

MANNKIND CORP
Form 424B5
December 07, 2006

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This filing is made pursuant to Rule 424(b)(5)
Under the Securities Act of 1933
In connection with Registration Nos. 333-138373 and 333-139154

PROSPECTUS SUPPLEMENT
(To Prospectus dated November 7, 2006)

\$100,000,000

MannKind Corporation
3.75% Senior Convertible Notes due 2013

The Offering:

The notes will bear interest at the rate of 3.75% per year on the principal amount of the notes, payable in cash semiannually in arrears on June 15 and December 15 of each year, beginning June 15, 2007. The notes will mature on December 15, 2013. The notes will be our general, unsecured, senior obligations and will rank equally in right of payment with our other senior unsecured debt and will effectively rank junior in right of payment to all of our secured debt, to the extent of the value of the assets securing such debt, and to the debt and all other liabilities of our subsidiaries.

Convertibility of the Notes:

Holder s may convert, at any time prior to the close of business on the business day immediately preceding the stated maturity date, any outstanding notes into shares of our common stock. The notes are convertible at a conversion rate of 44.5002 shares per \$1,000 principal amount of notes, which is equal to a conversion price of approximately \$22.47 per share, subject to adjustment. If a holder elects to convert notes in connection with a fundamental change, such holder will also be entitled to receive a make-whole premium upon conversion in certain circumstances. Our common stock is quoted on the Nasdaq Global Market under the symbol MNKD. On December 6, 2006, the last sale price for our common stock as reported on the Nasdaq Global Market was \$17.42 per share.

Purchase of the Notes at the Option of the Holder:

Upon a fundamental change of our company, each holder may require us to purchase all or a portion of such holder s notes at a price equal to the principal plus accrued and unpaid interest, if any.

In addition, concurrently with this note offering, we are offering 20,000,000 shares of our common stock (or 23,000,000 shares if the underwriters exercise their over-allotment option in full) in a public offering pursuant to a separate prospectus supplement. This note offering is not contingent upon the common stock offering and the common stock offering is not contingent upon this note offering.

Investing in our notes involves risks, including those described in the Risk Factors section beginning on page S-9 of this prospectus supplement and incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Per Note	Total
Public offering price	\$ 1,000	\$ 100,000,000
Underwriting discount	\$ 30	\$ 3,000,000
Proceeds to MannKind, before expenses	\$ 970	\$ 97,000,000

We have granted the underwriters a 13-day option to purchase up to an additional \$15,000,000 principal amount of notes to cover over-allotments, if any.

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

The notes will be ready for delivery in book entry form only through The Depository Trust Company on or about December 12, 2006.

Merrill Lynch & Co.

JPMorgan

The date of this prospectus supplement is December 7, 2006.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus that we authorize to be distributed to you. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with

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

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration process. This prospectus supplement provides you with the specific details regarding this offering, including the principal amount, conversion ratio and ranking of our notes, and the risks of investing in our notes. The accompanying prospectus provides you with more general information, some of which does not apply to the offering of our notes. To the extent information in this prospectus supplement is inconsistent with the accompanying prospectus or any of the documents incorporated by reference into this prospectus supplement and the accompanying prospectus, you should rely on this prospectus supplement. You should read and consider the information in this prospectus supplement, the accompanying prospectus and any free writing prospectus, together with the additional information described under the headings **Where You Can Find More Information** and **Incorporation by Reference** in the accompanying prospectus.

This prospectus supplement and the accompanying prospectus have not been approved by the Financial Services Authority. The notes may not be offered or sold to any person in the United Kingdom except where the offer is exempt from the general prohibition against the offer of securities to the public under section 85 of the Financial Services and Markets Act 2000, or FMSA, by virtue of one or more of the criteria set out in section 86 of FMSA.

This prospectus supplement and the accompanying prospectus is directed only at (i) persons outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments and who are investment professionals within the meaning of Article 19(5) of FMSA (Financial Promotion) Order 2005 of the United Kingdom (the Financial Promotion Order), (iii) persons who fall within Article 49(2)(a) through (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, or (iv) any other persons to whom this prospectus supplement and the accompanying prospectus for the purposes of Section 21 of FSMA can otherwise lawfully be made (all such persons together being referred to as Relevant Persons), and must not be acted on or relied upon by persons other than Relevant Persons.

Unless the context otherwise requires, references to **MannKind** or the company, **we**, **us**, and **our** in this prospectus supplement and the accompanying prospectus mean MannKind Corporation and its wholly owned subsidiary.

Technosphere® and MedTone® are registered trademarks of MannKind Corporation. We have also applied for or registered company trademarks in other jurisdictions, including Europe and Japan. This prospectus supplement also include references to registered service marks and trademarks of other entities.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus, including the documents that we incorporate by reference herein and therein, contain statements that are not strictly historical in nature and are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements are subject to the safe harbor created by Section 27A of the Securities Act and Section 21E of the Exchange Act and may include, but are not limited to, statements about:

the progress or success of our research, development and clinical programs;

the timing of completion of enrollment in our clinical trials, the timing of the interim analyses and the timing or success of the commercialization of our Technosphere Insulin System, or any other products or

therapies that we may develop;

our ability to market, commercialize and achieve market acceptance for our Technosphere Insulin System, or any other products or therapies that we may develop;

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our ability to protect our intellectual property and operate our business without infringing upon the intellectual property rights of others;

our estimates for future performance; our estimates regarding anticipated operating losses, future revenues, capital requirements and our needs for additional financing;

scientific studies and the conclusions we draw from them; and

our ability to successfully enter into strategic business collaborations.

In some cases, you can identify forward-looking statements by terms such as anticipates, believes, could, estimates, expects, goal, intends, may, plans, potential, predicts, projects, should, will, would, the negative words or similar expressions intended to identify forward-looking statements. These statements reflect our views as of the date on which they were made with respect to future events and are based on assumptions and subject to risks and uncertainties. The underlying information and expectations are likely to change over time. Given these uncertainties, you should not place undue reliance on these forward-looking statements as actual events or results may differ materially from those projected in the forward-looking statements due to various factors, including, but not limited to, those set forth under the heading **Risk Factors** in this prospectus supplement, in the accompanying prospectus and in our SEC filings. These forward-looking statements represent our estimates and assumptions only as of the date of the document containing the applicable statement.

You should rely only on the information contained, or incorporated by reference, in this prospectus supplement, the accompanying prospectus, the registration statement of which this prospectus supplement is a part, the documents incorporated by reference herein, and any applicable prospectus supplement and understand that our actual future results may be materially different from what we expect. We qualify all of the forward-looking statements in the foregoing documents by these cautionary statements. Unless required by law, we undertake no obligation to update or revise any forward-looking statements to reflect new information or future events or developments. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements. Before deciding to purchase our securities, you should carefully consider the risk factors discussed here or incorporated by reference, in addition to the other information set forth in this prospectus supplement, the accompanying prospectus and in the documents incorporated by reference.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information contained elsewhere or incorporated by reference in this prospectus supplement. This summary does not contain all the information that you should consider before investing in our notes. You should read the entire prospectus supplement, the accompanying prospectus and any free writing prospectus carefully, including Risk Factors, the financial statements and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus before making an investment decision. This prospectus supplement contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results anticipated in these forward-looking statements as a result of factors described under the Risk Factors section and elsewhere in this prospectus supplement and in the risk factors set forth under Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2005 and each of our Quarterly Reports on Form 10-Q for the periods ended March 31, 2006, June 30, 2006 and September 30, 2006, and elsewhere in the documents incorporated by reference.

MannKind Corporation

Overview

MannKind Corporation is a biopharmaceutical company focused on the discovery, development and commercialization of therapeutic products for diseases such as diabetes and cancer. Our lead investigational product candidate, the Technosphere Insulin System, is currently in Phase 3 clinical trials in the United States, Europe and Latin America to study its safety and efficacy in the treatment of diabetes. This therapy consists of a proprietary dry powder formulation of insulin that is inhaled into the deep lung using our proprietary inhaler. We believe that the performance characteristics, unique kinetics, convenience and ease of use of the Technosphere Insulin System may have the potential to change the way diabetes is treated. According to the Centers for Disease Control, diabetes affects approximately 20.8 million patients in the United States. Furthermore, we believe that not one diabetes drug is included among the top 20 best-selling drugs in the United States. We believe there is a large unmet medical need to treat diabetes patients with a convenient and effective insulin regimen.

We believe our Technosphere Insulin System will address some of the shortcomings of traditional insulin therapies. In particular, we have observed in our clinical trials to date that the Technosphere Insulin System produces a profile of insulin levels in the bloodstream that approximates the insulin profile normally seen in healthy individuals immediately following the beginning of a meal, but which is absent in patients with diabetes. Specifically, Technosphere Insulin is rapidly absorbed into the bloodstream following inhalation, reaching peak levels within 12 to 14 minutes. As a result of this rapid onset of action, most of the glucose-lowering activity of Technosphere Insulin occurs within the first three hours of administration which is generally when glucose becomes available from a meal instead of the much longer duration of action observed when insulin is injected subcutaneously. We believe that the relatively short duration of action of Technosphere Insulin reduces the need for patients to snack between meals in order to manage ongoing blood glucose excursions. Indeed, in our clinical trials, we have observed that patients using Technosphere Insulin have achieved significant reductions in post-meal glucose excursions and significant improvements in overall glucose control, as measured by decreases in glycosylated hemoglobin, or HbA1c, levels, without the weight gain typically associated with insulin therapy.

In our clinical trials to date, we have observed no difference in pulmonary function between patients treated with Technosphere Insulin and patients treated with standard diabetes care. However, the longest study that we have completed so far is a six-month trial. In September 2006, we completed patient enrollment in a pivotal, two-year, Phase 3, safety study of Technosphere Insulin that will compare the pulmonary function of diabetes patients

randomized to either Technosphere Insulin or standard diabetes care. We are continuing to enroll patients in three other major Phase 3 clinical trials, two of which are pivotal efficacy trials. Based on our discussions with the Food and Drug Administration, or FDA, we plan to accumulate two years of controlled safety data before we file a new drug application for the Technosphere Insulin System. We anticipate that our

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entire clinical trial program, including several special population studies, will involve more than 4,500 patients. Larger populations and longer durations of exposure may be necessary depending on the safety profile of our product.

Our Technosphere Insulin System utilizes our proprietary Technosphere formulation technology, which is based on a class of organic molecules that are designed to self-assemble into small particles onto which drug molecules can be loaded. We are also developing additional Technosphere-based products for the delivery of other drugs. In October 2006, we filed an investigational new drug application, or IND, in respect of our cancer immunotherapy program. This IND has received FDA clearance and we plan to initiate Phase 1 clinical trials of a therapeutic cancer vaccine by the end of 2006.

We are a development stage enterprise and have incurred significant losses since our inception in 1991. As of September 30, 2006, we have incurred a cumulative net loss of \$716.6 million. To date, we have not generated any product revenues and have funded our operations primarily through the sale of equity securities.

We do not anticipate sales of any product prior to regulatory approval and commercialization of our Technosphere Insulin System. We currently do not have the required approvals to market any of our product candidates, and we may not receive any approvals. We may not be profitable even if we succeed in commercializing any of our product candidates. We expect to make substantial and increasing expenditures and to incur additional operating losses for at least the next several years as we:

- continue the clinical development and commercialization of our Technosphere Insulin System for the treatment of diabetes;

- expand our manufacturing operations for our Technosphere Insulin System to meet our currently anticipated commercial production needs;

- expand our other research, discovery and development programs;

- expand our proprietary Technosphere platform technology and develop additional applications for the pulmonary delivery of other drugs; and

- enter into sales and marketing collaborations with other companies, if available on commercially reasonable terms, or develop these capabilities ourselves.

Our business is subject to significant risks, including but not limited to the risks inherent in our ongoing clinical trials and the regulatory approval process, the results of our research and development efforts, competition from other products and technologies and uncertainties associated with obtaining and enforcing patent rights.

Recent Developments

On September 16, 2006, we announced the results of a Phase 3 clinical study of Technosphere Insulin in patients with type 2 diabetes. This study was designed to evaluate whether our Technosphere Insulin System demonstrated similar safety and efficacy compared to patients treated with insulin aspart, an injected rapid-acting insulin analog, or RAA. The study included 308 patients with type 2 diabetes who were randomized to receive either Technosphere Insulin or RAA at meal times, in each case together with insulin glargine, a long-acting insulin, as basal insulin. After six months of treatment, both patient groups achieved statistically significant reductions in HbA1c levels, with the Technosphere Insulin patient group achieving an average 1.05% reduction and the injected RAA patient group achieving an average 1.30% reduction. Significantly fewer patients experienced hypoglycemia in the Technosphere Insulin patient group than in the injected RAA patient group. Additionally, after six months of treatment, the

Technosphere Insulin patient group experienced average weight loss of 1.7 pounds compared with the injected RAA patient group, which experienced average weight gain of 0.5 pounds. Pulmonary function did not differ between the two patient groups after six months of treatment and after a six-month withdrawal period. These results are consistent with our previous studies on Technosphere Insulin that demonstrated improvement in glycemic control with no effect on lung function.

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Company Information

We were incorporated in the State of Delaware on February 14, 1991. Our principal executive offices are located at 28903 North Avenue Paine, Valencia, California 91355, and our telephone number at that address is (661) 775-5300. MannKind Corporation and the MannKind Corporation logo are our service marks. Our website address is <http://www.mannkindcorp.com>. The information contained in, and that can be accessed through, our website is not incorporated into and does not form a part of this prospectus.

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THE OFFERING

The following is a brief summary of the terms of this offering. For a complete description of the terms of the notes, see Description of Notes in this prospectus supplement.

Issuer	MannKind Corporation
Notes to be offered	\$100,000,000 aggregate principal amount, or \$115,000,000 if the underwriters exercise their option to purchase additional notes in full.
Maturity date	December 15, 2013.
Interest and payment dates	3.75% per year on the principal amount, payable semiannually in arrears in cash on June 15 and December 15 of each year, beginning June 15, 2007.
Conversion rights	The notes are convertible, at the option of the holder, at any time on or prior to the close of business on the business day immediately preceding the stated maturity date, into shares of our common stock at a conversion rate of 44.5002 shares per \$1,000 principal amount of notes per share, which is equal to a conversion price of approximately \$22.47 per share. The conversion rate is subject to adjustment as set forth in <u>Description of Notes</u> <u>Adjustment of Conversion Rate</u> .
Make-whole premium upon a fundamental change	<p>If a fundamental change (as described in this prospectus supplement) occurs, other than a fundamental change described under the third or fourth bullet points under the definition of a change in control described in <u>Description of Notes</u> <u>Repurchase at Option of Holders Upon a Fundamental Change</u>, we will pay a make-whole premium on notes converted in connection with a fundamental change by increasing the conversion rate on such notes.</p> <p>The amount of the make-whole premium, if any, will be based on our common stock price and the effective date of the fundamental change. A description of how the make-whole premium will be determined and a table showing the make-whole premium that would apply at various common stock prices and fundamental change effective dates is set forth under <u>Description of Notes</u> <u>Make-Whole Premium Upon a Fundamental Change</u>.</p>
Repurchase of notes by us at the option of the holders upon a fundamental change	If we undergo a fundamental change, except in certain circumstances, each holder will have the option to require us to repurchase all or any portion of that holder's notes. The fundamental change repurchase price will be 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest, if any.
Ranking	The notes:

will be our general, unsecured, senior obligations and will rank equally in right of payment with our other unsecured senior debt;

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will effectively rank junior in right of payment to any of our existing and future secured debt, to the extent of the value of the assets securing such debt; and

will effectively rank junior in right of payment to any existing and future debt and other liabilities of our subsidiaries, including trade payables.

As of September 30, 2006, after giving effect to this offering of notes and the use of proceeds therefrom, we would have had no outstanding secured debt, and our subsidiary would have had no outstanding liabilities to which the notes would rank effectively junior.

The terms of the supplemental indenture and the indenture under which the notes are issued do not limit our ability to incur additional debt, including secured debt.

Use of proceeds

We intend to use the net proceeds to us from this offering and the concurrent common stock offering to fund the costs of our clinical trials programs and other research and development activities, to expand our manufacturing operations, both on-going and planned, and for general corporate purposes, including working capital and repayment of \$70.0 million in principal amount of indebtedness, plus accrued interest, owed to Alfred E. Mann pursuant to an outstanding note. We may also use a portion of the net proceeds to in-license, invest in or acquire businesses or technologies that we believe are complementary to our own, although we have no current plan, commitments or agreements with respect to any acquisitions as of the date of this prospectus supplement. This offering is not contingent on the concurrent common stock offering. See Use of Proceeds.

Form and denomination

The notes will be issued in minimum denominations of \$1,000 and any integral multiple of \$1,000.

The notes will be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company, or DTC, and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances. See Description of Notes Book-Entry System.

The notes will not be listed on any securities exchange or included in any automated quotation system. The notes will be new securities for which there is currently no public market.

Nasdaq symbol for common stock

Our common stock is quoted on the Nasdaq Global Market under the symbol MNKD.

Material U.S. federal income tax consequences

The notes and the shares of our common stock issuable upon conversion of the notes will be subject to certain U.S. federal income tax consequences. Holders are encouraged to consult their tax advisors as to the U.S. federal, state, local or other tax consequences of

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acquiring, owning and disposing of the notes. See Material U.S. Federal Income Tax Consequences.

Risk factors

See Risk Factors and other information included in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should carefully consider before deciding to invest in our notes.

Unless otherwise noted, the information in this prospectus supplement assumes that the underwriters' over-allotment option will not be exercised.

Concurrent Common Stock Offering

Concurrently with this offering of notes, we are offering 20,000,000 shares of our common stock (or 23,000,000 shares if the underwriters exercise their over-allotment option in full) at a public offering price of \$17.42 per share pursuant to a separate prospectus supplement. We refer to that offering herein as the common stock offering. As part of the common stock offering, the underwriters are selling an aggregate of 5,776,000 shares of our common stock to certain of our officers and directors, including our chairman, chief executive officer and principal stockholder, Alfred E. Mann. The underwriters will not receive any underwriting discount with respect to these shares. This note offering is not contingent upon the common stock offering and the common stock offering is not contingent upon this note offering.

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RISK FACTORS

Investing in our securities involves a high degree of risk. You should consider carefully the risk factors described below and all other information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus before deciding to invest in our securities. If any of the following risks actually occur, they may materially harm our business, financial condition, operating results and cash flow. As a result, the market price of our common stock could decline, and you could lose all or part of your investment. Additional risks and uncertainties that are not yet identified or that we think are immaterial may also materially harm our business, operating results and financial condition and could result in a complete loss of your investment.

Certain risks related to regulatory approvals

Our product candidates must undergo rigorous preclinical and clinical testing and we must obtain regulatory approvals, which could be costly and time-consuming and subject us to unanticipated delays or prevent us from marketing any products.

Our research and development activities, as well as the manufacturing and marketing of our product candidates, including our Technosphere Insulin System, are subject to regulation, including regulation for safety, efficacy and quality, by the FDA in the United States and comparable authorities in other countries. FDA regulations and the regulation of comparable foreign regulatory authorities are wide-ranging and govern, among other things:

product design, development, manufacture and testing;

product labeling;

product storage and shipping;

pre-market clearance or approval;

advertising and promotion; and

product sales and distribution.

Clinical testing can be costly and take many years, and the outcome is uncertain and susceptible to varying interpretations. We expect, based on our discussions with the FDA and on our understanding of the interactions between the FDA and other pharmaceutical companies developing inhaled insulin delivery systems, that we will need safety data covering at least two years from patients treated with our Technosphere Insulin System and that we must complete a two-year carcinogenicity study and an additional six-month carcinogenicity study of Technosphere Insulin in rodents to obtain approval, among other requirements. We cannot be certain when or under what conditions we will undertake further clinical trials. The clinical trials of our product candidates may not be completed on schedule, the FDA or foreign regulatory agencies may order us to stop or modify our research, or these agencies may not ultimately approve any of our product candidates for commercial sale. The data collected from our clinical trials may not be sufficient to support regulatory approval of our various product candidates, including our Technosphere Insulin System. Even if we believe the data collected from our clinical trials are sufficient, the FDA has substantial discretion in the approval process and may disagree with our interpretation of the data. For example, even if we obtain statistically significant results with respect to the primary endpoint in a pivotal clinical study (102) of the

Technosphere Insulin System, the FDA may deem the results uninterpretable because of issues related to the open-label, non-inferiority design of the study. Our failure to adequately demonstrate the safety and efficacy of any of our product candidates would delay or prevent regulatory approval of our product candidates, which could prevent us from achieving profitability.

The requirements governing the conduct of clinical trials and manufacturing and marketing of our product candidates, including our Technosphere Insulin System, outside the United States vary widely from country to country. Foreign approvals may take longer to obtain than FDA approvals and can require, among other things, additional testing and different clinical trial designs. Foreign regulatory approval processes

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include all of the risks associated with the FDA approval processes. Some of those agencies also must approve prices of the products for government reimbursement. Approval of a product by the FDA does not ensure approval of the same product by the health authorities of other countries. In addition, changes in regulatory policy in the United States or in foreign countries for product approval during the period of product development and regulatory agency review of each submitted new application may cause delays or rejections.

The process of obtaining FDA and other required regulatory approvals, including foreign approvals, is expensive, often takes many years and can vary substantially based upon the type, complexity and novelty of the products involved. We are not aware of any precedent for the successful commercialization of products based on our technology. On January 26, 2006, the FDA approved the first inhaled insulin product, Exubera. This may impact the development and registration of our Technosphere Insulin System in many ways, including: the approval of Exubera may increase the difficulty of enrolling patients in our clinical trials; Exubera may be viewed as standard of care by the FDA and used as a reference for the safety/efficacy evaluations of our Technosphere Insulin System; and the approval standards set for Exubera may be applied to other products that follow including our Technosphere Insulin System. The FDA has advised us that it will regulate our Technosphere Insulin System as a combination product because of the complex nature of the system that includes the combination of a new drug (Technosphere Insulin) and a new medical device (the MedTone inhaler used to administer the insulin). The FDA indicated that the review of a future drug marketing application for our Technosphere Insulin System will involve three separate review groups of the FDA: (1) the Metabolic and Endocrine Drug Products Division; (2) the Pulmonary Drug Products Division; and (3) the Center for Devices and Radiological Health within the FDA that reviews medical devices. We currently understand that the Metabolic and Endocrine Drug Products Division will be the lead group and will obtain consulting reviews from the other two FDA groups. The FDA has not made an official final decision in this regard, however, and we can make no assurances at this time about what impact FDA review by multiple groups will have on the review and approval of our product or whether we are correct in our understanding of how the Technosphere Insulin System will be reviewed and approved.

Also, questions that have been raised about the safety of marketed drugs generally, including pertaining to the lack of adequate labeling, may result in increased cautiousness by the FDA in reviewing new drugs based on safety, efficacy, or other regulatory considerations and may result in significant delays in obtaining regulatory approvals. Such regulatory considerations may also result in the imposition of more restrictive drug labeling or marketing requirements as conditions of approval, which may significantly affect the marketability of our drug products. FDA review of our Technosphere Insulin System as a combination product therapy may lengthen the product development and regulatory approval process, increase our development costs and delay or prevent the commercialization of our Technosphere Insulin System.

We are developing our Technosphere Insulin System as a new treatment for diabetes utilizing unique, proprietary components. As a combination product, any changes to either the MedTone inhaler, the Technosphere material or the insulin, including new suppliers, could possibly result in FDA requirements to repeat certain clinical studies. This means, for example, that switching to an alternate delivery system could require us to undertake additional clinical trials and other studies, which could significantly delay the development and commercialization of our Technosphere Insulin System. Our product candidates that are currently in development for the treatment of cancer also face similar obstacles and costs.

We currently expect that our inhaler will be reviewed for approval as part of the New Drug Application, or NDA, for our Technosphere Insulin System. No assurances exist that we will not be required to obtain separate device clearances or approval for use of our inhaler with our Technosphere Insulin System. This may result in our being subject to medical device review user fees and to other device requirements to market our inhaler and may result in significant delays in commercialization. Even if the device component is approved as part of our NDA for the Technosphere Insulin System, numerous device regulatory requirements still apply to the device part of the

drug-device combination.

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Risks Related to the Notes and Our Common Stock

The effective subordination of the notes may limit our ability to satisfy our obligations under the notes.

The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our other senior unsecured indebtedness. However, the notes will be effectively subordinated in right of payment to all of our secured indebtedness, including any secured indebtedness we may incur in the future, to the extent of the value of the collateral securing such indebtedness. As of September 30, 2006, we had no outstanding secured indebtedness. The indenture governing the notes does not prohibit us from incurring secured indebtedness in the future. Consequently, in the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to us, the holders of any secured indebtedness will be entitled to proceed directly against the collateral that secures such indebtedness. Therefore, the collateral will not be available for satisfaction of any amounts owed under our unsecured indebtedness, including the notes, until the secured indebtedness is satisfied in full.

The notes also will be effectively subordinated in right of payment to all unsecured and secured liabilities of our subsidiary. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to our subsidiary, we, as an equity owner of the subsidiary, and therefore you, as holders of our debt, including the notes, will be subject to the prior claims of the subsidiary's creditors, including trade creditors and preferred equity holders. As of September 30, 2006, our subsidiary had no indebtedness (exclusive of intercompany debt, trade payables, distribution payables, accrued expenses and other liabilities). The indenture governing the notes does not prohibit our subsidiaries from incurring indebtedness in the future.

We may not have the ability to repurchase notes for cash pursuant to their terms.

In connection with a fundamental change, you may require us to repurchase all or a portion of your notes in cash. If you were to require us to repurchase your notes, we may not be able to pay the amount required in cash. Our ability to repurchase the notes is subject to our liquidity position at the time, and may be limited by law, by the indenture, and by indebtedness and agreements that we may enter into in the future which may replace, supplement or amend our existing or future debt. In addition, if we did not have sufficient cash to meet our obligations, while we could seek to obtain third-party financing to pay for any amounts due in cash upon such events, third-party financing may not be available on commercially reasonable terms, if at all. Our failure to repurchase the notes would constitute an event of default under the indenture under which we issued the notes, which might constitute an event of default under the terms of our other indebtedness at that time.

The notes contain no financial covenants, therefore, the note holders will not have protection against adverse changes in our business.

The indenture does not contain any financial covenants, restrict our ability to repurchase our securities other than the notes in accordance with their terms, pay dividends or make restricted payments or contain any covenants or other provisions to afford holders protection in the event of a transaction that substantially increases the level of our indebtedness. Furthermore, the indenture will contain only limited protections in the event of a change in control. We could also engage in many types of transactions, such as acquisitions, refinancings or recapitalizations, that could substantially affect our capital structure and the value of the notes and our common stock.

Because your right to require us to repurchase the notes is limited, the market price of the notes may decline if we enter into a transaction that is not a fundamental change under the indenture.

The term "fundamental change" is limited and may not include every event that might cause the market price of the notes to decline. The term "fundamental change" does not apply to transactions in which 90% of the consideration paid

for our common stock, excluding cash payments for fractional shares and cash payments made in respect of dissenters appraisal rights, in a merger or similar transaction is publicly traded

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common stock. Our obligation to repurchase the notes upon certain fundamental changes may not preserve the value of the notes in the event of a highly leveraged transaction, reorganization, merger or similar transaction. See Description of Notes Repurchase at Option of Holders Upon a Fundamental Change.

The make-whole premium that may be payable upon conversion in connection with certain fundamental changes may not adequately compensate you for the lost option time value of your notes as a result of such change in control.

If you convert notes in connection with certain fundamental changes, we may be required to pay a make-whole premium by increasing the conversion rate. The make-whole payment is described under Description of Notes Make-Whole Premium Upon a Fundamental Change. While the make-whole premium is designed to compensate you for the lost option time value of your notes as a result of certain fundamental changes, the make-whole amount is only an approximation of such lost value and may not adequately compensate you for such loss. In addition, in some other cases described under Description of Notes Make-Whole Premium Upon a Fundamental Change, there will be no such make-whole premium.

Conversion of the notes may dilute the ownership interest of existing stockholders.

The conversion of some or all of the notes may dilute the ownership interests of existing stockholders, including holders who have previously converted their notes. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the notes may encourage short selling by market participants, because the conversion of the notes could depress the price of our common stock.

The conversion rate of the notes may not be adjusted for all dilutive events.

The conversion rate of the notes is subject to adjustment for certain events, including, among others, the issuance of stock dividends on our common stock, the issuance of rights or warrants to acquire shares of our common stock or securities convertible into shares of our common stock, subdivisions and combinations of our common stock, dividends of our capital stock, certain cash dividends and certain tender or exchange offers. See Description of Notes Adjustment of Conversion Rate. The conversion rate will not be adjusted for other events, such as an issuance of shares of common stock for cash, that may adversely affect the trading price of the notes or our common stock. It is also possible that an event that adversely affects the value of the notes, but does not result in an adjustment to the conversion rate, could occur.

If you hold notes, you are not entitled to any rights with respect to our common stock, but you are subject to all changes made with respect to our common stock.

If you hold notes, you are not entitled to any rights with respect to our common stock, including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock, but you are subject to all changes affecting the common stock. You will only be entitled to rights on the common stock if and when we deliver shares of common stock to you in exchange for your notes and in limited cases under the anti-dilution adjustment provisions of the notes. For example, in the event that an amendment is proposed to our restated certificate of incorporation or amended and restated bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to delivery of the common stock, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers or rights of our common stock.

You may have to pay taxes with respect to distributions on our common stock that you do not receive.

The conversion rate of the notes is subject to adjustment for certain events arising from stock splits and combinations, stock dividends and other actions by us that modify our capital structure. See Description of Notes Adjustment of Conversion Rate. The conversion rate is also subject to adjustment for other events such as certain fundamental changes resulting in the payment of a make-whole premium by us. See Description of Notes Make-Whole Premium Upon a Fundamental Change. If the conversion rate is

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adjusted, under certain circumstances you may be deemed to have received a constructive dividend from us, resulting in ordinary income to you for U.S. federal income tax purposes, even though you would not receive any cash related to that adjustment and even though you might not exercise your conversion right. See Material U.S. Federal Income Tax Consequences.

An active trading market for the notes may not develop, and you may not be able to sell your notes at attractive prices or at all.

The notes are a new issue of our securities for which there is currently no public market, and no active trading market might ever develop. If the notes are traded after their initial issuance, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the price, and volatility in the price, of shares of our common stock, our performance and other factors. In addition, we do not know whether an active trading market will develop for the notes and even if one develops, that it will be maintained. To the extent that an active trading market does not develop or is maintained, the liquidity and trading prices for the notes may be harmed.

We have no plans to list the notes on a securities exchange. We have been advised by the underwriters that they presently intend to make a market in the notes. However, the underwriters are not obligated to do so. Any market-making activity, if initiated, may be discontinued at any time, for any reason or for no reason, without notice. If the underwriters cease to act as the market makers for the notes, we cannot assure you another firm or person will make a market in the notes.

The liquidity of any market for the notes will depend upon the number of holders of the notes, our results of operations and financial condition, the market for similar securities, the interest of securities dealers in making a market in the notes and other factors. An active or liquid trading market of the notes may not develop.

An adverse rating of the notes may cause their trading prices to fall.

If a rating agency rates the notes, it may assign a rating that is lower than investors' expectations. Rating agencies also may lower ratings on the notes in the future. If rating agencies assign a lower-than-expected rating or reduce, or indicate that they may reduce, their ratings in the future, the trading price of the notes could significantly decline.

We may issue additional shares of common stock and thereby materially and adversely affect the price of our notes.

We are not restricted from issuing additional shares of common stock during the life of the notes. If we issue additional shares of common stock, the price of our common stock, and in turn, the price of the notes may decline.

Our management will have broad discretion in how we use the net proceeds of this offering and the common stock offering.

We have not determined the specific allocation of the net proceeds from this offering and the concurrent common stock offering. Our management will have broad discretion over the use and investment of the net proceeds, and, accordingly, investors in this offering will need to rely upon the judgment of our management with respect to the use of proceeds, with only limited information concerning management's specific intentions. Our management may spend a portion or all of the new proceeds in ways that our securityholders may not desire or that may not yield a favorable return. The failure of our management to apply the net proceeds from this offering and the concurrent common stock offering effectively could harm our business, financial condition and results of operations.

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Our stock price is volatile and may affect the trading price of the notes.

The stock market, particularly in recent years, has experienced significant volatility particularly with respect to pharmaceutical and biotechnology stocks, and this trend may continue. The volatility of pharmaceutical and biotechnology stocks often does not relate to the operating performance of the companies represented by the stock. Our business and the market price of our common stock may be influenced by a large variety of factors, including:

the progress and results of our clinical trials;

announcements by us or our competitors concerning their clinical trial results, acquisitions, strategic alliances, technological innovations and newly approved commercial products;

the availability of critical materials used in developing and manufacturing our Technosphere Insulin System or other product candidates;

developments or disputes concerning our patents or proprietary rights;

developments in our litigation with our former Chief Medical Officer;

the expense and time associated with, and the extent of our ultimate success in, securing regulatory approvals;

changes in securities analysts' estimates of our financial and operating performance;

general market conditions and fluctuations for emerging growth and pharmaceutical market sectors;

sales of large blocks of our common stock, including sales by our executive officers, directors and significant stockholders;

discussion of our Technosphere Insulin System, our other product candidates, competitors' products, or our stock price by the financial and scientific press, the healthcare community and online investor communities such as chat rooms; and

general economic, political or stock market conditions.

Any of these risks, as well as other factors, could cause the market price of our common stock to decline.

Because the notes are convertible into shares of our common stock, volatility or depressed prices for our common stock could have a similar effect on the trading price of the notes. This may result in greater volatility in the trading price of the notes than would be expected for any non-convertible debt securities we may issue. Holders who receive our common stock upon conversion of the notes will also be subject to the risk of volatility and depressed prices of our common stock.

If other biotechnology and biopharmaceutical companies or the securities markets in general encounter problems, the market price of our common stock could be adversely affected.

Public companies in general and companies included on the Nasdaq Global Market in particular have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. There has been particular volatility in the market prices of securities of biotechnology and other

life sciences companies, and the market prices of these companies have often fluctuated because of problems or successes in a given market segment or because investor interest has shifted to other segments. These broad market and industry factors may cause the market price of our common stock to decline, regardless of our operating performance. We have no control over this volatility and can only focus our efforts on our own operations, and even these may be affected due to the state of the capital markets.

In the past, following periods of large price declines in the public market price of a company's securities, securities class action litigation has often been initiated against that company. Litigation of this type

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could result in substantial costs and diversion of management's attention and resources, which would hurt our business. Any adverse determination in litigation could also subject us to significant liabilities.

Our chairman, chief executive officer and principal stockholder can individually control our direction and policies, and his interests may be adverse to the interests of our other stockholders. After his death, his stock will be left to his funding foundations for distribution to various charities, and we cannot assure you of the manner in which those entities will manage their holdings.

Alfred E. Mann has been our primary source of financing to date. At September 30, 2006, Mr. Mann beneficially owned approximately 48.9% of our outstanding shares of capital stock. Members of Mr. Mann's family beneficially owned at least an additional 2.0% of our outstanding shares of common stock, although Mr. Mann does not have voting or investment power with respect to these shares. In addition, as part of the concurrent common stock offering, Mr. Mann is purchasing 5,750,000 shares of our common stock. By virtue of his holdings, Mr. Mann can and will continue to be able to effectively control the election of the members of our board of directors, our management and our affairs and prevent corporate transactions such as mergers, consolidations or the sale of all or substantially all of our assets that may be favorable from our standpoint or that of our other stockholders or cause a transaction that we or our other stockholders may view as unfavorable.

Subject to compliance with federal and state securities laws and the lockup restrictions described in "Underwriting - No Sales of Similar Securities," Mr. Mann is free to sell the shares of our stock he holds at any time. Upon his death, we have been advised by Mr. Mann that his shares of our capital stock will be left to the Alfred E. Mann Medical Research Organization, or AEMMRO, and AEM Foundation for Biomedical Engineering, or AEMFBE, not-for-profit medical research foundations that serve as funding organizations for Mr. Mann's various charities, including the Alfred Mann Foundation, or AMF, and the Alfred Mann Institutes at the University of Southern California and at the Technion-Israel Institute of Technology, and that may serve as funding organizations for any other charities that he may establish. The AEMMRO is a membership foundation consisting of six members, including Mr. Mann, four of his children and Dr. Joseph Schulman, the director of AMF. The AEMFBE is a membership foundation consisting of five members, including Mr. Mann and the same four of his children. Although we understand that the members of AEMMRO and AEMFBE have been advised of Mr. Mann's objectives for these foundations, once Mr. Mann's shares of our capital stock become the property of the foundations, we cannot assure you as to how those shares will be distributed or how they will be voted.

The future sale of our common stock could negatively affect our stock price.

As of September 30, 2006, and assuming the sale of 20,000,000 shares in the concurrent common stock offering, we had approximately 69,895,691 shares of common stock outstanding. Substantially all of these shares are available for public sale, subject in some cases to volume and other limitations or delivery of a prospectus. If our common stockholders sell substantial amounts of common stock in the public market, or the market perceives that such sales may occur, the market price of our common stock may decline. Furthermore, if we were to include in a company-initiated registration statement shares held by our stockholders pursuant to the exercise of their registrations rights, the sale of those shares could impair our ability to raise needed capital by depressing the price at which we could sell our common stock.

In addition, we will need to raise substantial additional capital in the future to fund our operations. If we raise additional funds by issuing equity securities, the market price of our common stock may decline and our existing stockholders may experience significant dilution.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to

replace or remove our current management.

We are incorporated in Delaware. Certain anti-takeover provisions of Delaware law and our certificate of incorporation and amended and restated bylaws, as currently in effect, may make a change of

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control of our company more difficult, even if a change in control would be beneficial to our stockholders. Our anti-takeover provisions include provisions such as a prohibition on stockholder actions by written consent, the authority of our board of directors to issue preferred stock without stockholder approval, and supermajority voting requirements for specified actions. In addition, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits stockholders owning 15% or more of our outstanding voting stock from merging or combining with us in certain circumstances. These provisions may delay or prevent the acquisition of us, even if the acquisition may be considered beneficial by some of our stockholders. In addition, they may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management.

Because we do not expect to pay dividends in the foreseeable future, you must rely on stock appreciation for any return on your investment.

We have paid no cash dividends on any of our capital stock to date, and we currently intend to retain our future earnings, if any, to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future, and payment of cash dividends, if any, will also depend on our financial condition, results of operations, capital requirements and other factors and will be at the discretion of our board of directors. Furthermore, we may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends. Accordingly, the success of your investment in our common stock will likely depend entirely upon any future appreciation. There is no guarantee that our common stock will appreciate in value after the offering or even maintain the price at which you purchased your shares, and you may not realize a return on your investment in our common stock.

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth our ratio of earnings to fixed charges for the periods indicated:

Fiscal the Year Ended December 31,					Nine Months
2001	2002	2003	2004	2005	Ended
					September 30,
					2006

Ratio of earnings to fixed charges

For the purpose of this table, earnings consist of income (loss) from continuing operations before income taxes, extraordinary items, cumulative effect of accounting changes, equity in net losses of affiliates and fixed charges and fixed charges consist of interest expense and the portion of operating lease expense that represents interest. For the fiscal years ended December 31, 2001, 2002, 2003, 2004 and 2005, and the nine months ended September 30, 2006, we had no earnings. Our earnings for those periods were insufficient to cover fixed charges by \$48.2 million, \$206.3 million, \$65.9 million, \$76.0 million, \$114.3 million and \$158.6 million, respectively.

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USE OF PROCEEDS

We estimate the net proceeds to us from the sale of the notes will be approximately \$96.8 million or \$111.3 million if the underwriters exercise their over-allotment option in full, after payment of the underwriting discount and estimated expenses of this offering. We estimate that the net proceeds from the sale of common stock in the concurrent common stock offering will be approximately \$335.8 million or \$385.4 million if the underwriters exercise their over-allotment option in full, after payment of the underwriting discount and estimated expenses of the offering at a public offering price of \$17.42 per share. Of the 20,000,000 shares of our common stock being sold in the concurrent common stock offering, the underwriters will not receive any underwriting discount with respect to the 5,776,000 shares being sold to certain of our officers and directors.

We intend to use the net proceeds to us from this note offering and of the concurrent common stock offering to fund the costs of our clinical trials programs and other research and development activities, to expand our manufacturing operations, both on-going and planned, and for general corporate purposes, including working capital and repayment of \$70.0 million in principal amount of indebtedness, plus accrued interest, owed to Alfred E. Mann pursuant to an outstanding note. This indebtedness accrues interest at the lesser of London Interbank Offered Rate plus 3% per annum and the maximum rate permissible by law, and matures one year from the date of each advance. We may also use a portion of the net proceeds to in-license, invest in or acquire businesses or technologies that we believe are complementary to our own, although we have no current plan, commitments or agreements with respect to any acquisitions as of the date of this prospectus supplement. Pending these uses, we intend to invest the net proceeds in investment-grade, interest-bearing securities. As of the date of this prospectus supplement, we cannot specify with certainty all of the particular uses for the net proceeds to us from the offerings. Accordingly, we will retain broad discretion over the use of these proceeds.

Table of Contents**CAPITALIZATION**

The following table shows our cash and cash equivalents and marketable securities and capitalization as of September 30, 2006:

on an actual basis;

on an as-adjusted basis to give effect to our issuance and sale of \$100.0 million aggregate principal amount of notes in this offering, after deducting the underwriting discount and estimated offering expenses payable by us, and (ii) the (a) receipt by us of \$20.0 million in cash that was borrowed pursuant to our loan arrangement with Alfred E. Mann after September 30, 2006 and (b) the repayment on the date of this offering of all amounts owed under our loan arrangement with Mr. Mann (\$70.0 million in principal amount of indebtedness plus approximately \$0.9 million in accrued interest); and

on a pro forma as-adjusted basis to give effect to (i) both our issuance and sale of \$100.0 million aggregate principal amount of notes in this offering and our concurrent issuance and sale of 20,000,000 shares of common stock in the common stock offering at the public offering price of \$17.42 per share, after deducting the underwriting discounts and estimated offering expenses payable by us in connection with both offerings, and (ii) the (a) receipt by us of \$20.0 million in cash that was borrowed pursuant to our loan arrangement with Alfred E. Mann after September 30, 2006 and (b) the repayment on the date of this offering of all amounts owed under our loan arrangement with Mr. Mann (\$70.0 million in principal amount of indebtedness plus approximately \$0.9 million in accrued interest).

This table should be read with our financial statements and the related notes incorporated by reference in this prospectus supplement and the accompanying prospectus.

(in thousands, except for share and per share data)	As of September 30, 2006		
	Actual	As-Adjusted (This Offering and Debt Repayment) ⁽¹⁾	Pro Forma As-Adjusted (Both Offerings and Debt Repayment) ⁽¹⁾
Cash, cash equivalents and marketable securities	\$ 50,093	\$ 95,971	\$ 431,771
Note payable to principal stockholder ⁽²⁾	50,000		
Deferred compensation and other liabilities	24	24	24
Senior convertible notes		100,000	100,000
Stockholders' equity:			
Undesignated preferred stock, \$0.01 par value, 10,000,000 shares authorized; no shares issued or outstanding			
Common stock, \$0.01 par value; 90,000,000 shares authorized; 49,895,691 shares issued and outstanding; 49,895,691 shares issued and outstanding as adjusted; 69,895,691 shares issued and outstanding pro forma as adjusted ⁽¹⁾	499	499	699
Additional paid-in capital	778,053	778,053	1,113,653

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Deficit accumulated during the development stage	(716,581)	(716,581)	(716,581)
Total stockholders' equity	61,971	61,971	397,771
Total capitalization	\$ 111,995	\$ 161,995	\$ 497,795

(1) The number of shares of common stock is based on the actual number of shares outstanding as of September 30, 2006, but excludes:

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an aggregate of 5,891,800 shares of our common stock issuable upon exercise of stock options outstanding as of September 30, 2006, having a weighted average exercise price of \$13.46 per share, of which options to purchase 2,604,125 shares were exercisable as of that date at a weighted average exercise price of \$12.46 per share;

an aggregate of 3,026,659 shares of common stock reserved for issuance upon the exercise of warrants outstanding as of September 30, 2006, with a weighted average exercise price of \$12.23 per share, all of which are exercisable as of that date;

an aggregate of 823,102 of our common stock issuable upon vesting of restricted stock units as of September 30, 2006, granted under our 2004 Equity Incentive Plan;

an aggregate of 6,300,143 shares of our common stock reserved for future issuance under our 2004 Equity Incentive Plan, 2004 Non-Employee Directors Stock Option Plan and 2004 Employee Stock Purchase Plan as of September 30, 2006; and

shares of common stock reserved for issuance upon conversion of the convertible notes concurrently being offered by us in this offering.

- (2) The amount of Note payable to principal stockholder in the Actual column reflects the \$50.0 million in principal amount outstanding as of September 30, 2006 and does not reflect the additional \$20.0 million in principal amount that has since been borrowed by us and will also be repaid with the proceeds from this offering.

Table of Contents**PRICE RANGE OF COMMON STOCK**

Our common stock is traded on the Nasdaq Global Market under the symbol MNKD. The following table sets forth, during the periods indicated, the high and low sales prices per share of our common stock, as reported on the Nasdaq Global Market:

	Common Stock Price	
	High	Low
Year Ended December 31, 2004		
Third Quarter (beginning July 28, 2004)	\$ 24.31	\$ 10.71
Fourth Quarter	\$ 20.40	\$ 14.32
Year Ended December 31, 2005		
First Quarter	\$ 16.15	\$ 11.67
Second Quarter	\$ 15.98	\$ 8.58
Third Quarter	\$ 13.94	\$ 8.42
Fourth Quarter	\$ 13.85	\$ 10.60
Year Ended December 31, 2006		
First Quarter	\$ 21.74	\$ 11.20
Second Quarter	\$ 21.74	\$ 16.42
Third Quarter	\$ 21.48	\$ 16.26
Fourth Quarter (through December 6, 2006)	\$ 21.68	\$ 15.73

The last reported sale price of our common stock on the Nasdaq Global Market on December 6, 2006 was \$17.42. As of December 5, 2006, there were approximately 204 stockholders of record of our common stock.

DIVIDEND POLICY

We have never declared or paid cash dividends. We do not anticipate declaring or paying cash dividends in the foreseeable future. Instead, we will retain our earnings, if any, for the future operation and expansion of our business.

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DESCRIPTION OF NOTES

The notes will be issued under a senior indenture and supplemental indenture between us and Wells Fargo Bank, National Association, as trustee. We refer to the supplemental indenture together with the senior indenture, as the indenture. Copies of the form of indenture and the notes will be made available to prospective investors in the notes upon request to us.

The following description is a summary of the material provisions of the notes and the indenture. It does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of the notes and the indenture, including the definitions of some terms used in these documents. Wherever particular provisions or defined terms of the indenture or form of note are referred to, these provisions or defined terms are incorporated in this prospectus supplement by reference. This description of the particular terms of the notes supplements and, to the extent inconsistent with the description of the general terms of the senior debt securities and the indenture set forth in the accompanying prospectus under Description of Debt Securities, replaces the description in the accompanying prospectus. We urge you to read the indenture and the notes because they define your rights as a holder of the notes. Capitalized terms not defined in this description have the meanings given them in the indenture. In this section, MannKind, we, our and us each refers only to MannKind Corporation and not to any existing or future subsidiary.

General

The notes are our general, unsecured, senior obligations and are convertible into our common stock as described under Conversion Rights below. The notes are limited to an aggregate principal amount of \$100,000,000 (or \$115,000,000 if the underwriter exercises its overallotment option in full) and will mature on December 15, 2013.

The notes bear interest at the rate of 3.75% per year from the date of issuance of the notes, or from the most recent date to which interest had been paid or provided for. Interest is payable semi-annually in arrears on June and December 15 of each year, commencing June 15, 2007 to holders of record at the close of business on the preceding June and December 1, respectively, except interest payable upon repurchase on a fundamental change will be paid to the person to whom principal is payable. Interest is computed on the basis of a 360-day year comprised of twelve 30-day months. Payment of cash interest on the notes will include interest accrued for the period commencing on and including the immediately preceding interest payment date (or, if none, the original issuance date) through the day before the applicable interest payment date or fundamental change purchase date, as the case may be. In the event of the maturity, conversion or purchase by us at the option of the holder of a note, interest ceases to accrue on the note under the terms of, and subject to the conditions of, the indenture.

We may pay interest by check mailed to the holder's address as it appears in the note register, provided that if the holder holds an aggregate principal amount in excess of \$2.0 million, the holder shall be paid, at the holder's written election, by wire transfer in immediately available funds. However, payments to The Depository Trust Company, New York, New York, which we refer to as DTC, in respect of notes represented by global certificates in book-entry, will be made by wire transfer of immediately available funds to the account of DTC or its nominee.

Principal is payable, and notes may be presented for conversion, registration of transfer and exchange, without service charge, at our office or the agency we designate for that purpose.

We may, without the consent of the holders, reopen the notes and issue additional notes under the indenture with the same terms and with the same CUSIP numbers as the notes offered by this prospectus in an unlimited aggregate principal amount, provided that no such additional notes may be issued unless fungible with the notes offered hereby

for U.S. federal income tax purposes. We may also from time to time repurchase the notes in open market purchases or negotiated transactions without prior notice to holders.

The indenture does not contain any financial covenants or any restrictions on the payment of dividends, the incurrence of other indebtedness, or the issuance or repurchase of securities by us. The indenture does not contain any covenants or other provisions to protect holders of the notes in the event of a

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highly leveraged transaction or a change of control, except to the extent described under **Make-Whole Premium Upon a Fundamental Change** and **Repurchase at Option of Holders Upon a Fundamental Change** below.

Ranking

The notes:

will be our general, unsecured, senior obligations and will rank equally in right of payment with our other unsecured senior debt;

will effectively rank junior in right of payment to any of our existing and future secured debt, to the extent of the value of the assets securing such debt; and

will effectively rank junior in right of payment to any existing and future debt and other liabilities of our subsidiaries, including trade payables.

As of September 30, 2006, after giving effect to this offering of notes and the use of proceeds therefrom, we would have had no outstanding secured debt, and our subsidiary would have had no outstanding liabilities to which the notes would rank effectively junior.

The terms of the supplemental indenture and the indenture under which the notes are issued do not limit our ability to incur additional debt, including secured debt.

Conversion Rights

Holder may convert their notes into shares of our common stock at any time prior to the stated maturity, unless the notes have been previously redeemed or purchased. For each \$1,000 principal amount of the notes surrendered for conversion, a holder may convert any outstanding notes into our common stock at an initial conversion rate of 44.5002 shares of our common stock per note, equal to an initial conversion price of approximately \$22.47. Upon conversion in connection with certain fundamental changes, we will pay a make-whole premium to holders of notes upon the conversion of their notes, as described below.

The conversion rate and the equivalent conversion price in effect at any given time are referred to as the applicable conversion rate and the applicable conversion price, respectively, and will be subject to adjustment as described below. A holder may convert fewer than all of such holder's notes so long as the amount of notes converted is an integral multiple of \$1,000 principal amount.

Upon conversion of a note, a holder will not receive any cash payment of interest (unless in certain circumstances such conversion occurs between a regular record date and the interest payment date to which it relates) and we will not adjust the conversion rate to account for accrued and unpaid interest. We will not issue fractional shares of common stock upon conversion of notes. Instead, we will pay cash in lieu of fractional shares based on the closing sale price of our common stock on the business day prior to the conversion date. Our delivery to the holder of the full number of shares of our common stock into which the note is convertible, together with any cash payment for such holder's fractional shares, will be deemed to satisfy our obligation to pay the principal amount of the note and our obligation to pay accrued and unpaid interest. As a result, any accrued but unpaid interest to the conversion date is deemed to be cancelled, extinguished and forfeited upon conversion. For a discussion of the tax treatment to you of receiving our common stock upon conversion, see **Material U.S. Federal Income Tax Considerations**.

If a holder converts notes, we will pay any documentary, stamp or similar issue or transfer tax due on the issuance of shares of our common stock upon the conversion, unless the tax is due because the holder requests the shares to be issued or delivered to a person other than the holder, in which case the holder will pay that tax.

If the holder holds a beneficial interest in a global note, to convert the holder must comply with DTC's procedures for converting a beneficial interest in a global note and, if required, pay funds equal to the

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interest payable on the next interest payment date to which the holder is not entitled and, if required, pay all taxes or duties, if any.

If the holder holds a certificated note, to convert the holder must:

complete and manually sign the conversion notice on the back of the note, or facsimile of the conversion notice;

deliver the conversion notice, which is irrevocable, and the note to the conversion agent;

if required, furnish appropriate endorsements and transfer documents;

if required, pay all transfer or similar taxes; and

if required, pay funds equal to interest payable on the next interest payment date to which the holder is not entitled.

The date the holder complies with these requirements is the conversion date under the indenture.

If a holder has already delivered a fundamental change purchase notice as described under **Repurchase at Option of Holders Upon a Fundamental Change** with respect to a note, however, the holder may not surrender that note for conversion until the holder has withdrawn the fundamental change purchase notice in accordance with the indenture.

Holders may surrender their notes for conversion to shares of our common stock at the applicable conversion rate at any time prior to the close of business on the business day immediately preceding the stated maturity date. The notes and the shares issuable upon conversion of the notes will be registered under the Securities Act on the date the notes are issued.

Holders of notes at the close of business on a regular record date will receive payment of interest payable on the corresponding interest payment date notwithstanding the conversion of such notes at any time after the close of business on the applicable regular record date. Notes surrendered for conversion by a holder during the period from the close of business on any regular record date to the opening of business on the next interest payment date must be accompanied by payment of an amount equal to the interest that the holder is to receive on the notes; *provided, however*, that no such payment need be made (1) if we have specified a purchase date following a fundamental change that is after a record date and on or prior to the next interest payment date, (2) only to the extent of overdue interest, if any overdue interest exists at the time of conversion with respect to such note, or (3) if conversion occurs after the last record date prior to the maturity date.

Adjustment of Conversion Rate

The applicable conversion rate will be adjusted only as described below; provided, however, that we will not make any adjustments to the conversion rate if holders of the notes participate (as a result of holding the notes, and at the same time as the common stockholders participate) in any of the transactions described below as if such holders of the notes held a number of shares of our common stock equal to the applicable conversion rate, *multiplied by* the principal amount (expressed in thousands) of notes held by such holder, without having to convert their notes.

- (1) If we issue shares of our common stock as a dividend or distribution on shares of our common stock, or if we effect a share split or share combination, the conversion rate will be adjusted based on the following formula:

$$CR = CR_x \frac{OS}{OS_0}$$

where,

CR_0 = the conversion rate in effect immediately prior to the ex-dividend date for such dividend or distribution, or the effective date of such share split or share combination, as the case may be;

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CR = the new conversion rate in effect immediately after the ex-dividend date for such dividend or distribution, or the effective date of such share split or share combination, as the case may be;

OS₀ = the number of shares of our common stock outstanding immediately prior to the ex-dividend date for such dividend or distribution, or the effective date of such share split or share combination, as the case may be; and

OS = the number of shares of our common stock outstanding immediately after such dividend or distribution, or the effective date of such share split or share combination, as the case may be.

Any adjustment made pursuant to this clause (1) shall become effective immediately on or after (x) the ex-dividend date for such dividend or distribution or (y) the date on which such split or combination becomes effective, as applicable. If any dividend or distribution described in this clause (1) is declared but not so paid or made, the new conversion rate shall be readjusted to the conversion rate that would then be in effect if such dividend or distribution had not been declared.

The ex-dividend date is the first date on which shares of our common stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question.

- (2) If we distribute to all holders of our common stock any rights or warrants entitling them to purchase, for a period of not more than 45 days after the ex-dividend date for the distribution, shares of our common stock at a price per share less than the average of the last reported sales prices of our common stock for the 10 consecutive business-day period ending on the business day preceding the ex-dividend date for such distribution, the conversion rate will be adjusted based on the following formula:

$$CR = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

CR₀ = the conversion rate in effect immediately prior to the ex-dividend date for such distribution;

CR = the new conversion rate in effect immediately prior to the ex-dividend date for such distribution;

OS₀ = the number of shares of our common stock outstanding immediately prior to the ex-dividend date for such distribution;

X = the total number of shares of our common stock issuable pursuant to such rights or warrants; and

Y = the number of shares of our common stock equal to the aggregate price payable to exercise such rights or warrants divided by the average of the last reported sale prices of our common stock over the 10 consecutive business-day period ending on the business-day immediately preceding the ex-dividend date for such distribution.

For purposes of this clause (2), in determining whether any rights or warrants entitled the holders to subscribe for or purchase our common stock at less than the applicable last reported sale prices of our common stock, and in determining the aggregate exercise or conversion price payable for such common stock, there shall be taken into account any consideration received by us for such rights or warrants and any amount payable on exercise or conversion thereof, with the value of such consideration, if other than cash, to be determined by our board of directors.

If any right or warrant described in this clause (2) is not exercised or converted prior to the expiration of the exercisability or convertibility thereof, the new conversion rate shall be readjusted to the conversion rate that would then be in effect if such right or warrant had not

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been so issued. Any adjustment made pursuant to this clause (2) shall become effective immediately after the ex-dividend date for the applicable distribution.

- (3) If we distribute shares of our capital stock, evidences of our indebtedness or other assets or property of ours to all holders of our common stock, excluding:

dividends or distributions referred to in clause (1) or (2) above;

dividends or distributions paid exclusively in cash; and

spin-offs to which the provisions set forth below in this clause (3) shall apply;

then the conversion rate will be adjusted based on the following formula:

$$CR = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR₀ = the conversion rate in effect immediately prior to the ex-dividend date for such distribution;

CR = the new conversion rate in effect immediately after the ex-dividend date for such distribution;

SP₀ = the average of the last reported sale prices of our common stock over the 10 consecutive business-day period ending on the business day immediately preceding the ex-dividend date for such distribution; and

FMV = the average of the fair market values (as determined by our board of directors) of the shares of capital stock, evidences of indebtedness, assets or property distributed with respect to each outstanding share of our common stock over the 10 consecutive business-day period ending on the business day immediately preceding the ex-dividend date for such distribution.

An adjustment to the conversion rate made pursuant to this clause (3) shall become effective immediately after the ex-dividend date for the applicable distribution.

With respect to an adjustment pursuant to this clause (3) where there has been a payment of a dividend or other distribution on our common stock or shares of capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit, which we refer to as a spin-off, the conversion rate in effect immediately before 5:00 p.m., New York City time, on the tenth business day immediately following, and including, the effective date of the spin-off will be increased based on the following formula:

$$CR = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR_0 = the conversion rate in effect immediately prior to the tenth business day immediately following, and including, the effective date of the spin-off;

CR = the new conversion rate in effect immediately after the tenth business day immediately following, and including, the effective date of the spin-off;

FMV_0 = the average of the last reported sale prices of the capital stock or similar equity interest distributed to holders of our common stock applicable to one share of our common stock over the first 10 consecutive business-day period immediately following, and including, the effective date of the spin-off; and

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MP_0 = the average of the last reported sale prices of our common stock over the first 10 consecutive business-day period immediately following, and including, the effective date of the spin-off.

The adjustment to the conversion rate under this clause (3) will occur immediately after the tenth business day immediately following, and including, the effective date of the spin-off provided that, for purposes of determining the conversion rate, in respect of any conversion during the ten business days following the effective date of any spin-off, references within the portion of this clause (3) related to spin-offs to 10 business days shall be deemed replaced with such lesser number of business days as have elapsed between the effective date of such spin-off and the relevant conversion date.

If any such dividend or distribution described in this clause (3) is declared but not paid or made, the new conversion rate shall be readjusted to be the conversion rate that would then be in effect if such dividend or distribution had not been declared.

- (4) If any cash dividend or distribution is made to all holders of our common stock, the conversion rate will be adjusted based on the following formula:

$$CR = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where,

CR_0 = the conversion rate in effect immediately prior to the ex-dividend date for such distribution;

CR = the new conversion rate in effect immediately after the ex-dividend date for such distribution;

SP_0 = the last reported sale price of our common stock on the business day immediately preceding the ex-dividend date for such distribution; and

C = the amount in cash per share we distribute to holders of our common stock.

An adjustment to the conversion rate made pursuant to this clause (4) shall become effective immediately after the ex-dividend date for the applicable dividend or distribution. If any dividend or distribution described in this clause (4) is declared but not so paid or made, the new conversion rate shall be readjusted to the conversion rate that would then be in effect if such dividend or distribution had not been declared.

- (5) If we or any of our subsidiaries make a payment in respect of a tender offer or exchange offer for our common stock, to the extent that the cash and value of any other consideration included in the payment per share of common stock exceeds the last reported sale price of our common stock on the business day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the conversion rate will be increased based on the following formula:

$$CR = CR_0 \times \frac{AC + (SP \times OS)}{OS_0 \times SP}$$

where,

CR_0 = the conversion rate in effect at the close of business on the last business day of the 10 consecutive business-day period commencing on the business day next succeeding the date such tender or exchange offer expires;

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CR = the new conversion rate in effect immediately following the last business day of the 10 consecutive business-day period commencing on the business day next succeeding the date such tender or exchange offer expires;

AC = the aggregate value of all cash and any other consideration (as determined by our board of directors) paid or payable for shares purchased in such tender or exchange offer;

OS₀ = the number of shares of our common stock outstanding immediately prior to the expiration of such tender or exchange offer;

OS = the number of shares of our common stock outstanding immediately after the expiration of such tender or exchange offer (after giving effect to the purchase or exchange of shares pursuant to such tender or exchange offer); and

SP = the average of the last reported sale prices of our common stock over the 10 consecutive business-day period commencing on the business day next succeeding the date such tender or exchange offer expires.

The adjustment to the conversion rate under this clause (5) shall become effective immediately following the tenth business day next succeeding the date such tender or exchange offer expires; provided that, for purposes of determining the conversion rate, in respect of any conversion during the ten business days following the date that any tender or exchange offer expires, references within this clause (5) to 10 business days shall be deemed replaced with such lesser number of business days as have elapsed between the date such tender or exchange offer expires and the relevant conversion date. If we or one of our subsidiaries is obligated to purchase our common stock pursuant to any such tender or exchange offer but are permanently prevented by applicable law from effecting any such purchase or all such purchases are rescinded, the new conversion rate shall be readjusted to be the conversion rate that would be in effect if such tender or exchange offer had not been made.

Except as stated herein, we will not adjust the conversion rate for the issuance of shares of our common stock or any securities convertible into or exchangeable for shares of our common stock or the right to purchase shares of our common stock or such convertible or exchangeable securities. If, however, the application of the foregoing formulas would result in a decrease in the conversion rate, no adjustment to the conversion rate will be made (except on account of share combinations).

To the extent that we have a rights plan in effect upon conversion of the notes into common stock, holders will receive, upon conversion of notes, the rights under the rights plan, unless prior to any conversion, the rights have separated from the common stock, in which case, and only in such case, the conversion rate will be adjusted at the time of separation as if we distributed to all holders of our common stock, shares of our capital stock, evidences of indebtedness or assets as described in the clause (3) above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

We will not make any adjustment to the conversion rate except as specifically set forth in this Adjustment of Conversion Rate and in Make-Whole Premium Upon a Fundamental Change. Without limiting the foregoing, the applicable conversion rate will not be adjusted:

upon the issuance of any shares of our common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan;

upon the issuance of any shares of our common stock or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program or employee

stock purchase plan of or assumed by us or any of our subsidiaries;

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upon the issuance of any shares of our common stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in the preceding bullet and outstanding as of the date the notes were first issued;

for a change in the par value of the common stock; or

for accrued and unpaid interest and additional interest, if any.

If any adjustment of the conversion rate would be less than 1% of the then effective rate, such adjustment shall be carried forward and adjustment with respect thereto made at the time of and together with any subsequent adjustment which, together with the original adjustment shall aggregate at least 1% of the then effective conversion rate; provided, however, that any carry forward amount shall be paid to the holder upon conversion regardless of the 1% threshold.

In the case of:

any recapitalization, reclassification or change of our common stock, other than changes resulting from a subdivision or combination;

a consolidation, merger or combination involving us;

a sale, conveyance or lease to another corporation of all or substantially all of our property and assets; or

any statutory share exchange,

in each case as a result of which holders of our common stock are entitled to receive stock, other securities, other property or assets (including cash or any combination thereof) (the reference property) with respect to or in exchange for our common stock, the holders of the notes then outstanding will be entitled thereafter to convert those notes into the kind and amount of shares of stock, other securities or other property or assets (including cash or any combination thereof) which they would have owned or been entitled to receive upon such business combination had such notes been converted into our common stock immediately prior to such business combination. In the event holders of our common stock have the opportunity to elect the form of consideration to be received in such business combination, the reference property will be deemed to be the weighted average of the types and amounts of consideration received by the holders of our common stock that affirmatively make such election. We will notify the holders of the weighted average as soon as practicable after such determination is made. We may not become a party to any such transaction unless its terms are consistent with the preceding. None of the foregoing provisions shall affect the right of a holder of notes to convert its notes into shares of our common stock prior to the effective date of such transaction.

If we make a distribution of property to holders of our common stock that would be taxable to them as a dividend for U.S. federal income tax purposes and the conversion rate is increased, this increase would generally be deemed to be the receipt of taxable income by U.S. holders (as defined in Material U.S. Federal Income Tax Consequences) of the notes and would generally result in withholding taxes for non-U.S. holders (as defined in Material U.S. Federal Income Tax Consequences). Because this deemed income would not give rise to any cash from which any applicable withholding tax could be satisfied, we may offset any such withholding tax applicable to non-U.S. holders against cash payments of interest payable on the notes. See Material U.S. Federal Income Tax Consequences Consequences to U.S. Holders Constructive Dividends and Consequences to Non-U.S. Holders Dividends.

We may from time to time, to the extent permitted by law, increase the conversion rate of the notes by any amount for any period of at least 20 days. In that case we will give at least 15 days notice of such increase. We may make such increase in the conversion rate, in addition to those set forth above, as our board of directors deems advisable to avoid or diminish any income tax to holders of our common stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

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Make-Whole Premium Upon a Fundamental Change

If a fundamental change, other than a fundamental change described under the third and fourth bullet points under the definition of a change of control described below under Repurchase at Option of Holders Upon a Fundamental Change, occurs, in certain circumstances, we will pay a make-whole premium upon the conversion of the notes in connection with any such transaction by increasing the conversion rate on such notes. The make-whole premium will be in addition to, and not in substitution for, any cash, securities or other assets otherwise due to holders of notes upon conversion. The make-whole premium will be determined by reference to the table below and is based on the date on which the fundamental change becomes effective, referred to as the effective date, and the price, referred to as the stock price, paid, or deemed to be paid, per share of our common stock in the transaction constituting the fundamental change, subject to adjustment as described below. If holders of our common stock receive only cash in the fundamental change, the stock price shall be the cash amount paid per share. In all other cases, the stock price shall be the average closing sale price of our common stock for the 10 trading days immediately prior to but not including the effective date.

The following table shows what the make-whole premium would be for each hypothetical stock price and effective date set forth below, expressed as additional shares of common stock per \$1,000 principal amount of notes.