% stockholders complied with all applicable Section 16(a) filing requirements. In making these statements, we have relied upon a review of the copies of Section 16(a) reports furnished to us and written representations from certain parties that no other reports were required.

Edgar Filing: Innoviva, Inc. - Form PRE 14A

COMPENSATION DISCUSSION AND ANALYSIS

This section discusses our executive compensation policies and decisions and the most important factors relevant to an analysis of these policies and decisions. It provides qualitative information regarding the manner and context in which compensation is awarded to and earned by our named executive officers and offers perspective on the data presented in the tables and narrative that follow.

For 2015, our "named executive officers" include:

Michael W. Aguiar, our President and Chief Executive Officer,

Eric d'Esparbes, our Senior Vice President and Chief Financial Officer,

George B. Abercrombie, our Senior Vice President, Chief Commercial Officer,

Michael E. Faerm, our Senior Vice President and Chief Business Officer, and

Theodore J. Witek, Jr., our Senior Vice President, Chief Scientific Officer.

Executive Summary

Important to an understanding of our executive compensation policies and decisions in 2015 and this Compensation Discussion and Analysis is the fact that we successfully separated our drug discovery and development business into a separate publicly traded company in June 2014 through a spin-off of Theravance Biopharma, Inc. (the "Spin-Off"). While the Spin-Off had a greater impact on our business and senior management team in 2014, there remained some impact into 2015.

2015 Performance Highlights

2015 was a productive and exciting year for Innoviva, notably the fourth quarter in which the Company generated its first quarterly profit since its creation. Additional highlights included the following:

Royalty revenues from sales of RELVAR /BREO ELLIPTA and ANORO ELLIPTA, both of which were developed pursuant to the agreements with GSK prior to the Spin-Off, grew to \$66.9 million in 2015, up 363% compared to 2014,

In April, BREO® ELLIPTA® was approved by the United States Food and Drug Administration for the once-daily treatment of asthma in patients aged 18 years and older,

As of December 31, 2015, RELVAR™/BREO™ ELLIPTA™ has been launched in 45 countries and ANORO™ ELLIPTA™ has been launched in 38 countries,

Commencement of a \$150 million share repurchase program in October through a combination of a "modified Dutch auction" tender offer (completed in December 2015) and open market purchases, and

Capital returns to shareholders, including share repurchases and dividends, totaled \$113.5 million.

2015 Executive Compensation Overview

Edgar Filing: Innoviva, Inc. - Form PRE 14A

Mr. Aguiar's total target compensation for 2015 (including base salary, target bonus opportunity and equity grant value) were below the median of other CEOs in the Company's peer groups discussed below.

Mr. Aguiar's total compensation (determined pursuant to SEC rules and reported in the 2015 Summary Compensation Table) was 21% lower in 2015 than it was in 2014. His lower 2015 compensation level reflects a more typical steady-state compensation rate following the year in

Edgar Filing: Innoviva, Inc. - Form PRE 14A

which the Spin-Off occurred and Mr. Aguiar was promoted to CEO when both the equity award granted to Mr. Aguiar in connection with his promotion to CEO and the accounting value associated with the modification of Mr. Aguiar's historical equity compensation in connection with the Spin-Off were included in his total compensation.

The annual bonuses for our named executive officers were approximately 95% of target, pro-rated as due to partial year employment, and reflect above-target performance by the Company against its operating goals, plus a discretionary reduction in bonus related to the Company's stock performance in 2015 (which was below that of similar companies) and the Compensation Committee's assessment of each officer's individual performance.

2015 compensation decisions were related to rebuilding the Company's compensation strategy and incentive programs following the Spin-Off and transition from a biopharmaceutical drug development company to a biopharmaceutical royalty management company. 2015 compensation decisions should be evaluated in the context of a mostly new Board, entirely new Compensation Committee membership (when compared to the pre-Spin-Off Compensation Committee), new officers and new roles for ongoing officers. For example, 2015 executive officer equity awards were subject only to time-based vesting, while approximately one-third of 2016 executive officer equity awards (calculated based on the target number of shares granted) are subject to performance contingent vesting based on total shareholder return and reflecting the continued evolution of the new compensation program and incentive design.

Corporate Governance Policies

We have the following corporate governance policies that complement our executive compensation program:

Our Stock Ownership Guidelines require each of our executive officers to own shares and share equivalents equal in value to a multiple of base salary, specifically six times salary for the CEO and two times salary for the other executive officers. Officers have until 2017 (five years from the adoption of the guidelines) or, if later, five years from commencement of service as an executive officer, to achieve compliance with the guidelines. Thereafter, compliance will be measured annually.

Our Recoupment Policy permits the Company to recoup a portion of executive officers' cash bonuses in the event the Company is required to prepare an accounting restatement due to material noncompliance with financial reporting requirements, to the extent that the bonus is earned based on financial metrics that are the subject of the restatement.

Compensation Philosophy and Objectives

The primary goal of our executive compensation program has and continues to be to maintain a compensation program that fairly compensates employees, allows us to attract and retain highly qualified employees, motivates the performance of employees towards clearly defined corporate goals, rewards goal achievement and aligns employees' long-term interests with those of our stockholders.

Following the Spin-Off in 2014 and the resulting transformation in our business, our philosophy has been to transition from a pay model established for a research and development driven company to one better suited for a biopharmaceutical royalty management company. We believe the skills and experience required to be successful include not only those of a biopharmaceutical company but also significant experience maximizing the value of long-lived financial assets. Our Compensation Committee continues to evaluate our executive compensation practices in light of our new business model and the needs of our business. When making post-Spin-Off compensation decisions, our Compensation Committee has reviewed peer group data, but did not target any particular level of compensation.

Instead our Compensation Committee applied its discretion and business judgment in making individual compensation decisions.

Compensation Committee

The Compensation Committee of our board of directors is comprised of three non-employee members of the board of directors. The Compensation Committee's basic responsibility is to review the performance of our management in achieving corporate objectives and to assure that the named executive officers as well as other members of senior management are compensated effectively in a manner consistent with our compensation philosophy and competitive practice. The CEO, as the manager of the executive team, assesses the executives' contributions to the corporate goals and makes a recommendation to the Compensation Committee with respect to any merit increase in salary, cash bonus (based on the 2015 cash bonus pool for all employees determined by the Compensation Committee) and annual replenishment equity award for each member of the executive team, other than himself. The Compensation Committee meets with the CEO to evaluate, discuss and modify or approve these recommendations. The Compensation Committee also conducts a similar evaluation of the CEO's contributions when the CEO is not present, and determines any increase in salary, cash bonus and annual replenishment equity award for him.

2015 Vote on Executive Compensation

At our 2015 annual stockholders' meeting, over 99% of our stockholders voted "for" a non-binding advisory resolution approving the compensation of our named executive officers, as disclosed in the proxy statement for that meeting. Our Compensation Committee reviewed the results of the 2015 advisory vote and concluded that no revisions were necessary to our named executive officer compensation program or philosophy. The 2015 named executive officer compensation program was therefore designed using the same principles and incentive guidelines as the 2014 program. In making this determination, the Compensation Committee was influenced by the high level of stockholder support (which it viewed as a confirmation of the Company's compensation philosophy) and discussions with certain stockholders during the 2015 proxy season.

Compensation Consultant

The Compensation Committee has the authority under its charter to engage the services of outside advisors, experts and others to assist the Compensation Committee. In accordance with this authority and as described in the "Compensation Committee" section beginning on page 10, the Compensation Committee confers from time to time with its independent executive compensation consultant, Frederic W. Cook & Co. ("FW Cook"). FW Cook is retained by and reports directly to the Compensation Committee and its role is to assist and advise the Compensation Committee on matters related to compensation for executive officers, other key employees and non-employee directors. FW Cook does not work on projects for management except as an agent of the Compensation Committee and with the advance knowledge and approval of the Chairman of the Compensation Committee. The Compensation Committee has the sole authority to retain and dismiss its outside compensation consultants.

Peer Group

In making compensation decisions, our Compensation Committee refers to comparative compensation data from a group of peer companies. Our peer group was revised in 2014 following the Spin-Off (the "Post-Spin-Off Peer Group"). The Post-Spin-Off Peer Group was utilized for compensation decisions following the Spin-Off and into 2015. Finding similar peer companies is challenging due to our unique business model with very few direct, publicly-traded biopharmaceutical royalty management peers. As a result, our Post-Spin-Off Peer Group consisted of two

Edgar Filing: Innoviva, Inc. - Form PRE 14A

biopharmaceutical royalty management companies as well as biopharmaceutical companies with similar market capitalizations to us (based on May 31, 2014 data available at the time the peer group was re-evaluated) which we believe approximated the skill sets required to be successful in this business. Our Compensation Committee also referred to compensation data from a group of royalty management companies in a range of industries, although for the most part we found that these companies were not comparable to Innoviva due to differences in industry and size. The Post-Spin-Off Peer Group consisted of the following companies:

Primary Peer Group Biotech and Biotech Royalty Companies

Alkermes
 Arena Pharmaceuticals
 ARIAD Pharmaceuticals
 Incyte Corporation
 Intermune
 ISIS Pharmaceuticals
 Ligand Pharmaceuticals*
 Medicines Company

Supplemental Peer Group Royalty Companies

Acacia Research
 Furiex Pharmaceuticals*
 Iconix Brand Grp
 Ligand Pharmaceuticals*
 PDL BioPharma*
 Royal Gold
 Universal Display

Medivation
 Nektar Therapeutics
 NPS
 PDL BioPharma*
 Pharmacyclics
 Salix Pharmaceuticals
 Seattle Genetics

* Indicates biotech royalty management peer.
 Furiex was not included in the primary peer group due to its small size and has since been acquired.

*
 Indicates biotech royalty management peer

In July 2015 our peer group was further revised (the "July 2015 Peer Group") and the supplemental royalty management peer group was eliminated because it did not reflect the Company's labor market which is specific to life sciences. The July 2015 Peer Group was referenced for 2016 compensation decisions. The July 2015 Peer Group criteria focused on companies with a commercial drug, market capitalizations between 0.5 - 2.5 times Innoviva's at the time the peers were chosen (range of about \$600 million to \$5 billion in light of the Company's \$2.1 billion market capitalization at the time), limited or no sales force and an emphasis on companies without compounds in phase 3 of research and development. In selecting peer companies, market capitalization was emphasized since it directly effects equity compensation values and is the relevant metric in terms of shareholder value managed by the executive team on behalf of shareholder. The Company's market capitalization at the time the July 2015 Peer Group was chosen was approximately \$2.1 billion and the median of the July 2015 Peer Group was also about \$2 billion, so size was viewed as similar. The July 2015 Peer Group consists of the following companies:

AMAG
 Arena Pharmaceuticals
 Dyax
 Immunogen
 Ironwood
 Mannkind
 Nektar Therapeutics
 Pacira

Anacor
 ARIAD Pharmaceuticals
 Halozyme
 Insys
 Ligand Pharmaceuticals
 Momenta
 Orexigen
 PDL BioPharma

Edgar Filing: Innoviva, Inc. - Form PRE 14A

Additionally, in making compensation decisions, we supplemented the peer data with survey data from a life sciences survey, which includes information for biotech companies with fewer than 150 employees.

When making compensation decisions, the Compensation Committee does not target a particular percentile of the peer group data. The actual 2015 compensation of our named executive officers varied, in some cases it was above the median of the Post-Spin-Off Peer Group and the July 2015 Peer Group, and in other cases it was below the median. Our CEO's 2015 total target compensation (consisting of base salary, target bonus and annual equity award) was below the median relative to both the Post-Spin-Off Peer Group and the July 2015 Peer Group data referenced for context by the Compensation Committee.

Principal Elements of Compensation

Base Salaries

Base salaries are set to reflect compensation commensurate with the individual's current position and work experience. Our goal in this regard is to attract and retain high caliber talent for the position and to provide a base wage that is not subject to performance risk. Salary for the CEO and the other named executive officers is established based on the underlying scope of their respective responsibilities, taking into account competitive market compensation. In making base salary decisions our Compensation Committee reviews market data, however that data provides only a reference point for the Compensation Committee. For example, at the time Mr. Aguiar's 2015 base salary was set, our Compensation Committee referenced the Post-Spin-Off Peer Group data for 2015 and set Mr. Aguiar's base salary below the median reflecting experience as a new CEO. The resulting base salary was below the 25th percentile of the Post-Spin-Off Peer Group, while it is above the median of the July 2015 Peer Group.

We review base salaries for our named executive officers annually, generally in the first quarter of each year. In 2015 and in prior years, we determined a target percentage for annual merit increases based in part on Life Sciences survey data predicting expected competitive salary increase budgets. The CEO proposes salary adjustments to the Compensation Committee (other than for himself) based on any changes in market salaries, individual performance and/or changes in job duties and responsibilities. The Compensation Committee then determines any salary adjustment applicable to each of the named executive officers. For 2015, Mr. Aguiar recommended a Company-wide merit pool of 3.5% for all employees other than himself, pro-rated for employees with only a partial year of service in the previous year. Our Compensation Committee adopted Mr. Aguiar's recommendation and approved the following merit increases for each of our named executive officers other than Mr. Aguiar (each officer's merit increase was pro-rated based on their 2014 start dates): Mr. d'Esparbes: 1.2%; Mr. Abercrombie: 2.3%; and Mr. Witek: 2.0%. Our Compensation Committee also approved a 3.5% merit increase in Mr. Aguiar's base salary from \$700,000 to \$724,500.

Mr. Faerm's initial base salary was negotiated at the time of his hire in 2015 and was set at \$415,000.

Annual Cash Incentive Compensation

Our named executive officers are eligible for annual cash incentives under a company-wide bonus program. Annual cash incentives for our named executive officers are designed to reward the achievement of key corporate goals for the year, which we believe in turn should increase stockholder value over time. The annual cash incentive awards for our named executive officers are based on our achievement of specific performance goals over which we have direct control or significant influence and that are established at the beginning of the fiscal year.

Edgar Filing: Innoviva, Inc. - Form PRE 14A

At the end of the year, our Compensation Committee reviews the Company's performance against the goals and determines the overall level of achievement, which determines the size of the Company's bonus pool for all employees. Shortly thereafter, the Compensation Committee determines individual bonus amounts for the named executive officers. In making both of these determinations, the Compensation Committee considers a briefing from the Company's CEO on Company-wide performance against goals and the individual contributions of the named executive officers (other than himself) toward achievement of the goals.

Each of our named executive officers has a target bonus stated in terms of a percentage of the officer's base salary. In order to better align his compensation with that of the Company's Post-Spin-Off Peer Group, Mr. Aguiar's 2015 target bonus percentage was increased from 50% to 75%. This was a 25th percentile bonus opportunity when compared to the Post-Spin-Off Peer Group, which was the data set available to the Compensation Committee when the 2015 target bonus decision was made. It is a median target bonus opportunity as a percent of salary versus the July 2015 Peer Group. Our other named executive officers' 2015 target bonus percentages were set at 50%. Each of our named executive officers is eligible to earn up to two times their target bonus percentage.

2015 Bonus Goals

In the first quarter of 2015, our Compensation Committee established goals applicable to our Company-wide bonus program. In order for our named executive officers to be eligible for any 2015 bonus, the Company had to meet a threshold EBITDA target (earnings before interest, taxes, depreciation and amortization) of at least \$15 million, including stock based compensation, for 2015. In determining whether the EBITDA target was achieved, the Compensation Committee could adjust results to exclude the effect of changes in tax law, accounting principles or other laws or provisions affecting reported results that occurred prior to the achievement of the EBITDA target, as well as any of the following events that occurred prior to the achievement of the EBITDA target, in each case to the extent consistent with Section 162(m) of the Internal Revenue Code: (a) asset write-downs, (b) litigation, claims, judgments or settlements, (c) accruals for reorganization and restructuring programs and (d) any extraordinary, unusual or non-recurring items. No adjustments were made to the 2015 results. The remaining goals applied to all our employees, including our named executive officers.

The table below sets forth our 2015 goals that applied to our bonus program for all employees, including our named executive officers, the determination of our Compensation Committee on whether or not each goal was achieved, as well as our Compensation Committee's determination of the level of achievement of each such goal. These goals did not include any sales targets for BREO and

Edgar Filing: Innoviva, Inc. - Form PRE 14A

ANORO , our partnered respiratory programs, since we do not have direct control over sales and marketing activities.

Goal	Weighting	Achieved	Percentage Achieved
Threshold Goal \$15 million EBITDA	n/a	Yes	n/a
Directly Controllable Goals			
<i>Financial Performance \$51 million EBITDA (excluding stock based compensation)</i>	45%	Yes	45%

Achievement at 75% of target = 0% payout of goal

Achievement at 100% of target = 100% payout of goal

Achievement at 125% of target = 200% payout of goal

<i>Review of Potential New Asset Purchases</i>	15%	Yes	20%(1)
--	-----	-----	--------

Two assets reviewed, one through diligence, plus assessment by Compensation Committee of quality

Indirectly Controllable Goals			
<i>GSK Relationship/2015 Annual Budget Goals</i>	40%	Yes	40%

RELVAR /BREO

Achieve FDA approval of BREO for Asthma

Achieve positive results from SUMMIT study

Ensure competitive promotion of Asthma

Ensure competitive promotion of SUMMIT

ANORO

Initiate Tiotropium comparator trial

TRIPLE

Initial lung function trial

GSK

Develop compelling customer/market insights

Improve GSK US sales force effectiveness

Continue to foster productive relationships

Effectively influence GSK to implement Innoviva proposals

Total	100%	n/a	105%
--------------	-------------	------------	-------------

(1)

The Compensation Committee awarded over-achievement credit based on the Company's review of three assets during the year, with two through diligence.

All of the above goals were achieved, in some cases overachieved, which the Compensation Committee viewed as a significant accomplishment. In light of this fact, our Compensation Committee determined that the pool would be set at 100% of target for all employees other than the Company's executive officers, which included a reduction of 5% from the 105% of target that was funded based on actual achievement of the set goals, in light of the Company's stock price performance in 2015. The Compensation Committee exercised its discretion to reduce the bonuses paid to the Company's executive officers by an additional 5% of target for the performance of the Company's stock price in 2015. As a result, each executive officer's bonus was paid at 95% of target.

Edgar Filing: Innoviva, Inc. - Form PRE 14A

The bonuses for 2015 performance are shown in the table below and reflected in the Non-Equity Incentive Compensation column of the "Summary Compensation Table" on page 34:

Name	Title	Cash Bonus (\$)	Percentage of Target (%)
Michael W. Aguiar	President and Chief Executive Officer	\$ 516,206	95%
Eric d'Esparbes	Senior Vice President and Chief Financial Officer	\$ 182,585	95%
George B. Abercrombie	Senior Vice President and Chief Commercial Officer	\$ 194,456	95%
Michael E. Faerm	Senior Vice President and Chief Business Officer	\$ 114,333(1)	95%
Theodore J. Witek, Jr.	Senior Vice President and Chief Scientific Officer Clinical and Medical Affairs	\$ 193,857	95%

(1)

Amount paid to Mr. Faerm was pro-rated due to his partial year of service.

Equity Incentive Compensation

The types of equity compensation comprising the mix of officer compensation consist of: (i) stock options with time-based vesting, which require the market value of our common stock to increase before they are valuable; (ii) performance-contingent restricted stock units (or RSUs) and restricted stock awards (or RSAs), the right to which is dependent upon successful completion of corporate performance goals; and (iii) RSUs or RSAs with time-based vesting. In 2015, we primarily granted RSUs and RSAs, which we believe are more appropriate than stock options for our post-Spin-Off business model as they can provide reduced dilution compared to stock options, they are designed to capture dividends paid to stockholders, and reward growth as well as value maintenance. We do not use a targeted cash/equity split to set officer compensation.

In order to align the officer's interests with those of our stockholders, a significant equity award is made to a named executive officer at the first regularly scheduled meeting of the Compensation Committee after the officer commences employment. These initial new hire awards are generally within a guideline range recommended by FW Cook, normally around 1.5 to 2.5 times the annual replenishment awards described below, and adjusted to reflect considerations individual to a specific candidate as well as arms-length negotiations as part of the hiring process.

Annual replenishment equity awards are generally considered during the first quarter of each year, following annual performance reviews and based on recommendations to the Compensation Committee from the CEO (other than with respect to himself). Additional equity awards may be made in connection with an officer earning a promotion or taking on additional duties or for retention purposes in certain circumstances. Replenishment equity awards generally vest over a four-year period. The Company believes that the resulting overlapping vesting schedule from awards made in prior years, together with the number of shares subject to each award, helps ensure a meaningful incentive to remain in the Company's employ and to enhance stockholder value over time.

Our annual replenishment guidelines are stated as a dollar amount, which we believe is conventional and appropriate for our business model.

Edgar Filing: Innoviva, Inc. - Form PRE 14A

2015 New Hire Equity Awards

In connection with his commencement of employment with us, Mr. Faerm was granted 105,288 RSAs, representing a number of shares of our common stock equal to \$1,750,000 divided by the average closing price of a share of our common stock for the 15 trading days ending three full trading days prior to the date of grant. The RSAs vest over a four-year period, subject to Mr. Faerm's continued service. The Company believes that this was a competitive new hire inducement grant for a senior executive and it was consistent with the value of new hire awards made to other senior officers in 2014.

2015 Replenishment Equity Awards

Annual replenishment awards were made in the first quarter of 2015 and were set at 125% of guideline due to the Company's over performance relative to its goals in 2014. These awards generally vest over four years of service, except as noted below. The following table shows for each of our named executive officers other than Mr. Faerm (who joined the Company in July 2015), the annual replenishment guideline, any pro-ration applicable to reflect commencement of employment in 2014 and the number of replenishment RSAs actually granted to our named executives officers (or, in the case of Mr. Witek, RSUs), based on the 15-day average trading price through December 31, 2014 (\$14.20). The guideline grant values were generally near the median of the July 2015 Peer Group, with some officers below the median and some above. The CEO's actual grant was below the median for CEOs in both the Post-Spin-Off Peer Group and the July 2015 Peer Group.

Name	Title	Guideline Dollar Value	New-Hire Proration	2015 RSAs(1)
Michael W. Aguiar	President and Chief Executive Officer	\$ 2,000,000	N/A	176,056
Eric d'Esparbes	Senior Vice President and Chief Financial Officer	\$ 1,000,000	42%	36,972
George B. Abercrombie	Senior Vice President and Chief Commercial Officer	\$ 800,000	67%	71,429(2)
Theodore J. Witek, Jr.	Senior Vice President and Chief Scientific Officer Clinical and Medical Affairs	\$ 800,000	58%	71,429(2)(3)

- (1) Granted in the form of RSUs for Mr. Witek due to his Canadian tax considerations.
- (2) Includes 24,246 RSAs in the case of Mr. Abercrombie and 30,584 RSUs in the case of Mr. Witek, whose new hire equity awards were granted as stock options, in order to re-align the officers' equity awards with that of our other named executive officers.
- (3) Due to Canadian tax considerations, Mr. Witek's equity award vests over a three-year period as follows: 25% on February 20, 2016, 6.25% on each of May 20, 2016, August 20, 2016, November 20, 2016, February 20, 2017, May 20, 2017 and August 20, 2017, and the remaining 37.5% on November 20, 2017, subject to Mr. Witek's continued service.

Performance RSAs

Mr. Aguiar holds 63,135 performance-based RSAs that were granted to him in 2011 as part of a larger award that vested based on the achievement of 10 pre-specified milestones over the 2011-2016 timeframe, as well as continued employment.

Edgar Filing: Innoviva, Inc. - Form PRE 14A

The performance conditions applicable to these performance-based RSAs will be satisfied upon achievement of milestones worth a total of 5.3 achievement points by December 31, 2016. The performance milestones and number of points assigned to each milestone is set forth below. No milestones were achieved in 2015 and therefore none of the RSAs vested in 2015. We believe this is a pay-for-performance outcome and supports the rigor of the performance goals.

	Performance Milestone	Achievement Points
#1	Purchasing two new royalty asset income streams over \$100,000,000(1)	3
#2	A strategic transaction of Innoviva	6
#3	Initiating a MABA phase 3 program or having successful EU closed triple phase results	3
#4	Exceeding \$1 billion in annual aggregate combined RELVAR™/BREO™ and ANORO™ GSK net sales	3

- (1) Each new qualifying revenue stream purchase is worth 3 achievement points, for a total of 6 achievement points if two new qualifying revenue streams are purchased.

Post-Termination Protection

We believe that the possibility of a change in control creates uncertainty for our officers regarding their continued employment by the Company because such transactions frequently result in senior management changes. We provide change in control protections to our officers to alleviate concerns regarding the possible occurrence of such a transaction, allowing them to focus their attention on the business of the Company. In addition, these protections encourage executives to remain with the Company during the threat or negotiation of a change in control transaction, which preserves the value of the Company and the potential benefit to be received by our stockholders in the transaction.

The change in control severance benefits are structured under a Company plan, which was initially adopted in 2004, instead of using individual employment agreements. With this change in control severance plan, we sought uniformity of results among the officers based on their positions at the Company. For officers who were eligible to participate in the plan prior to December 16, 2009, of which Mr. Aguiar is the only named executive officer, Innoviva provides gross-ups for excise taxes potentially due upon a change in control in order to mitigate unfair differences between participants that may stem from their individual decisions to exercise or hold vested options. In 2009, our Board of Directors adopted a new change in control severance plan which applies to any officers hired, or non-officers promoted to officer level, after December 16, 2009 ("the 2009 plan") that was essentially identical to the original change in control severance plan except that it does not provide for excise tax gross-ups. All of our named executive officers other than Mr. Aguiar participate in the 2009 plan.

Historically, only our Chief Executive Officer was eligible for severance benefits outside of the change in control context. Pursuant to the letter agreement we entered into with Mr. Aguiar to become our Chief Executive Officer in 2014, if Mr. Aguiar's service is terminated without cause and he is not eligible for severance benefits under our original change in control severance plan, he will receive a lump-sum severance payment of 24 months of his then-current salary plus two times his then-current target bonus. Based upon a review of practices within our peer groups and to reduce the likelihood of employee disputes in the event of a termination of employment, in July 2015, we amended the 2009 plan to provide our other named executive officers with cash severance benefits in the event of a termination without cause.

Our severance and change-in-control arrangements generally do not affect the Compensation Committee's decisions regarding other elements of compensation. Those arrangements serve specific purposes that we believe are not related to the determination of an officer's current compensation. The

specific terms of our severance and change in control arrangements are described in detail in "Potential Payments Upon Termination or Change-in-Control" on page 40.

Perquisites

The Company does not provide a non-qualified deferred compensation program or a supplemental executive retirement plan. Generally the Company does not provide perquisites or other personal benefits to named executive officers, and during 2015 we did not provide any perquisites to executive officers that were not provided to all employees other than a signing bonus of \$75,000 negotiated by Mr. Faerm in connection with his commencement of employment and reimbursement of relocation expenses incurred by Mr. Faerm in connection with his relocation to California. Mr. Faerm has twelve months from commencement of employment to utilize his relocation benefits, including reimbursement of non-recurring transaction costs associated with the sale of Mr. Faerm's home and the purchase of a new house in California, reimbursement of one-time travel expenses and the costs of shipping and storing household goods and sixty days of temporary housing. These benefits were negotiated by Mr. Faerm in connection with his commencement of employment and were intended to minimize the disruption associated with his move.

CEO Compensation

As CEO, Mr. Aguiar's level of responsibility is much greater than those of our other named executive officers and therefore his compensation is higher than that of our other named executive officers. Notwithstanding this fact, Mr. Aguiar's total target compensation for 2015 (consisting of base salary, target bonus and annual equity award) was below the median of other CEOs in both our primary Post-Spin-Off Peer Group (which was the data referenced when 2015 compensation decisions were made) and the July 2015 Peer Group. Mr. Aguiar's 2015 total compensation (determined pursuant to SEC rules and reported in the 2015 Summary Compensation Table) was also 21% lower in 2015 than it was in 2014, reflecting a more steady state compensation rate following disruption in the year of the Spin-Off and Mr. Aguiar's promotion to CEO.

Mr. Aguiar's compensation generally consists of the same elements provided to our other named executive officers. For 2015, Mr. Aguiar's merit salary increase was 3.5% and his annual cash bonus was awarded at 95% of target, in each case consistent with our other named executive officers and reflecting a discretionary bonus reduction of 10% below the 105% of target that the bonus pool was funded at based on achievement of the set goals. As with our other named executive officers, Mr. Aguiar's 2015 annual replenishment equity award was made in the form of time-based RSAs and was set at 125% of guideline due to over-performance of the Company versus its goals in 2014. Though Mr. Aguiar's 2015 replenishment equity award was subject to only time-based vesting, approximately one-third (fifty percent at maximum achievement) of his 2016 replenishment equity award was subject to performance-based vesting conditions based on increases in the Company's total shareholder return ("TSR") over a three-year performance period. TSR was selected because it directly correlates to stockholder value creation.

Tax Deductibility of Pay

Section 162(m) of the Internal Revenue Code places a limit of \$1,000,000 on the amount of compensation that Innoviva may deduct in any one year with respect to each of its CEO and three other most highly paid executive officers, other than its CFO. There is an exception to the \$1,000,000 limitation for performance-based compensation meeting certain requirements. Stock options granted to our named executive officers under our 2004 Equity Incentive Plan and our 2012 Equity Incentive Plan are generally intended to qualify for this exemption so that they will not be subject to the \$1 million deduction limitation. In addition, we may grant certain performance-contingent RSA and RSU awards that are intended to qualify for this exemption. RSAs or RSUs with time-based vesting, performance-contingent

Edgar Filing: Innoviva, Inc. - Form PRE 14A

RSAs or RSUs that are not designed to comply with the Section 162(m) exemption and some of the cash awards under the annual incentive program are subject to the \$1 million deduction limitation when aggregated with other non-exempt compensation. To maintain flexibility in compensating executive officers in a manner designed to promote varying corporate goals, the Compensation Committee has not adopted a policy requiring all compensation to be deductible. Although deduction of some amounts paid as compensation by Innoviva to certain executives may be limited by Section 162(m), that limitation has not resulted in the current payment of increased federal income taxes by Innoviva due to its significant net operating loss carry forwards. The Compensation Committee may approve compensation or changes to plans, programs or awards that may cause the compensation or awards not to comply with Section 162(m) if it determines that such action is appropriate and in our best interests.

COMPENSATION COMMITTEE REPORT(1)

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management and, based on such review and discussions, the Compensation Committee has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the following members of the Compensation Committee:

James L. Tyree, Chairman
Catherine J. Friedman
Terrence C. Kearney

-
- (1) The material in this report is not "soliciting material," is not deemed "filed" with the SEC and is not to be incorporated by reference in any filing of Innoviva under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Edgar Filing: Innoviva, Inc. - Form PRE 14A

SUMMARY COMPENSATION TABLE

The following table sets forth all of the compensation awarded to, earned by, or paid to our "principal executive officer," our "principal financial officer," and our three other executive officers (our "named executive officers") for fiscal years 2015, 2014 and 2013.

Name and Principal Position (a)	Year (b)	Salary (\$)(1) (c)	Bonus (\$) (d)	Stock Awards (\$)(2) (e)	Option Awards (\$)(2) (f)	Non-Equity Incentive	All Other Compensation (\$)(4) (i)	Total (\$) (j)
						Plan Compensation (\$)(3) (g)		
Michael W. Aguiar President and Chief Executive Officer	2015	721,438		2,314,256		516,206	9,000	3,560,900
	2014	557,247		3,564,881		437,500	500	4,560,128
	2013	457,007	58,432(5)	111,100		229,149	500	856,188
Eric d'Esparbes(6) Senior Vice President and Chief Financial Officer	2015	383,840		485,997		182,585	8,958	1,061,380
	2014	87,803		1,883,417		80,000	15,328	2,066,548
George B. Abercrombie(6) Senior Vice President and Chief Commercial Officer	2015	408,208		938,934		194,456	12,000	1,553,598
	2014	219,167		293,200	1,216,640	170,000	500	1,899,507
Michael E. Faerm(6) Senior Vice President and Chief Business Officer	2015	199,640	75,000(7)	1,644,599		114,333	33,003	2,066,575
Theodore J. Witek, Jr.(6) Senior Vice President and Chief Scientific Officer Clinical and Medical Affairs	2015	407,105		938,934		193,857	12,000	1,551,896
	2014	192,917			1,156,400	140,876	500	1,490,693

- (1) Includes amounts deferred pursuant to our 401(k) plan.
- (2) The amounts in this column represent the aggregate grant date fair value of stock awards or options to purchase shares of our Common Stock granted to the officer in the applicable fiscal year computed in accordance with FASB ASC Topic 718. In accordance with the SEC rules, the grant date fair value of any award subject to a performance condition is based on the probable outcome of the performance conditions. See Note 6 of the notes to our consolidated financial statements in our Annual Report on Form 10-K filed on February 24, 2016 for a discussion of all assumptions made by the Company in determining the grant date fair values of its equity awards.
- (3) The amounts in this column reflect cash bonus awards earned by the named executive officers under our 2013, 2014 and 2015 annual cash bonus plans, which were paid in the first quarter of the following year. The 2015 annual cash bonus plan is discussed in greater detail in the "Annual Cash Incentive Compensation" section of the "Compensation Discussion and Analysis" beginning on page 26.
- (4) The amounts reflected in this column include:
- For Messrs. Aguiar, Abercrombie and Witek, a 401(k) matching contribution made by the Company, which was provided to our named executive officers on the same basis as it was provided to all other regular U.S. employees.
- For Mr. d'Esparbes, a 401(k) matching contribution of \$6,958 made by the Company and \$2,000 in relocation expenses reimbursed by the Company in connection with his commencement of employment.

